Bucher Municipal A/S

Lillehøjvej 15, DK-8600 Silkeborg

Annual Report for 1 January - 31 December 2019

CVR No 20 01 00 88

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/6 2020

Per Stougaard Lovring
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Bucher Municipal A/S for the financial year 1 January - 31 December 2019.

The Annual Report is 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 at 31 December 2019 of the Company and of the results of the Company operations for 2019.

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, 24 June 2020

Executive Board

Per Stougaard Lovring Executive Officer	Per Rahbech Pedersen Executive Officer

Board of Directors

Aurelio Lemos Villanueva Chairman	Jörg Hüchting	Stefan Häni

Independent Auditor’s Report

To the Shareholder of Bucher Municipal A/S

Opinion
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.

We have audited the Financial Statements of Bucher Municipal 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 a summary of significant accounting policies (”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 Company 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 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.

Independent Auditor's Report

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 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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 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.

Aarhus, 24 June 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Nielsson
statsautoriseret revisor
mne15151

Rasmus Mellergaard Stenskrog
statsautoriseret revisor
mne34161

Company Information

The Company	Bucher Municipal A/S Lillehøjvej 15 DK-8600 Silkeborg CVR No: 20 01 00 88 Financial period: 1 January - 31 December Financial year: 23rd financial year Municipality of reg. office: Silkeborg
Board of Directors	Aurelio Lemos Villanueva, Chairman Jörg Hüchting Stefan Häni
Executive Board	Per Stougaard Lovring Per Rahbech Pedersen
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 Company is described by the following financial highlights:

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	537.932	490.295	349.071	369.169	416.641
Gross profit/loss	150.437	130.752	99.532	88.988	120.914
Operating profit/loss (EBITDA)	17.497	13.350	4.897	-3.628	36.044
Profit/loss before financial income and expenses (EBIT)	11.792	9.047	142	-10.003	30.475
Net financials	-3.441	54	-2.320	-863	-4.598
Net profit/loss for the year	6.539	7.319	-1.850	-8.472	19.559
Balance sheet					
Balance sheet total	267.572	229.961	179.803	155.045	176.918
Equity	60.010	53.727	46.457	65.370	74.096
Investment in property, plant and equipment	7.489	12.200	1.296	1.460	1.262
Number of employees	248	224	183	178	178
Ratios					
Gross margin	28,0%	26,7%	28,5%	24,1%	29,0%
Profit margin	2,2%	1,8%	0,0%	-2,7%	7,3%
Return on assets	4,4%	3,9%	0,1%	-6,5%	17,2%
Solvency ratio	22,4%	23,4%	25,8%	42,2%	41,9%
Return on equity	11,5%	14,6%	-3,3%	-12,1%	27,5%

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

Bucher Municipal A/S 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, the Company 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, Asia and Australia.

Development in the year

In 2019 Bucher Municipal A/S has realized a growth in revenue by 10 %. As in 2018, the growth is driven by the Company's core markets in Scandinavia and United Kingdom and through cooperation in the world-wide Bucher distribution network.

The growth in revenue has been realized despite a negative effect from the GBP currency exchange rate.

EBIT amounts to DKK 12 million in 2019, which is an improvement of DKK 3 million compared to 2018.

Net profit amounts to DKK 7 million in 2019, which is on par with 2018 mainly due to negative exchange rate effects and that 2018 was positively affected by dividend from a liquidated subsidiary.

Management considers the financial development in 2019 as expected when considering the factors described above.

Management's Review

Income statement

Revenue in 2019 amounts to DKK 538 million, which is the highest in the history of the Company and an increase by 10 % compared to DKK 490 million in 2018.

Gross profit in 2019 has improved to DKK 150 million compared to DKK 131 million in 2018. The increase is led by the higher sales volume compared to 2018.

Staff expenses in 2019 have increased to DKK 133 million compared to DKK 117 million in 2018. The increase is driven by continued investment in the organization to support the growth.

EBIT in 2019 has improved to DKK 12 million compared to DKK 9 million in 2018, which is an improvement of DKK 3 million.

Net profit of DKK 7 million in 2019 is on par with 2018 mainly due to negative GBP currency exchange rate effects and that 2018 was positively affected by dividend from a liquidated subsidiary.

Management considers the 2019 result as satisfactory, when considering investments in organization and capacity has been ongoing in 2019.

Balance sheet

The balance sheet amounts to DKK 268 million, which is an increase of DKK 37 million compared to 2018. The increase is mainly related to higher inventory and receivables at year end due to high sales at year end.

Particular risks

Supply Risks

The Company uses several suppliers on significant raw materials and components to mitigate the risk of being dependent of single suppliers.

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.

Management's Review

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.

Targets and expectations for 2020

The Company has had a good start to 2020 achieving both net sales and EBIT targets according to budget at the end of April 2020. However, the Company's expectations for the future will be adversely affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the effects of the outbreak, cf. also the discussion of events after the balance sheet date in note 1. However, it is too early to comment on how big the negative consequences will be for the Company's expectations.

Before the COVID-19 outbreak in 2020, the company expected net sales at the same level as 2019 but with a noticeable improvement in EBIT due to initiatives implemented in 2019.

In 2020 Bucher Municipal A/S will be merged with the sister company Beam A/S. The merger will be carried out to utilize synergies between the companies, thereby creating further value for the Company's customers and business partners.

Statement of corporate social responsibility

Bucher Municipal 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 key activities on page 7.

Risk assessment

Risk assessment is an essential part of the daily operations at Bucher Municipal 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 health, safety, environment and climate apply to the entire value chain from product development to suppliers, production and service. The production is carried out in Denmark, where the Company sets the local laws and regulations as a minimum requirement in relation to health, safety, environment and climate but also towards our suppliers.

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.

Bucher Municipal A/S has zero tolerance for all forms of bribery, corruption, extortion or embezzlement. The Company's strategic plan has an ambition on growth and expansion into new markets, therefore the corruption risk is continuously assessed. 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.

Environment and climate

Sewer cleaning units play a key role in safeguarding the environment around the world. An investment in sewer cleaning units from Bucher Municipal 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 and operating hours and decreases fuel consumption.

Bucher Municipal A/S has an ongoing focus on environment and the Company has implemented 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.

Bucher Municipal 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 results in 2019 with the environment policy have amongst others been reducing plastic in production by replacing single-use plastic cups with re-usable cups and setting up environmental monitoring on consumption in production related to fuel, electricity, water and gas.

The targets within the environment policy are the following:

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

Human rights and working conditions

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's occupational health and safety committee works to continuously improve the collaboration across functions, departments and seniority.

In 2019 Bucher Municipal A/S has implemented an occupational health and safety policy named "Our Responsibility". "Our responsibility" 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 occupational health and safety
• Following up on working environment as a management task
• Focus on well-being and employee attendance to work

Business Ethics and Compliance

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

Bucher Municipal 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.

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

Management's Review

Anti-corruption

Bucher Municipal A/S 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.

In 2019 all relevant employees have completed the compliance training and passed the following test.

Human rights

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

In 2019 all new employees have read and signed the agreement as mentioned above.

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

Bucher Municipal 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 2019 and therefore the target has been extended for another year until the end of 2020.

Management's Review

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. The Company strives to present a field of mixed gender candidates when filling an open position.

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 still underrepresented and will continue to attract women in all levels of the organization.

In 2020 the management group includes 2 female managers.

Income Statement 1 January - 31 December

	Note	2019	2018
		TDKK	TDKK
Revenue	2	**537.932**	**490.295**
Other operating income		73	145
Expenses for raw materials and consumables		-341.964	-296.599
Other external expenses		-45.604	-63.089
Gross profit/loss		**150.437**	**130.752**
Staff expenses	3	-132.943	-117.402
Operating profit/loss (EBITDA)		**17.494**	**13.350**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-5.698	-4.303
Other operating expenses		-4	0
Profit/loss before financial income and expenses (EBIT)		**11.792**	**9.047**
Income from investments in subsidiaries		0	1.348
Financial income	5	394	1.021
Financial expenses	6	-3.835	-2.315
Profit/loss before tax		**8.351**	**9.101**
Tax on profit/loss for the year	7	-1.812	-1.782
Net profit/loss for the year		**6.539**	**7.319**

Balance Sheet 31 December

Assets

	Note	2019	2018
		TDKK	TDKK
Completed development projects		631	1.588
Acquired licenses		1.151	563
Goodwill		766	1.183
Intangible assets	9	**2.548**	**3.334**
Land and buildings		17.692	18.671
Plant and machinery		6.800	5.079
Other fixtures and fittings, tools and equipment		61	101
Leasehold improvements		8.490	3.369
Property, plant and equipment in progress		671	2.931
Property, plant and equipment	10	**33.714**	**30.151**
Investments in subsidiaries	11	54	54
Deposits	12	39	39
Fixed asset investments		**93**	**93**
Fixed assets		**36.355**	**33.578**
Raw materials and consumables		26.347	25.226
Work in progress		47.233	40.447
Finished goods and goods for resale		64.372	61.050
Prepayments for goods		1.347	0
Inventories		**139.299**	**126.723**
Trade receivables		17.787	43.944
Receivables from group enterprises		70.154	22.114
Other receivables		956	2.001
Prepayments	13	3.019	1.587
Receivables		**91.916**	**69.646**
Cash at bank and in hand		**2**	**14**
Currents assets		**231.217**	**196.383**
Assets		**267.572**	**229.961**

Balance Sheet 31 December

Liabilities and equity

	Note	2019	2018
		TDKK	TDKK
Share capital		6.500	6.500
Retained earnings		40.510	47.227
Proposed dividend for the year		13.000	0
Equity		**60.010**	**53.727**
Provision for deferred tax	14	3.685	3.819
Other provisions	15	1.350	1.700
Provisions		**5.035**	**5.519**
Mortgage loans		3.381	4.543
Payables to group enterprises		55.000	40.000
Long-term debt	16	**58.381**	**44.543**
Mortgage loans	16	1.153	1.131
Credit institutions		9.506	17.385
Prepayments received from customers		4.571	3.017
Trade payables		70.292	82.992
Payables to group enterprises	16	33.697	1.233
Corporation tax		1.950	912
Other payables	17	22.977	19.502
Short-term debt		**144.146**	**126.172**
Debt		**202.527**	**170.715**
Liabilities and equity		**267.572**	**229.961**

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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	6.500	47.226	0	53.726
Fair value of hedging instruments, beginning of year	0	-218	0	-218
Fair value of hedging instruments, end of year	0	-109	0	-109
Tax on adjustment of hedging instruments for the year	0	72	0	72
Net profit/loss for the year	0	-6.461	13.000	6.539
Equity at 31 December	**6.500**	**40.510**	**13.000**	**60.010**

Notes to the Financial Statements

1 Subsequent events

The consequences of COVID-19, where many governments around the world have decided to "shut down the countries", has a large impact on the world economy. Management considers the consequences of COVID-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the Company.

A negative effect of COVID-19 will primarily occur, when there is delay in supply of critical components from subcontractors especially truck chassis. This will lead to an extension of the delivery time of the Company's products and thus result in lower net sales in 2020. At the forecast update based on Q1 2020 actuals, Management expects a decrease in net sales of approx. 20% compared to 2019. However, to some extent Management expect to be able to compensate by cost efficiency initiatives.

At this time, it is not possible to determine the magnitude of any negative impact of COVID-19.

2 Revenue

	2019 TDKK	2018 TDKK
Geographical segments		
Revenue, Denmark	124.990	145.483
Export sales, EU	288.981	288.208
Export sales, non-EU	123.961	56.604
	537.932	**490.295**
Business segments		
Sale of sewer cleaning units	483.074	441.290
Sale of spare parts and service	54.339	48.049
Other sales	519	956
	537.932	**490.295**

Notes to the Financial Statements

		2019	2018
		TDKK	TDKK
3	**Staff expenses**		
	Wages and salaries	115.685	102.236
	Pensions	14.553	12.765
	Other social security expenses	2.705	2.401
		132.943	**117.402**
	Including remuneration to the Executive Board of:		
	Executive Board	2.399	2.390
		2.399	**2.390**
	Average number of employees	**248**	**224**

4	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	1.787	1.716
	Depreciation of property, plant and equipment	3.911	2.587
		5.698	**4.303**

5	**Financial income**		
	Interest received from group enterprises	31	30
	Other financial income	363	991
		394	**1.021**

6	**Financial expenses**		
	Interest paid to group enterprises	1.219	543
	Other financial expenses	2.616	1.772
		3.835	**2.315**

Notes to the Financial Statements

7 Tax on profit/loss for the year

	2019	2018
	TDKK	TDKK
Current tax for the year	1.874	913
Deferred tax for the year	-134	938
Adjustment of tax concerning previous years	0	-83
	1.740	**1.768**
which breaks down as follows:		
Tax on profit/loss for the year	1.812	1.782
Tax on changes in equity	-72	-14
	1.740	**1.768**

8 Distribution of profit

Proposed dividend for the year	13.000	0
Retained earnings	-6.461	7.319
	6.539	**7.319**

Notes to the Financial Statements

9 Intangible assets

	Completed development projects	Acquired licenses	Goodwill	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	7.933	7.342	5.170	20.445
Additions for the year	0	1.001	0	1.001
Cost at 31 December	7.933	8.343	5.170	21.446
Impairment losses and amortisation at 1 January	6.345	6.779	3.987	17.111
Amortisation for the year	957	413	417	1.787
Impairment losses and amortisation at 31 December	7.302	7.192	4.404	18.898
Carrying amount at 31 December	**631**	**1.151**	**766**	**2.548**
Amortised over	5 years	3-7 years	5-10 years	

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

10 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	39.189	14.054	952	5.975	2.931	63.101
Additions for the year	244	3.097	0	3.477	671	7.489
Disposals for the year	0	0	-16	0	-9	-25
Transfers for the year	0	473	0	2.449	-2.922	0
Cost at 31 December	39.433	17.624	936	11.901	671	70.565
Impairment losses and depreciation at 1 January	20.518	8.975	851	2.606	0	32.950
Depreciation for the year	1.223	1.849	34	805	0	3.911
Reversal of impairment and depreciation of sold assets	0	0	-10	0	0	-10
Impairment losses and depreciation at 31 December	21.741	10.824	875	3.411	0	36.851
Carrying amount at 31 December	**17.692**	**6.800**	**61**	**8.490**	**671**	**33.714**
Depreciated over	30 years	3-7 years	3-7 years	3-15 years		

11 Investments in subsidiaries

	2019	2018
	TDKK	TDKK
Cost at 1 January	54	2.591
Disposals for the year	0	-2.537
Carrying amount at 31 December	**54**	**54**

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%	2.994	591
J. Hvidtved Larsen US Inc.	USA	100%	517	113

Notes to the Financial Statements

12 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	39
Cost at 31 December	39
Carrying amount at 31 December	**39**

13 Prepayments

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

	2019	2018
	TDKK	TDKK

14 Provision for deferred tax

Provision for deferred tax at 1 January	3.819	2.881
Amounts recognised in the income statement for the year	-62	952
Amounts recognised in equity for the year	-72	-14
Provision for deferred tax at 31 December	**3.685**	**3.819**

15 Other provisions

Warranty provisions	1.350	1.700
	1.350	**1.700**
The provisions are expected to mature as follows:		
Within 1 year	1.300	1.300
Later than 1 year	50	400
	1.350	**1.700**

The Company provides warranties of 1 year on sewer cleaning units.

Notes to the Financial Statements

16 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:

	2019	2018
	TDKK	TDKK
Mortgage loans		
After 5 years	369	1.102
Between 1 and 5 years	3.012	3.441
Long-term part	3.381	4.543
Within 1 year	1.153	1.131
	4.534	**5.674**
Payables to group enterprises		
After 5 years	0	20.000
Between 1 and 5 years	55.000	20.000
Long-term part	55.000	40.000
Other short-term debt to group enterprises	33.697	1.233
	88.697	**41.233**

17 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:

Liabilities	3.522	214

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 -3,522k. Hedge for USD sales budget in 2020 amounts to USD 1,600k.

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK

18 Contingent assets, liabilities and other financial obligations

Charges and security

Land and buildings recognised with a value of DKK 17,692k has been placed as security for mortgade debt and bank debt within credit institutes.

Rental and lease obligations

	2019 TDKK	2018 TDKK
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	4.069	3.529
Between 1 and 5 years	6.766	6.950
After 5 years	15	132
	10.850	**10.611**

Guarantee obligations

	2019 TDKK	2018 TDKK
The Company's bank has provided bank guarantees to the Company's customers of a total amount of	1.010	74
The Company's bank has provided a bank guarantees to the Company's landlord of a total amount of	609	609

Other contingent liabilities

Buy-back guarantees totalling DKK 20,950k have been provided for sewer cleaning units at 31 December 2019. At 31 December 2018 the buy-back guarantees amounted to DKK 23,911k.

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.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Bucher Industries AG	Ultimate Parent
Bucher Industries Danmark ApS	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

Bucher Municipal 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

20 Fee to auditors appointed at the general meeting

	2019 TDKK	2018 TDKK
PricewaterhouseCoopers		
Audit fee	280	291
Tax advisory services	12	15
Other services	128	25
	420	**331**

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Bucher Municipal A/S for 2019 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.

The Financial Statements for 2019 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Bucher Industries AG, ISIN: CH0002432174, the Company has not prepared consolidated financial statements.

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, ISIN: CH0002432174, the Company has 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

21 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.

Leases

Leases in terms of which the Company 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 Company.

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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Revenue

Information on business segments and geographical segments based on the Companys 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 Company.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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 Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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	3-15	years

Depreciation period and residual value are reassessed annually.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$