

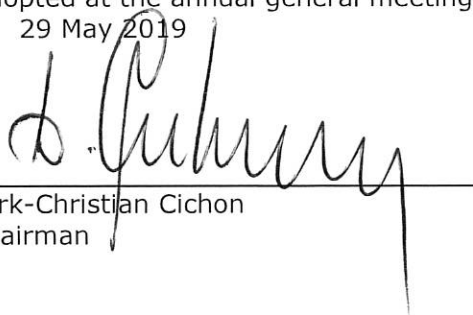
Krones Nordic ApS

Skovlytoften 33, Øverød, DK-2840 Holte

CVR no. 30 07 58 11

Annual report for 2018

Adopted at the annual general meeting
on 29 May 2019



Dirk-Christian Cichon
chairman

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Income statement 1 January - 31 December	9
Balance sheet 31 December	10
Statement of changes in equity	12
Notes to the annual report	13
Accounting policies	16

Statement by management on the annual report

The executive board has today discussed and approved the annual report of Krones Nordic ApS for the financial year 1 January - 31 December 2018.

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

In my opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Holte, 29 May 2019

Executive board


Dirk-Christian Cichon

Independent auditor's report

To the shareholder of Krones Nordic ApS

Opinion

We have audited the financial statements of Krones Nordic ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

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

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.

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 the 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.

Independent auditor's report

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on 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 Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 29 May 2019

KPMG
Statsautoriseret revisionspartnerselskab
CVR no. 25 57 81 98


Klaus Rytz
State Authorised Public Accountant
MNE no. mne33205

Company details

Krones Nordic ApS
Skovlytoften 33
Øverød
DK-2840 Holte

CVR-no.: 30 07 58 11

Financial year: 1 January - 31 December 2018

Domicile: Holte

Executive Board

Dirk-Christian Cichon

Auditors

KPMG
Statsautoriseret revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Consolidated financial statements

The company is reflected in the group report as the parent company Krones AG.

The group report of can be obtained at the following address:

Krones AG
Böhmerwaldstrasse
593073 Neutraubling
Germany

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	42,458	33,729	40,380	39,219	36,570
Profit/loss before net financials	17,692	8,128	14,710	14,275	12,632
Net financials	-6	314	493	676	1,038
Profit/loss for the year	14,103	6,572	11,840	11,421	10,305
Balance sheet total	85,976	78,897	165,572	183,081	181,800
Investment in fixed assets	148	109	0	0	0
Equity	63,755	56,152	149,580	147,740	146,319
Financial ratios					
Return on assets	21.5%	6.6%	8.4%	7.8%	7.4%
Solvency ratio	74.2%	71.2%	90.3%	80.7%	80.5%
Return on equity	23.5%	6.4%	8.0%	7.8%	7.1%
Average number of full/time employess	35	37	39	39	37

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business activities

The company's activities consist of sale and mounting of machines and plant mainly for the food and beverage industry. Production is located in the parent company.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters

The company's financial position at 31 December 2018 and the results of its operations for the financial year ended 31 December 2018 are not affected by any unusual matters.

Business review

The company's income statement for the year ended 31 December shows a profit of TDKK 14,103, and the balance sheet at 31 December 2018 shows equity of TDKK 63,755.

Management considers the company's financial performance in the year satisfactory.

Financial review

Management expects gross profit of MDKK 42 for 2019 while profit for the year is expected to be 13 MDKK

Special risks apart from generally occurring risks in industry

Financial risks

The company has no unusual risks. Large parts of the company's purchase and sale are performed in EUR.

Currency risks

The company's transactions are primarily settled in DKK and EUR where the foreign exchange risks are assessed to be low.

Research and development activities in and for reporting entity

The company has no significant research and development activities as research and development are performed by the parent company abroad.

Net profit (loss) relation to expected development assumed in previous report

This development should be compared with the company's expectations as stated in the financial statement for 2017 of a net profit for 2018 of 11 MDKK.

Management's review

Statutory report on corporate social responsibility

Policies on environment

The Krones AG group has for years been working hard to find ways to steadily reduce resource consumption and optimise materials use and continues to focus the efforts on reducing greenhouse gas emissions in the production operations. The parent company Krones AG, which accounts for the lion's share of value creation within the group and thus also generates the majority of emission, has set a target to set itself a CO2 reduction target of 30-40% per 1 mEUR in revenue by 2020, from a 2010 baseline.

Besides focus on environmental matters related to production the group also help our customers to produce their goods cost-effectively and achieve their own ambitious sustainability targets. For this purpose, Krones created the enviro sustainability programme to continually increase the environmental sustainability of our own products and the machines and systems developed under the programme are especially energy and media efficient and environmentally friendly.

Sustainability is a responsibility that runs the entire length of the value chain. Krones is a member of the UN Global Compact and is committed to its ten principles of doing business sustainably. The group actively strive to ensure that these standards upheld in all the business process and expects the same of our suppliers and other business partners.

Further details about the groups environmental matters can be found here:
https://www.krones.com/media/downloads/KRONES_NFB2018_e.pdf

Income statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Gross profit		42,458	33,729
Staff expenses	1	-24,688	-25,544
Depreciation, amortisation and impairment of property, plant and equipment		-78	-57
Profit/loss before net financials		17,692	8,128
Financial income	2	3	328
Financial expenses		-9	-14
Profit/loss before tax		17,686	8,442
Tax on profit/loss for the year	3	-3,583	-1,870
Profit/loss for the year		14,103	6,572
Distribution of profit	4		

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Assets			
Other fixtures and fittings, tools and equipment		141	157
Leasehold improve-ments		89	0
Tangible assets	5	230	157
Total non-current assets		230	157
Finished goods and goods for resale		262	305
Stocks		262	305
Trade receivables		21,534	33,203
Receivables from group entities		61,608	35,796
Other receivables		0	371
Deferred tax asset		15	19
Prepayments	6	406	235
Receivables		83,563	69,624
Cash at bank and in hand		1,921	8,811
Total current assets		85,746	78,740
Total assets		85,976	78,897

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Equity and liabilities			
Share capital		315	315
Reserves in accordance with the Articles of Association		1,600	1,600
Retained earnings		21,840	47,737
Proposed dividend for the year		40,000	6,500
Equity		63,755	56,152
Prepayments received from customers		8,682	1,134
Trade payables		6,762	5,483
Payables to group entities		1,553	12,476
Corporation tax		1,402	234
Other payables		3,822	3,418
Total current liabilities		22,221	22,745
Total liabilities		22,221	22,745
Total equity and liabilities		85,976	78,897
Subsequent events	7		
Contingent assets, liabilities and other financial obligations	8		
Related parties and ownership structure	9		

Statement of changes in equity

	Share capital	Reserves in accordance with the Articles of Association	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2018	315	1,600	47,737	6,500	56,152
Ordinary dividend paid	0	0	0	-6,500	-6,500
Net profit/loss for the year	0	0	-25,897	40,000	14,103
Equity at 31 December 2018	315	1,600	21,840	40,000	63,755

Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	22,714	23,547
Pensions	1,895	1,912
Other social security expenses	79	85
	<u>24,688</u>	<u>25,544</u>
Average number of employees	<u>35</u>	<u>37</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
2 Financial income		
Interest received from group entities	0	328
Other financial income	3	0
	<u>3</u>	<u>328</u>

3 Tax on profit/loss for the year		
Current tax for the year	3,901	1,865
Deferred tax for the year	4	5
Adjustment of tax concerning previous years	-322	0
	<u>3,583</u>	<u>1,870</u>

4 Distribution of profit		
Proposed dividend for the year	40,000	6,500
Retained earnings	-25,897	72
	<u>14,103</u>	<u>6,572</u>

Notes

5 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 January 2018	3,110	1,277	4,387
Additions for the year	47	101	148
Cost at 31 December 2018	<u>3,157</u>	<u>1,378</u>	<u>4,535</u>
Impairment losses and depreciation at 1 January 2018	2,953	1,277	4,230
Depreciation for the year	63	12	75
Impairment losses and depreciation at 31 December 2018	<u>3,016</u>	<u>1,289</u>	<u>4,305</u>
Carrying amount at 31 December 2018	<u>141</u>	<u>89</u>	<u>230</u>

6 Prepayments

Prepayments comprise prepaid expenses regarding rent and cost of goods.

7 Subsequent events

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

8 Contingent assets, liabilities and other financial obligations

The company has entered into operating lease with residual lease payments totalling TDKK 2,761 (2017: TDKK 2,364)

Further, the company has an obligation of TDKK 1,393 in relation to rental contract (2017: TDKK 2,704).

Notes

9 Related parties and ownership structure

Krones Nordic ApS' related parties comprise the following:

Controlling interest

Krones Nordic ApS, Skovlytoften 33, DK-2840 Holte

Krones AG, Böhmerwaldstrasse 5, D-93073 Neutraubling, holds the majority of the contributed capital in the company.

Krones Nordic ApS is part of the consolidated financial statements of Krones AG, Neutraubling, which is the largest group, in which the company is included as a subsidiary.

Transactions

Krones Nordic ApS has had the following related party transactions in 2018:

Sale (including commission income) to group entities: 20.816 TDKK

Purchase from group entities: 56.996 TDKK

Receivables from group entities: 61.608 TDKK

Payables to group entities: 1.553 TDKK

Consolidated financial statements

The company is reflected in the group report as the parent company Krones AG.

The group report of can be obtained at the following address:

Krones AG
Böhmerwaldstrasse
593073 Neutraubling
Germany

Accounting policies

The annual report of Krones Nordic ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in TDKK.

In accordance with Section 86 (4) of the Danish Financial Statements Act, no cash flow statement has been prepared as the parent company prepares a cash flow statement in which the cash flows of the company are included.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Accounting policies

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff expenses

Staff expenses include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

Accounting policies

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-5	years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Impairment of fixed assets

The carrying amount of tangible assets is tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

Accounting policies

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Financial highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$