

Silhorko-Eurowater A/S

Århusvej 79, Stilling, 8660 Skanderborg

CVR no. 39 17 65 13

Annual report 2017/18

Approved at the Company's annual general meeting on 29 January 2019

Chairman:


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Harry Viiala

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Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Silhorko-Eurowater A/S for the financial year 1 November 2017 - 31 October 2018.

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

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 October 2018 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 November 2017 - 31 October 2018.

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

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

Stilling, 29 January 2019

Executive Board:




Torben Buhl



Kurt Hufnagl

Board of Directors:



Harry Viiala
Chairman



Kurt Hufnagl



Steen Buhl Larsen

Independent auditor's report

To the shareholders of Silhorko-Eurowater A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Silhorko-Eurowater A/S for the financial year 1 November 2017 – 31 October 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 October 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 November 2017 – 31 October 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 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

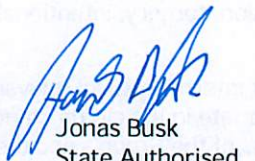
Independent auditor's report

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

Aarhus, 29 January 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jes Lauritzen
State Authorised
Public Accountant
mne10121



Jonas Busk
State Authorised
Public Accountant
mne42771

Management's review**Company details**

Name	Silhorko-Eurowater A/S
Address, zip code, city	Århusvej 79 Stilling DK-8660 Skanderborg
CVR no.	39 17 65 13
Established	9 January 1937
Registered office	Skanderborg
Financial year	1 November - 31 October
Website	www.silhorko.dk
E-mail	info@silhorko.dk
Telephone	+45 87 93 83 00
Board of Directors	Harry Viiala (Chairman) Kurt Hufnagl Steen Buhl Larsen
Executive Board	Torben Buhl Kurt Hufnagl
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 DK-8000 Aarhus C
Subsidiaries	Armacoat A/S, Denmark Eurotronic ApS, Denmark Eurotank A/S, Harlev, Denmark Eurowater AB, Sweden Eurowater AS, Norway Eurowater B.V., the Netherlands Eurowater Kft., Hungary Eurowater Ltd., Ukraine Eurowater N.V., Belgium Eurowater S.r.o., Slovakia Eurowater S.r.o., the Czech Republic Eurowater Sarl., France Eurowater Sp. z o.o., Poland Eurowater Wasseraufbereitung AG, Switzerland Eurowater Wasseraufbereitung Ges.mbH, Austria Eurowater Wasseraufbereitung GmbH, Germany Unitex Sp. z o.o., Poland

Management's review

Financial highlights for the Group

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	459,907	417,869	364,682	364,251	374,549
Operating profit before depreciation	55,667	50,596	45,670	47,971	52,211
Operating profit	45,704	40,863	36,136	38,337	42,365
Profit/loss from financial income and financial expenses	-2,483	-2,343	-3,571	-3,544	-3,494
Profit for the year	31,754	25,057	22,216	25,160	27,868
Non-current assets	72,072	70,011	72,415	72,440	75,708
Current assets	222,305	230,400	197,798	190,527	177,075
Total assets	294,377	300,411	270,213	262,967	252,783
Portion relating to investment in property, plant and equipment	-13,325	-7,856	-9,571	-7,823	-12,938
Share capital	3,000	3,000	3,000	3,000	3,000
Equity	147,806	131,492	121,995	120,992	125,128
Provisions	8,330	10,162	6,236	7,022	7,335
Non-current liabilities other than provisions	20,951	23,393	25,253	28,942	30,837
Current liabilities other than provisions	114,598	132,531	114,574	103,942	87,712
Cash flows from operating activities	31,837	33,776	33,673	37,423	26,772
Cash flows from investing activities	-12,316	-7,341	-9,780	-5,877	-8,600
Cash flows from financing activities	-17,214	-18,061	-24,354	-32,814	-21,194
Total cash flows	2,307	8,374	-461	-1,268	-3,022
Financial ratios					
Operating margin	9.9	9.8	9.9	10.5	11.3
Return on invested capital	26.4	23.9	21.5	23.7	27.8
Gross margin	12.1	12.1	12.5	13.2	13.9
Current ratio	194.0	174.1	172.6	183.3	184.7
Solvency ratio	50.2	43.7	45.1	46.0	49.5
Return on equity	22.7	19.7	18.2	20.4	23.0

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

In accordance with section 101 of the Danish Financial Statements Act the key figures and financial ratios have not been restated in 2013/14 and 2014/15 following the changes in the accounting policies concerning valuation of inventories.

Management's review

Operating review

Principal activity

The Silhorko-Eurowater A/S Group's objective is to manufacture and service water treatment plants, including global sale.

Development in activities and financial position

The Group's revenue amounted to DKK 459.9 million in 2017/18 against DKK 417.9 million in 2016/17.

During the year, a number of projects were completed in relation to treatment of drinking water and technical water to be used in the industrial sector and the utility sector.

The projects on the treatment of drinking water comprise a large number of closed pressure filter solutions that optimise water treatment processes and minimise risks of contamination of drinking water and interruptions of operation at waterworks.

The projects on treatment of technical water comprise a large number of complete water treatment solutions within a wide variety of fields of application where the solutions are focused on water and energy savings without compromising on quality and operating efficiency.

Profit for the year

Profit after tax for the year amounted to DKK 31.8 million in 2017/18 against DKK 25.0 million in 2016/17. In 2017/18, net financials showed net expenses of DKK 2.5 million compared to net expenses of DKK 2.3 million in 2016/17. The results of operation are considered satisfactory.

At 31 October 2018, equity amounted to DKK 147.8 million. In the financial statements for 2017/18, dividends of DKK 20 million have been proposed.

Research and development activities

The Group does not have any actual research activities. The products are developed and improved on an ongoing basis.

Outlook

For 2018/19, a slight increase in revenue and profit is expected.

General risks

The Group and the Parent Company have no specific risks in relation to operations.

Corporate social responsibility

Silhorko-Eurowater A/S has not yet drawn up corporate social responsibility policies, policies on human rights, environment and climate impact applicable to the entire Group.

Gender quotation

The board consist of 3 members, of which no one are women. The share of females in the Board of Directors is 0%. It is the goal to have the underrepresented gender represented in the Board of Directors. The goal is to have at least one of each gender represented in the Board of Directors within 2022. As of 31 October 2018, the Board of Directors is unchanged, and therefore we have not yet achieved measurable results. The Company has a policy of increasing the underrepresented gender in other management positions, which are defined as the Executive Board. In recruitment context, we are always looking for the best candidates. Part of the considerations include a goal to improve the qualifications and increase recruitment of the underrepresented gender. It is our intention always to have representatives from the underrepresented gender among the last candidates for executive positions, promotions, management training, etc. As of 31 October 2018, the Executive Board is unchanged, and therefore we have not yet achieved measurable results.



Management's review

Operating review

Events after the balance sheet date

No events have occurred after the balance sheet date, which may materially affect the Company's financial position.

Financial statements 1 November – 31 October

Income statement

Note	DKK'000	Consolidated		Parent company	
		2017/18	2016/17	2017/18	2016/17
2	Revenue	459,907	417,869	238,745	215,264
	Cost of sales	-176,871	-156,016	-123,755	-107,625
	Contribution margin	283,036	261,853	114,990	107,639
4	Other external costs	-48,643	-47,951	-15,484	-14,028
	Other operating income	2,596	4,071	536	852
	Staff costs:				
3	Wages and salaries	-161,349	-144,777	-73,603	-68,958
	Pensions	-5,037	-5,702	-3,458	-3,806
	Social security costs	-14,936	-16,898	-4,426	-3,158
	Operating profit before depreciation	55,667	50,596	18,555	18,541
5	Depreciation/amortisation	-9,963	-9,733	-4,071	-3,878
	Operating profit, etc.	45,704	40,863	14,484	14,663
10	Profit from subsidiaries	0	0	20,748	15,893
	Profit/Loss from other investments	41	-47	0	0
6	Financial income	1,167	686	613	381
7	Financial expenses	-3,650	-3,029	-1,880	-2,105
	Profit before tax	43,262	38,473	33,965	28,832
8	Tax on profit	-10,669	-12,507	-2,211	-3,775
	Profit for the year	32,593	25,966	31,754	25,057
	Non-controlling shareholders' share of the results in subsidiaries	-839	-909	0	0
	Silhorko-Eurowater A/S' share of profit for the year	31,754	25,057	31,754	25,057
	Proposed profit appropriation				
	Proposed dividends			20,000	15,000
	Extraordinary dividends			0	0
	Reserve for net revaluation according to the equity method			20,748	15,893
	Retained earnings			-8,994	-5,836
				31,754	25,057

Financial statements 1 November – 31 October

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2017/18	2016/17	2017/18	2016/17
	ASSETS				
	Non-current assets				
9	Intangible assets				
	Other intangible assets	200	438	157	332
	Intangible assets under construction	464	32	464	0
		<u>664</u>	<u>470</u>	<u>621</u>	<u>332</u>
9	Property, plant and equipment				
	Properties	48,189	48,455	27,344	27,547
	Operating equipment	22,668	19,715	7,530	6,198
	Property, plant and equipment under construction	0	729	0	13
		<u>70,857</u>	<u>68,899</u>	<u>34,874</u>	<u>33,758</u>
	Investments				
10	Shares in subsidiaries	0	0	93,511	89,056
	Amounts owed by subsidiaries	0	0	11,611	5,762
	Deposit	408	515	76	76
	Other investments	143	127	0	0
		<u>551</u>	<u>642</u>	<u>105,198</u>	<u>94,894</u>
	Total non-current assets	<u>72,072</u>	<u>70,011</u>	<u>140,693</u>	<u>128,984</u>
	Current assets				
	Inventories	<u>89,786</u>	<u>85,594</u>	<u>50,441</u>	<u>44,285</u>
	Receivables				
	Trade receivables	72,201	84,178	22,559	23,025
	Trade receivables, Group	0	0	14,959	29,001
	Receivables, consolidated entities	0	0	5,662	3,822
11	Contract work in progress	307	2,714	307	2,714
	Other receivables	8,698	7,462	2,345	2,606
8	Corporation tax	787	988	0	0
8	Deferred tax	1,973	1,939	0	0
	Prepayments	2,210	3,489	1,374	1,114
		<u>86,176</u>	<u>100,770</u>	<u>47,206</u>	<u>62,282</u>
	Cash	<u>46,343</u>	<u>44,036</u>	<u>78</u>	<u>9</u>
	Total current assets	<u>222,305</u>	<u>230,400</u>	<u>97,725</u>	<u>106,576</u>
	TOTAL ASSETS	<u>294,377</u>	<u>300,411</u>	<u>238,418</u>	<u>235,560</u>

Financial statements 1 November – 31 October

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2017/18	2016/17	2017/18	2016/17
		EQUITY AND LIABILITIES			
		Equity			
12	Share capital	3,000	3,000	3,000	3,000
	Revaluation reserves, properties	10,945	10,945	10,945	10,945
	Reserve for net revaluation according to the equity method	0	0	62,031	46,828
	Retained earnings	113,861	102,547	51,830	55,719
	Proposed dividends	20,000	15,000	20,000	15,000
	Equity holders' share of equity, Silhorko-Eurowater A/S	147,806	131,492	147,806	131,492
13	Non-controlling interests	2,692	2,833	0	0
	Total equity	150,498	134,325	147,806	131,492
	Provisions				
8	Deferred tax	6,621	8,099	2,281	3,805
	Other provisions	1,709	2,063	1,652	2,063
	Total provisions	8,330	10,162	3,933	5,868
	Liabilities other than provisions				
14	Non-current liabilities other than provisions				
	Mortgage debt	17,211	18,627	12,353	13,770
	Other non-current liabilities	5,380	6,179	0	0
	Lease liability	0	0	0	0
	Next year's instalment, transferred to current liabilities other than provisions	-1,640	-1,413	-1,420	-1,413
		20,951	23,393	10,933	12,357
	Current liabilities other than provisions				
	Next year's instalment on non-current liabilities other than provisions	1,640	1,413	1,420	1,413
	Bank loans and overdrafts	9,729	20,024	9,729	18,445
	Trade payables	26,346	23,164	13,433	8,775
	Trade payables, Group	0	0	1,995	1,145
11	Contract work in progress	1,122	0	1,122	0
	Amounts owed to Eurowater Holding A/S	20,766	25,305	20,766	25,305
	Other payables	33,623	36,288	11,730	13,858
	Amounts owed to subsidiaries	0	0	4,832	6,921
	Financial instruments	2,140	2,649	2,140	2,649
8	Corporation tax	1,877	2,405	0	0
8	Joint taxation contribution	4,275	2,985	4,275	3,131
	Deferred income	13,080	18,298	4,304	4,201
		114,598	132,531	75,746	85,843
	Total liabilities other than provisions	135,549	155,924	86,679	98,200
	TOTAL EQUITY AND LIABILITIES	294,377	300,411	238,418	235,560

- 1 Accounting policies
- 15 Contingent liabilities, other financial commitments and collateral
- 16 Currency and interest rate risks and use of derivative financial instruments
- 17 Related parties

Financial statements 1 November – 31 October

Statement of changes in equity

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
Equity at 1 November	131,492	121,995	131,492	121,995
Profit for the year	31,754	25,057	31,754	25,057
Dividends distributed	-15,000	-15,000	-15,000	-15,000
Adjustment of interest swap	397	643	397	643
Foreign exchange adjustment regarding subsidiaries	-837	-1,203	-837	-1,203
Equity at 31 October	147,806	131,492	147,806	131,492
Equity is specified as follows:				
Share capital at 1 November	3,000	3,000	3,000	3,000
Share capital at 31 October	3,000	3,000	3,000	3,000
Revaluation reserves, properties at 1 November	10,945	10,945	10,945	10,945
Transferred to retained earnings		0	0	0
Revaluation reserves, properties at 31 October	10,945	10,945	10,945	10,945
Reserve for net revaluation according to the equity method at 1 November	0	0	46,828	45,100
Regulation	0	0	-501	2,277
Disposal	0	0	0	0
Foreign exchange adjustments of subsidiaries' opening values	0	0	-837	-1,203
Dividends, subsidiaries	0	0	-16,115	-15,239
Profit for the year in subsidiaries	0	0	20,748	15,893
Profit/Loss for the year in subsidiaries	0	0	11,908	0
Reserve for net revaluation according to the equity method at 31 October	0	0	62,031	46,828
Retained earnings at 1 November	102,547	93,050	55,719	47,950
Regulation	0	0	501	-2,277
Changes in accounting policies	0	0	0	0
Foreign exchange adjustment	-837	-1,203	0	0
Adjustment of interest swap	397	643	397	643
Transferred from appropriation account	11,754	10,057	-8,994	-5,836
Profit/Loss for the year in subsidiaries	0	0	-11,908	0
Dividends from subsidiaries	0	0	16,115	15,239
Disposal	0	0	0	0
Transferred from revaluation reserves, properties	0	0	0	0
Retained earnings at 31 October	113,861	102,547	51,830	55,719
Proposed dividends at 1 November	15,000	15,000	15,000	15,000
Extraordinary dividends	0	0	0	0
Dividends paid	-15,000	-15,000	-15,000	-15,000
Transferred from appropriation account	20,000	15,000	20,000	15,000
Proposed dividends at 31 October	20,000	15,000	20,000	15,000
Equity at 31 October	147,806	131,492	147,806	131,492

Financial statements 1 November – 31 October

Cash flow statement (Consolidated)

Note	DKK'000	2017/18	2016/17
	Revenue	459,907	417,869
	Costs	-406,836	-371,344
	Other operating income, net	2,596	4,071
	Cash flows from operations (operating activities) before changes in working capital	55,667	50,596
	Changes in working capital	-10,129	-7,250
	Cash flows from operations (operating activities) before financial income and expenses	45,538	43,346
6	Interest received	1,167	686
7	Interest paid	-3,650	-3,029
	Cash flows from operations (ordinary activities)	43,055	41,003
8	Corporation tax paid	-11,218	-7,227
	Cash flows from operating activities	31,837	33,776
9	Acquisition of property, plant and equipment	-13,325	-7,856
9	Acquisition of intangible assets	0	-149
	Disposal of property, plant and equipment	1,009	664
	Acquisition of investments	0	0
	Cash flows from investing activities	-12,316	-7,341
	Repayment of non-current liabilities	-2,214	-1,858
	Foreign exchange adjustment of liabilities	0	-1,203
	Dividends distributed	-15,000	-15,000
	Cash flows from financing activities	-17,214	-18,061
	Net cash flows for the year	2,307	8,374
	Cash and cash equivalents at 1 November	44,036	35,662
	Cash and cash equivalents at 31 October	46,343	44,036

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Financial statements 1 November – 31 October

Notes

1 Accounting policies

The annual report of Silhorko-Eurowater A/S for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The financial statements have been prepared in accordance with the same accounting policies as last year.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Silhorko-Eurowater A/S and subsidiaries controlled by Silhorko-Eurowater A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing if the Parent Company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 November – 31 October

Notes

1 Accounting policies (continued)

The income statements and balance sheets of foreign consolidated entities are translated at the official exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue from the sale of services is recognised in the income when the services are completed and provided that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT, taxes and less discounts in relation to the sale.

Cost of sales

Cost of sales includes costs for the purchase of goods to achieve the revenue for the year. Cost of sales includes received discounts etc.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other staff costs to the employees.

Other operating income and costs

Other operating income and costs comprise items secondary to the activities of the entities.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and financial expenses

Financial income and financial expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible assets comprise licences and software. Intangible assets are measured at cost less amortisation and impairment losses and are amortised on a straight-line basis over 3-15 years.

Gains and losses on the disposal of licences are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

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

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	30-50 years
Plant and machinery	5-12 years
Fixtures and fittings, other plant and equipment	3-5 years

Depreciation is recognised in the income statement.

Minor acquisitions and repair and maintenance costs are expensed in the income statement.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries and associates

Investments in subsidiaries consist of companies in which the Group holds more than 50% of the voting rights.

Income statement

The proportionate share of the results after tax of the individual enterprises is recognised in the income statement after full elimination of intra-group profits/losses.

Balance sheet

Investments in subsidiaries and associates are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

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1 Accounting policies (continued)

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries that are expected to be adopted before the approval of the annual report of Silhorko-Eurowater A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied; see Consolidated financial statements above.

Impairment of non-current assets

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

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads. Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, usually at nominal value.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total projected income from the contract work.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

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Notes

1 Accounting policies (continued)

Individual contract work in progress is recognised in the balance sheet under either receivables or payables. Net assets represent the sum of work in progress where the sales value of the work performed exceeds progress billings. Net liabilities represent the sum of work in progress where progress billings exceed the sales price.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provision for deferred tax is recognised on temporary differences between the carrying amount and the tax value of assets at the balance sheet date. Deferred tax regarding the Company's properties is computed as the difference between cost and the tax base. Deferred tax is computed based on the existing tax rate. Changes for the year in deferred tax are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

The parent company is jointly taxed with Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

Liabilities

Financial liabilities are measured at amortised costs. Other liabilities are measured at net realisable value.

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1 Accounting policies (continued)

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise liquid funds.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Group's accounting policies, risks and internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$

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1 Accounting policies (continued)

Solvency ratio

$\frac{\text{Equity, ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Profit/loss for analytical purposes

Profit/loss from ordinary activities after tax

Return on equity

$\frac{\text{Profit/loss for analytical purposes} \times 100}{\text{Average equity}}$

2 Segment information

Geographical – secondary segment

DKK'000	Nordic countries	Rest of world	Total group
Revenue 2017/18	182,130	277,777	459,907
Revenue 2016/17	160,556	257,313	417,869

The Group operates solely in one business segment.

3 Staff costs

During the financial year, the Group had an average of 379 employees (2016/17: 356 employees) hereof 141 employed by the Parent Company (2016/17: 132 employees) and 238 employed by subsidiaries (2016/17: 224 employees).

According to section 98 b (3) of the Danish Financial Statements Act, executive remuneration is not disclosed.

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
4 Fees paid to the auditors appointed at the annual general meeting				
Total fees to Ernst & Young	381	536	271	231
Total fees to others	786	600	0	0
	1,167	1,136	271	231
Fee regarding statutory audit	407	407	140	137
Tax assistance	172	165	0	0
Assurance engagements	3	3	2	2
Other assistance	585	561	129	92
	1,167	1,136	271	231
5 Depreciation/amortisation				
Amortisation of other intangible assets, see note 9	229	270	176	176
Depreciation of properties, see note 9	1,912	1,895	1,193	1,189
Depreciation of operating equipment, see note 9	7,822	7,568	2,702	2,513
	9,963	9,733	4,071	3,878

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DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
6 Financial income				
Interest income from consolidated entities	0	0	505	352
Interest income, etc.	1,167	686	108	29
	1,167	686	613	381
7 Financial expenses				
Interest expense to Eurowater Holding A/S	588	771	588	771
Interest expense, etc.	3,062	2,258	1,292	1,334
	3,650	3,029	1,880	2,105
8 Corporation tax and deferred tax				
	Consolidated			
DKK'000	Corporation tax	Deferred tax	Total	2016/17
Balance at 1 November 2017	4,402	6,160	10,562	4,955
Paid during the financial year	-11,218	0	-11,218	-7,227
	-6,816	6,160	-656	-2,272
Deferred tax on equity entries	112	0	112	181
Tax on profit for 2017/18	12,069	-1,512	10,557	12,653
Balance at 31 October 2018	5,365	4,648	10,013	10,562
Corporation tax and deferred tax (asset)	787	1,973		
Corporation tax and deferred tax (liability)	-1,877	-6,621		
Joint tax contribution	-4,275	0		
Balance at 31 October 2018	-5,365	-4,648		
	Parent company			
DKK'000	Corporation tax	Deferred tax	Total	2016/17
Balance at 1 November 2017	3,131	3,805	6,936	6,236
Paid during the financial year	-3,131	0	-3,131	-3,256
	0	3,805	3,805	2,980
Deferred tax on equity entries	112	0	112	181
Tax on profit for 2017/18	3,735	-1,524	2,211	3,775
Regulation prior year	428	0	428	0
Balance at 31 October 2018	4,275	2,281	6,556	6,936
Corporation tax and deferred tax (asset)	0	0		
Corporation tax and deferred tax (liability)	0	-2,281		
Joint tax contribution	-4,275	0		
Balance at 31 October 2018	-4,275	-2,281		

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9 Intangible assets and property, plant and equipment

	Consolidated					Total
	Intangible assets	Properties	Operating equipment	Property, plant and equipment under construction	Intangible assets under construction	
DKK'000						
Cost at 1 November 2017	8,425	66,008	71,476	729	0	146,638
Foreign exchange adjustment at 1 November 2017	-117	-649	-883	0	464	-1,185
Additions for the year	0	2,185	11,181	0	0	13,366
Transferred	0	0	716	-716	0	0
Disposals for the year	-163	0	-3,853	-13	0	-4,029
Cost at 31 October 2018	8,145	67,544	78,637	0	464	154,790
Revaluation in previous years (additions)	0	10,945	0	0	0	10,945
Revaluation at 31 October 2018	0	10,945	0	0	0	10,945
Depreciation/amortisation at 1 November 2017	-7,987	-28,498	-51,761	0	0	-88,246
Foreign exchange adjustment at 1 November 2017	109	110	704	0	0	923
Depreciation/amortisation of assets sold	162	0	2,910	0	0	3,072
Depreciation/amortisation for the year	-229	-1,912	-7,822	0	0	-9,963
Depreciation/amortisation at 31 October 2018	-7,945	-30,300	-55,969	0	0	-94,214
Carrying amount at 31 October 2018	200	48,189	22,668	0	464	71,521
Carrying amount at 1 November 2017	438	48,455	19,715	729	32	69,369

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9 Intangible assets and property, plant and equipment (continued)

	Parent company					
	Intangible assets	Properties	Operating equipment	Property, plant and equipment under construction	Intangible assets under construction	Total
DKK'000						
Cost at 1 November 2017	6,048	36,112	23,830	13	0	66,003
Additions for the year	0	990	4,147	0	464	5,601
Disposals for the year	0	0	-617	-13	0	-630
	6,048	37,102	27,360	0	464	70,974
Revaluation (additions)	0	10,945	0	0	0	10,945
Cost at 31 October 2018	6,048	48,047	27,360	0	464	81,919
Depreciation/amortisation at 1 November 2017	-5,716	-19,510	-17,632	0	0	-42,858
Depreciation of assets sold	0	0	504	0	0	504
Depreciation/amortisation for the year	-175	-1,193	-2,702	0	0	-4,070
Depreciation/amortisation at 31 October 2018	-5,891	-20,703	-19,830	0	0	-46,424
Carrying amount at 31 October 2018	157	27,344	7,530	0	464	35,495
Carrying amount at 1 November 2017	332	27,547	6,198	13	0	34,090

10 Shares in subsidiaries, etc.

	Parent company	
	2017/18	2016/17
DKK'000		
Cost at 1 November	31,480	31,480
Additions	0	0
Disposals	0	0
Intra-group grant	0	0
Cost at 31 October	31,480	31,480
Value adjustments at 1 November	46,328	45,100
Disposals	215	0
Foreign exchange adjustment of subsidiaries' opening values	-837	-1,203
Share of profits after tax in subsidiaries	20,532	15,893
Value adjustments, additions	0	1,777
Dividends from subsidiaries	-16,115	-15,239
Value adjustments at 31 October	50,123	46,328
Carrying amount at 31 October	81,603	77,808

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10 Shares in subsidiaries, etc. (continued)

DKK'000	Parent company	
	2017/18	2016/17
Thereof recognised in shares in subsidiaries	93,511	89,056
Thereof transferred for write-down of receivables in subsidiaries	-11,908	-11,248
	81,603	77,808

Name and registered office	Stake	Share capital
		DKK'000
Armacoat A/S, Denmark	100%	500
Eurotronic ApS, Denmark	100%	200
Eurotank A/S, Harlev, Denmark	100%	510
Eurowater AB, Sweden	100%	75
Eurowater AS, Norway	100%	762
Eurowater B.V., the Netherlands	100%	134
Eurowater Kft., Hungary	60%	72
Eurowater Ltd., Ukraine	80%	133
Eurowater N.V., Belgium	100%	558
Eurowater S.r.o., Slovakia	50%	62
Eurowater S.r.o., the Czech Republic	100%	138
Eurowater Sarl., France	90%	1,451
Eurowater Sp. z o.o., Poland	80%	361
Eurowater Wasseraufbereitung AG, Switzerland	100%	344
Eurowater Wasseraufbereitung Ges.mBH, Austria	100%	379
Eurowater Wasseraufbereitung GmbH, Germany	100%	3,801
Unitex Sp. z o.o., Poland	100%	344
		9,824
Profit on the sale of minority interests		

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
11 Contract work in progress				
Selling price of work performed	20,281	28,688	20,281	28,688
Progress billings	-21,096	-25,974	-21,096	-25,974
	-815	2,714	-815	2,714
recognised as follows:				
Construction contracts (assets)	307	2,714	307	2,714
Construction contracts (liabilities)	-1,122	0	-1,122	0
	-815	2,714	-815	2,714

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12 Share capital

DKK 3,000,000 specified as follows:

Classes of shares	Denomi- nation	Number of shares
A	100,000	3
B	10,000	270

The share capital has not been subject to any changes for the past five years.

Treasury shares

DKK'000	Portion of share capital	Nominal value	Carrying amount	2017/18
Shareholding at 1 November 1996 (unchanged at 31 October 2018)	3%	90,000	0	0

DKK'000	2017/18	2016/17
13 Non-controlling interests, consolidated		
Non-controlling interests at 1 November	2,833	2,155
Additions	0	0
Disposals	-248	0
Foreign exchange adjustments of non-controlling interests' opening values	-732	-231
Share of profit for the year	839	909
	2,692	2,833

14 Non-current liabilities other than provisions, consolidated

Mortgage debt falling due later than 31 October 2023 is specified as follows:

Silhorko-Eurowater A/S	5,233	6,671
Armacoat A/S	3,720	3,955
	8,953	10,626

Non-current liabilities other than provisions, parent company

Mortgage debt falling due later than 31 October 2023 is specified as follows:

Silhorko-Eurowater A/S	5,233	6,671
	5,233	6,671

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15 Contingent liabilities, other financial commitments and collateral (Group and Parent company)

Normal performance bonds have been provided in connection with the sale of plant.

The Group has entered into operating leases with a residual liability of DKK 985 thousand, which falls due within five years.

The Company is jointly taxed with the other Danish companies in the Eurowater Group. As a wholly-owned subsidiary, the Company has, together with the jointly taxed companies, joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit. The jointly taxed entities total net liability to SKAT is stated in the financial statements of the administration company, Eurowater-Holding A/S, CVR no. 27 06 91 50. Any subsequent corrections of the joint taxation income and withholding tax, etc. may entail an increased liability for the Company.

Collateral

The following assets have been provided as collateral vis-à-vis the Group's banks:

Owner's mortgages, DKK 44,630 thousand, secured on the Group's properties with a carrying amount of DKK 48,189 thousand.

16 Currency and interest rate risks and use of derivative financial instruments (Consolidated and parent company)

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

Interest rate risks

The Group uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are rescheduled into fixed interest payments.

	2017/18				2016/17			
	Notional principal	Value adjustment recognised in equity	Fair value	Term to maturity (months)	Notional principal	Value adjustment recognised in equity	Fair value	Term to maturity (months)
DKK'000								
Interest rate swaps	24,797	397	2,140	98	24,797	643	2,649	110

The hedged cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap.

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Notes

17 Related parties (Consolidated and Parent Company)

Silhorko-Eurowater A/S' related parties comprise the following:

Control

Eurowater Holding A/S holds the majority of the share capital in the Company.

Other related parties

Furthermore, the Company's related parties comprise subsidiaries and other enterprises in which Silhorko-Eurowater A/S has investments and the companies' Boards of Directors and Executive Boards and their family members. Further, related parties comprise companies in which the above persons have substantial interests.

Transactions with related parties are specified below

DKK'000	Parent company	
	2017/18	2016/17
Sales to subsidiaries	122,382	118,496
Rent	399	399
Interests	525	473
	123,306	119,368