

Alfa Laval Copenhagen A/S

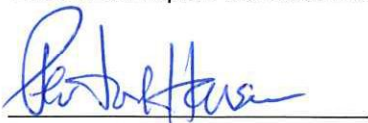
Maskinvej 5, 2860 Søborg

Company reg. no. 10 13 42 85

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 30 May 2023.

A handwritten signature in blue ink, appearing to read 'Per Lund Hansen', is written over a horizontal line.

Per Lund Hansen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Alfa Laval Copenhagen A/S for the financial year 1 January - 31 December 2022.

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

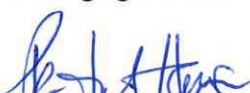
We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Søborg, 30 May 2023

Managing Director



Per Lund Hansen

Board of directors



Nainesh Mahendrakumar Patel
Chairman



Per Lund Hansen



Anne Kirstine Raun Senderovitz



John Pedersen



Angela Marita Arndt-Jensen

Independent auditor's report

To the Shareholder of Alfa Laval Copenhagen A/S

Opinion

We have audited the financial statements of Alfa Laval Copenhagen A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Independent auditor's report

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.

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

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

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 the Management's Review

Management is responsible for the 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 Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 30 May 2023

EY Godkendt Revisionspartnerselskab
Company reg. no. 30 70 02 28



Søren Skov Larsen
State Authorised Public Accountant
mne26797



Allan Nørgaard
State Authorised Public Accountant
mne35501

Company information

The company	Alfa Laval Copenhagen A/S
	Maskinvej 5
	2860 Søborg
	Company reg. no. 10 13 42 85
	Financial year: 1 January - 31 December
Board of directors	Nainesh Mahendrakumar Patel, Chairman
	Per Lund Hansen
	Anne Kirstine Raun Senderovitz
	John Pedersen
	Angela Marita Arndt-Jensen
Managing Director	Per Lund Hansen
Auditors	EY Godkendt Revisionspartnerselskab
	Dirch Passers Allé 36
	2000 Frederiksberg

Financial highlights

DKK in thousands.	2022	2021	2020	2019	2018
Income statement:					
Revenue	1.065.108	883.456	911.067	1.428.922	1.553.629
Profit from operating activities	-61.927	-50.802	-157.621	-87.422	-134.608
Net financials	-6.442	-5.768	-7.560	-8.433	-475
Net profit or loss for the year	-52.292	-43.104	-128.197	-74.811	-105.169
Statement of financial position:					
Balance sheet total	725.361	647.985	563.738	680.659	795.211
Investments in tangible fixed assets represent	26.192	13.455	13.975	12.800	16.956
Equity	60.815	83.223	86.208	114.422	47.913
Employees:					
Average number of full-time employees	450	452	480	496	491
Key figures in %:					
Profit margin (EBIT-margin)	-5,8	-5,8	-17,3	-6,1	-8,7
Solvency ratio	8,4	12,8	15,3	16,8	6,0
Return on equity	-72,6	-50,9	-127,9	-92,2	-174,1

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

No adjustments related to impact due to IFRS 15 and IFRS 16 have been made to comparative figures 2018. Further to this the Pure Ballast activity has been transferred to Alfa Laval Aalborg A/S in June 2019. The book value method has been used and no comparative figures have been adjusted in relation to this structural change.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Profit margin (EBIT margin)	$\frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$

Management's review

The below review concerns Alfa Laval as a global business.

The Alfa Laval Group is a global provider of technology, services, and digital solutions in areas such as heat transfer, separation, and hygienic fluid handling. Alfa Laval provides solutions for industries such as energy, marine and food manufacturing, as well as wastewater management, offering its expertise, products, and services to a wide range of customers worldwide. The company works to optimize processes, create responsible growth, and drive development – and always with the desire to go a little further to support customers in achieving their goals for their business and the sustainability of their operations.

Alfa Laval's innovative technologies are designed to clean, refine, and recycle materials, promoting a more responsible use of natural resources. The company's solutions contribute to improving energy efficiency, heat recovery, water consumption and wastewater management, as well as reducing CO₂e emissions. In doing so, Alfa Laval creates success not only for its customers, but also for people and the planet as a whole.

Alfa Laval's Danish companies are owned by Alfa Laval Corporate AB, which is listed on Nasdaq OMX and is headquartered in Lund. Alfa Laval products are sold in over 100 countries, more than half of which have their own sales organizations.

Alfa Laval employs approximately 20,300 people across 50 sales companies and more than 100 local service centers worldwide, with the major part in Sweden, Denmark, China, India, and North America.

Alfa Laval has five companies in Denmark with a total of 1,900 employees, primarily engaged in innovation, business development, production, marketing, and sales. The companies in Denmark are home to several of the company's global knowledge centers and therefore play a central role in the company's development activities.

A look back at 2022

The Alfa Laval Group can look back on a strong 2022. During the financial year, Alfa Laval's business units were able to show significant results towards the end of the year and specifically in relation to the overall goal of strengthening order intake, earnings, customer experience and increasing Alfa Laval's market shares.

Order intake reached an all-time high of SEK 59 billion or DKK 39 billion, corresponding to growth of 28 percent. The positive development was broad-based, with growth in virtually all end markets and countries.

The growth was primarily driven by the increased demand for environmental solutions that can streamline energy consumption and lower CO₂e emissions. In addition, 2022 saw a sharp growth in the number of new contracts for ships, which gives an indication of the company's business potential in the marine sector.

Management's review

After several years of low activity in the oil and gas sector, order intake also increased in the end markets. Finally, the service business across the company grew by 29 percent in the fourth quarter compared to the previous year.

Although rising raw material and logistics costs as well as high inflation challenged earnings, Alfa Laval delivered an operating margin of 16 percent through higher revenue, operational efficiencies, and reduced expenses. Alfa Laval's supply chains ended the year stable despite challenging circumstances. Delays due to component shortages remained at almost the same level as in 2021.

A strong demand for energy-efficient solutions has led Alfa Laval to commit to the largest investment program ever. The investment will be used to increase production capacity so that Alfa Laval can better support customers in their continued transition to sustainable energy. Overall, Alfa Laval invests SEK 4 billion or DKK 2.6 billion over the next 3-4 years.

Investments and development in Denmark

The financial year saw several different investments in Alfa Laval's Danish sites. The company continued to invest in new technology that can enable ship owners to meet the ever-increasing requirements for shipping worldwide. In 2022, Alfa Laval acquired Scanjet, a leading supplier of tank cleaning equipment on board ships. Scanjet's intelligent tank management solutions are a good contribution to Alfa Laval's sustainable solutions for shipping, ensuring a reduced consumption of water and energy for cleaning tanks on board ships.

Testing of new fuels for shipping takes place at the test and training center in Aalborg. The use of methanol as fuel is generally considered one of the solutions to reduce CO₂e-emissions from shipping. The development of new equipment designed to reduce the environmental impact of shipping takes place in close cooperation with partners and customers in the marine industry.

Alfa Laval also acquired the Desmet Group, a leader in process plants and technologies for processing edible oils and biofuels. The acquisition strengthens Alfa Laval's position within sustainable fuels and contributes to Alfa Laval's edible oils portfolio.

In Søborg, Alfa Laval inaugurated a new innovation and test center that will provide customers and Alfa Laval with a framework to test and develop the use of Alfa Laval Revos. The technology is used for concentrating beer, for example, which enables breweries worldwide to reduce the volume of their transport of finished beer by up to 80 percent by transporting only a concentrate, thus reducing the environmental impact while maintaining the full taste experience.

Also, in Søborg, the year was marked by investors visiting the site at the Alfa Laval Group's annual Capital Markets Day. CEO Tom Erixon as well as the three division presidents gave presentations on the company's key technologies, which were flanked by a display area with the technologies.

Management's review

In Søborg, Alfa Laval's Nordic service and sales company continued in 2022 to expand the Group's regional service center for separation technology by increasing capacity and adding services of a more advanced nature that cannot be implemented at the customer's premises. The service center services an increasing amount of equipment from the company's customers from all over the Nordic region and elsewhere in Northern Europe. The employees are experienced specialists with a focus on both quality and safety.

At Alfa Laval's site in Nakskov, the company experienced a significantly increased order intake of both products and systems and therefore employed 9 percent more employees. The company continued to invest in upgrading production equipment and capacity. Considering the movements in energy markets, the site shifted its energy consumption from oil to LPG (liquified petroleum gas), which emits more than 15 percent less CO₂e than oil. The company also continued its targeted efforts to reduce wastewater volumes and chemical clean-up costs following the tightening of EU chemicals legislation REACH in 2018. In 2022, 65 percent of the process water used was purified to a quality that allows delivery directly to the local municipal wastewater treatment plant via a pipeline laid by Alfa Laval in 2020. The company continues to optimize its water consumption and wastewater management.

For the company's site in Kolding, the relocation of activities from the company's factory in Eastbourne in the UK to the company's site in Kolding proved to fit well with the need to streamline to counter the impact of inflation as well as price increases on materials, energy, and transport. The overall purpose of the move is partly to optimize production and unify the products and partly to reduce the environmental footprint of the company's activities.

In July 2022, the company in Kolding also hosted more than 150 channel partners from 50 countries for the Partner Days event in Kolding. The purpose was partly to strengthen the relations between Alfa Laval and its partners and partly to align expectations and knowledge of how the company's technologies for hygienic fluid handling and heat transfer contribute to a transformation of the food industry to a more digitized, innovative, and sustainable production of food.

In 2022, Alfa Laval implemented a collaboration with Stena Recycling to find recycling for end-of-life decanters and centrifuges from customers across the Nordic region. Introduced for Alfa Laval's end-of-life heat exchangers in 2021, the scheme ensures the reuse of all metal and is a significant step towards ensuring the recycling of other end-of-life products and contributes to neutralizing Alfa Laval's CO₂e emissions by 2030.

Alfa Laval in Denmark

Alfa Laval's five companies in Denmark work together and coordinate across the country and the different areas of activity. Below is an overview of the areas of activity of the Danish companies.

Management's review

Alfa Laval Aalborg A/S

Alfa Laval Aalborg is a global center for boiler technology. The company develops, manufactures, supplies and services boilers, burners, and heat exchangers for ships worldwide. The company focuses on the development of technologies that can reduce the environmental impact of shipping. The company has a test and training center that allows customers to test marine products in lifelike conditions and surroundings with seawater from the Limfjord. Finally, the company has production facilities to produce the technology PureBallast, which is used for cleaning up ships' ballast water.

Alfa Laval Copenhagen A/S

Alfa Laval Copenhagen is located in Søborg and is characterized by development, sales and delivery of process technology, decanter centrifuges and desalination plants. In addition, Alfa Laval's food and wastewater business has its global headquarters in Søborg, just as Alfa Laval also has its global innovation and test center for decanter centrifuges in Søborg. The company's primary activities relate to product development, production, marketing, and sales worldwide in relation to selected technologies, digital solutions and services for various industries related to the energy sector, the food industry and wastewater treatment.

Alfa Laval Kolding A/S

Alfa Laval Kolding is a global center for hygienic fluid handling and tank cleaning equipment and is active in product development, production, distribution and sale of pumps, valves and tank equipment for the food industry, breweries, dairies, and pharmaceutical and cosmetic industries. The company specializes in precision control of solutions for transporting liquids of any viscosity, as well as fast cleaning and intelligent, automated control. The company has a global application and innovation center and a training center used by end customers, business partners and employees.

Alfa Laval Nakskov A/S

Alfa Laval Nakskov is a global center for membrane filtration and is responsible for all development, production and sale of membranes and advanced liquid separation systems for the biotechnological and pharmaceutical industries, the food industry, the process industry, the wastewater industry and other selected customers and applications. The company produces filters for microfiltration, nanofiltration, ultrafiltration and reverse osmosis, where separation takes place at the molecular level. The company develops and supplies MBR membranes that make wastewater treatment plants smaller, cheaper and more efficient. The company's global test center allows customers to test Alfa Laval's membrane technology on various applications.

Alfa Laval Nordic A/S

Alfa Laval Nordic A/S is the sales and service company in Denmark, which is responsible for Alfa Laval's sales and marketing of products and systems as well as sales of spare parts and services within separation, heat exchange and hygienic fluid handling in Denmark. The company is part of the Nordic sales region within Alfa Laval. This involves integrated cooperation across sales organizations in Denmark, Finland, Norway, and Sweden as well as in relation to activities in Iceland and the Faroe Islands.

Management's review

Development in activities and financial matters for Alfa Laval Copenhagen A/S

The 2022 income statement for Alfa Laval Copenhagen A/S shows a loss of DKK 52.3 m. and the company's balance sheet as of 31st of December 2022 shows an equity at DKK 60.8 m. The result before tax is a loss of DKK 68.4 m. in 2022 compared to a loss of DKK 56.6 m. in 2021. The net invoicing increased to 1,065.1 m which is mainly driven by focused efforts within especially the brewery, municipal wastewater treatment, meat by-product processing and Hydrotreated Vegetable Oil industries (biofuel).

Invoicing in 2022 increased 20% versus 2021. This is a higher increase than the expected increase of 10% as informed in annual report 2021.

However, the result for 2022 is not satisfactory and not slightly improved as expected in the annual report for 2021 due to the realized profit levels on the sales. In many areas the results are improved since 2021 to a large extend due to increased sales and profitability within the Food & water business. On the other hand, increased cost levels on raw materials due to inflation and increased freight costs have reduced earnings. It can also be noted that the company increased the expenditure level on Research and Development which had a negative impact on the result but is expected to have a positive effect on sales in the coming years.

The invoicing is distributed geographically like this:

	2022	2021
	<u>Share in %</u>	<u>Share in %</u>
Europe	56	58
Americas	32	24
Asia, Oceania and Africa	12	20
	100	100

Development in share capital

The company had a capital injection during the year as a result of a negative result. Additionally, the owner Alfa Laval Kolding A/S has made a statement of support in which full financial support is guaranteed including additional capital injections if needed, up until the publication of the company's annual report for 2023.

Unusual risks

The management's assessment is that the company is not affected by special risk besides the ones that are of common occurrence in the industry and in companies that operates worldwide under influence by many different cultures, practices and legislations.

The Danish tax authorities have taken the company's transfer pricing documentation for 2017-2020 for review. This process is ongoing and there is no conclusion yet. It is in the nature of such an audit that this in itself represents a risk of an increase in the company's tax payments for previous years. No provisions have been made for this in the annual accounts, as there is a significant uncertainty associated with predicting the outcome of this tax audit.

Management's review

Research and development activities

The company's products are developed continuously. This ongoing development and adjustment of products are made in accordance with the needs and development of the customers and industries. All expenses are booked as costs when it occurs.

In 2021 the company acquired the patent within concentrated beer technology, called Revos, and started investing in new test facilities. The test facilities were finalized during 2022 and investments amounting to DKK 5.9 m. were made. The technology can support the beer industry to be more sustainable but is also a technology that can be used to take alcohol out of beer, wine etc. which represents a big market potential.

Environmental circumstances

It is an important policy of the company to always comply fully with the environmental legislation as well as within the commonly acknowledged standards. The company does not have production that can be characterized as having a heavy impact on the environment.

Our most important contribution to a "greener" global environment springs from an increased use of our products. Our customers often use our products to reduce their environmental footprint. Moreover, we take care that our internal processes have less impact on the environment and at the same time are sustainable. We have a strong environmental focus and a systematic way of improving areas to gain maximum impact.

Report on social responsibility after The Danish Financial Statement Act § 99a

Alfa Laval's Sustainability work is based on the group's Business Principles, that are to be found here: <https://www.alfalaval.com/globalassets/documents/about-us/sustainability/the-business-principles-of-alfa-laval.pdf>

At group level a Sustainability Reporting is made annually and in addition a GRI report is made. The report for 2022 is to be found here and is the compulsory report on social responsibility after The Danish Financial Statement Act 99a:

<https://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2023/annual-report-2022-april-11.pdf>

Alfa Laval Copenhagen A/S adhere to the guidelines made by the group regarding observance of corporate social responsibility, including respect for human rights, social responsibility, and on the basis of the group policy to limit the negative climate impact as much as possible. Furthermore, there are strict demands on suppliers, so that Alfa Laval Copenhagen A/S secures, that they also show consideration for environment and health and safety.

Management's review

Report on the gender composition of management after The Danish Financial Statement act § 99b

The goal for the company is for women to make up 35 percent of the workforce by 2025, while women will fill 25 percent of all management positions. Overall, the goal is that the homogeneity of top management should be less than 70 percent.

Alfa Laval Copenhagen A/S wants a diverse and inclusive organization which creates a strong company and a good and innovative work environment. The composition of the board is determined at group level in accordance with the group's and thereby the company's general policy regarding "Alfa Laval is working to achieve equal career opportunities of for instance gender or ethnic origin". As of 31st of December 2022 there is one annual general meeting elected woman in the board of Alfa Laval Copenhagen A/S which represents 33% of the board. Therefore, management consider the objective of having gender diversity in the board of directors as met. The board members are not chosen based on their gender, but on their expertise within the industries Alfa Laval Copenhagen A/S operates within. The board will continue to observe the target figure for the under-represented gender in the selection of new board members.

The general policy also applies for the remaining management levels. Alfa Laval Copenhagen A/S regards the other management as employees with management responsibility and responsibility for instructing other employees. Alfa Laval Copenhagen A/S has recent years put focus on the recruitment phase so that the under-represented gender is taken more into account. In 2022 there has been a specific attention in the recruitment to increase number of female employees and managers. There has also been more focus on personal development for women including career planning etc. The other management consists per 31 December 2022 by 59 men and 19 women. The number of female managers has been around 25%-30% during the last years, which is also the case End-2022 where the figure is 25%. The target of 25% female managers is thus evaluated to be met.

The company has at present around more than 30 different nationalities employed among its employees in Søborg.

Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act

Alfa Laval Copenhagen A/S is working with data in alliance with the Alfa Laval Business Principles within the Compliance and Ethics Program valid for the Alfa Laval group. The headlines for working ethical around data in Alfa Laval are "Transparency" and "Trust". Working transparent and trustworthy with protection of personal data, safeguarding confidential business data, reporting financial data honestly and protection of Alfa Laval's assets. Policies and guidelines for working with data are in place.

Alfa Laval Copenhagen A/S is working with several types of data such as personal data, confidential business information - such as technical, financial and data about employees, customers, and business partners. For Alfa Laval data is a valuable asset and treated in a secure and confidential way. Use of new technologies are only used if in line with internal principles, policies, and guidelines.

Employees are trained in working with data securely and in compliance with relevant legislations.

Management's review

Events after the closing date

The current geopolitical situation generates a high level of uncertainty. Specific industries, customers and suppliers can be affected by the situation in Ukraine, increasing interest rates, pressure on prices, complex supply chain situation to mention some of the important changes globally. The current situation seems under control, but macroeconomic factors can impact future customer investments in production plants and thereby the demand for Alfa Laval equipment. Also, the potential impact on suppliers and supply chain is notable.

No other circumstances that may have a significant impact on the assessment of the company's financial position as of 31st of December 2022 have occurred.

Expected development 2023

The order backlog going into 2022 is high and the activity level is showing positive signals for future orders. Alfa Laval's products support the global sustainable transition and holds a strong market position. However, the current global geopolitical environment and associated financial situation implies a high uncertainty when it comes to predicting the outlook for 2023. Invoicing is expected to increase about 10-15% which will improve the result. The result after tax is expected to be around DKK - 25 m.

Income statement 1 January - 31 December

DKK thousand.

Note	2022	2021
2 Revenue	1.065.108	883.456
Production costs	-899.332	-723.744
Gross profit	165.776	159.712
Distribution costs	-312.954	-295.440
Administration costs	-77.952	-70.217
Other operating income	248.644	229.082
Other operating costs	-85.441	-73.939
Operating profit or loss	-61.927	-50.802
4 Other financial income	2.937	4.497
5 Other financial costs	-9.379	-10.265
Profit/loss before tax	-68.369	-56.570
6 Tax on net profit or loss for the year	16.077	13.466
7 Net profit or loss for the year	-52.292	-43.104

Balance sheet at 31 December

DKK thousand.

Assets			
<u>Note</u>		<u>2022</u>	<u>2021</u>
Non-current assets			
8	Licenses, trademarks, patents etc.	52.577	57.080
	Total intangible assets	52.577	57.080
9	Land and property	74.878	67.657
9	Production plant and machinery	6.101	3.741
9	Other plants, operating assets, and fixtures and furniture	20.687	20.547
9	Property, plant, and equipment under construction and prepayments for property, plant, and equipment	3.997	4.098
	Total property, plant, and equipment	105.663	96.043
	Total non-current assets	158.240	153.123
Current assets			
	Raw materials and consumables	44.292	81.820
	Work in progress	6.575	8.214
	Manufactured goods and goods for resale	3.052	2.842
	Total inventories	53.919	92.876
	Trade receivables	10.217	20.401
10	Contract work in progress	184.227	123.062
	Receivables from group enterprises	232.906	202.088
11	Deferred tax assets	323	2.867
	Income tax receivables	18.772	17.500
	Other receivables	17.299	17.890
12	Prepayments	49.430	18.101
	Total receivables	513.174	401.909
	Cash	28	77
	Total current assets	567.121	494.862
	Total assets	725.361	647.985

Balance sheet at 31 December

DKK thousand.

Equity and liabilities			
Note		2022	2021
Equity			
13	Share capital	74.008	74.007
	Hedging reserve	0	102
	Retained earnings	-13.193	9.114
	Total equity	60.815	83.223
Provisions			
14	Other provisions	58.021	55.445
	Total provisions	58.021	55.445
Long term liabilities other than provisions			
	Lease liabilities	26.353	20.964
15	Total long term liabilities other than provisions	26.353	20.964
15	Current portion of long term liabilities	9.184	8.611
	Bank debts	151	0
10	Prepayments received from customers concerning work in progress for the account of others	119.491	33.203
	Trade payables	69.443	55.060
	Payables to group enterprises	307.054	299.875
	Other payables	74.849	91.604
	Total short term liabilities other than provisions	580.172	488.353
	Total liabilities other than provisions	606.525	509.317
	Total equity and liabilities	725.361	647.985
1 Disclosures on fair value			
3 Employee costs			
16 Guaranties and securities			
17 Contingencies			
18 Related parties			

Statement of changes in equity

DKK thousand.

	Contributed capital	Hedging reserve	Retained earnings	Total
Equity 1 January 2022	74.007	102	9.114	83.223
Cash capital increase	1	0	29.999	30.000
Profit or loss for the year brought forward	0	0	-52.292	-52.292
Fair value adjustments of hedging instruments for the year	0	-116	0	-116
Transfer	0	14	-14	0
	74.008	0	-13.193	60.815

Notes

DKK thousand.

1. Disclosures on fair value

	Derived financial instruments
Fair value at 31 December 2022	31
Change in fair value of the year recognised in the equity	-116

	2022	2021
2. Revenue		
Proces Technology	1.037.634	879.539
Marine & Diesel	27.474	3.917
	1.065.108	883.456
 Geographical areas		
Europe	558.255	479.087
America	363.905	214.838
Asia	92.894	143.098
Oceania & Africa	50.054	46.433
	1.065.108	883.456

Notes

DKK thousand.

	2022	2021
3. Employee costs		
Salaries and wages	340.097	342.589
Pension costs	30.805	30.634
Other costs for social security	4.619	3.560
	375.521	376.783
Staff costs are recognised as follows in the income statement:		
Production costs	55.788	66.304
Distribution costs	274.991	267.692
Administration costs	44.742	42.787
	375.521	376.783
Average number of employees	450	452
Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, management remuneration is not disclosed. No remuneration has been paid to the supervisory board.		
4. Other financial income		
Interest, group enterprises	219	4
Other interest and exchange differences	2.718	4.493
	2.937	4.497
5. Other financial costs		
Financial costs, group enterprises	4.426	3.435
Other financial costs	4.953	6.830
	9.379	10.265
6. Tax on net profit or loss for the year		
Tax of the results for the year	-18.740	-17.533
Adjustment for the year of deferred tax	2.544	4.721
Other taxes	119	-654
	-16.077	-13.466

Notes

DKK thousand.

	<u>2022</u>	<u>2021</u>
7. Proposed distribution of net profit		
Allocated from retained earnings	<u>-52.292</u>	<u>-43.104</u>
Total allocations and transfers	<u>-52.292</u>	<u>-43.104</u>
 8. Licenses, trademarks, patents etc.		
Cost 1 January 2022	67.993	35.077
Additions during the year	1.487	32.916
Disposals during the year	<u>-8.096</u>	<u>0</u>
Cost 31 December 2022	<u>61.384</u>	<u>67.993</u>
 Amortisation and writedown 1 January 2022	-10.913	-8.215
Amortisation for the year	-5.990	-2.698
Depreciation, amortisation and writedown for the year, assets disposed of	<u>8.096</u>	<u>0</u>
Amortisation and writedown 31 December 2022	<u>-8.807</u>	<u>-10.913</u>
 Carrying amount, 31 December 2022	<u>52.577</u>	<u>57.080</u>

Notes

DKK thousand.

9. Property, plant and equipment

	Land and property	Production plant and machinery	Other plants, operating assets, and fixtures and furniture	Property, plant and equipment under construction
Cost 1 January 2022	169.052	15.582	42.796	4.098
Additions during the year	19.551	3.047	3.695	3.997
Disposals during the year	-30.983	-1.692	-2.663	-4.098
Cost 31 December 2022	157.620	16.937	43.828	3.997
Revaluation 1 January 2022	3.500	0	0	0
Revaluation 31 December 2022	3.500	0	0	0
Depreciation and writedown 1 January 2022	104.894	11.840	22.250	0
Depreciation for the year	10.124	680	3.554	0
Depreciation, amortisation and writedown for the year, assets disposed of	-28.777	-1.684	-2.663	0
Depreciation and writedown 31 December 2022	86.241	10.836	23.141	0
Carrying amount, 31 December 2022	74.879	6.101	20.687	3.997
Right of use assets are included with a carrying amount of	31.918		2.868	
Depreciation for the year on right of use assets	8.634		1.200	

Notes

DKK thousand.

	31/12 2022	31/12 2021
Depreciation and amortisation is distributed as follows		
Production	4.062	331
Distribution	5.712	5.175
Administration	10.574	10.293
	<u>20.348</u>	<u>15.799</u>
10. Contract work in progress		
Sales value of the production of the period	540.733	468.410
Progress billings	<u>-475.997</u>	<u>-378.551</u>
Contract work in progress, net	<u>64.736</u>	<u>89.859</u>
The following is recognised:		
Contract work in progress (Current assets)	184.227	123.062
Contract work in progress (Prepayments received)	<u>-119.491</u>	<u>-33.203</u>
	<u>64.736</u>	<u>89.859</u>
11. Deferred tax assets		
Deferred tax assets 1 January 2022	2.867	7.588
Deferred tax of the results for the year	<u>-2.544</u>	<u>-4.721</u>
	<u>323</u>	<u>2.867</u>
The following items are subject to deferred tax:		
Intangible assets	-2.722	-2.111
Property, plant, and equipment	-70	540
Current assets	1.908	1.016
Provisions	1.009	3.220
Leases	198	202
	<u>323</u>	<u>2.867</u>
12. Prepayments		
Prepayments consists of prepaid costs, regarding 2023.		

Notes

DKK thousand.

	31/12 2022	31/12 2021
13. Share capital		
Share capital 1 January 2022	74.007	74.006
Cash capital increase	<u>1</u>	<u>1</u>
	74.008	74.007

The share capital consists of 74.006 shares, each with a nominal value of DKK 1.

Change in contributed capital last 5 years:

Capital increase 2022	1
Capital increase 2021	1
Capital increase 2020	1
Capital increase 2019	1
Capital increase 2018	1

14. Other provisions

Warranty obligations	25.279	33.008
Provision for losses on work in progress for the account of others	<u>32.742</u>	<u>22.437</u>
	58.021	55.445
Maturity is expected to be:		
0-1 years	55.454	52.538
1-5 years	<u>2.567</u>	<u>2.907</u>
	58.021	55.445

15. Liabilities other than provisions

	Total payables 31 Dec 2022	Current portion of long term payables	Long term payables 31 Dec 2022	Outstanding payables after 5 years
Lease liabilities	<u>35.537</u>	<u>9.184</u>	<u>26.353</u>	<u>0</u>
	35.537	9.184	26.353	0

Leasing liabilities have a interest of 1,75 - 2,00 %.

Notes

DKK thousand.

16. Guaranties and securities

Guarantees have been provided to customers for security of payments and contractual execution of signed sales contracts of DKK 3.2 million (2021: DKK 24.8 million).

The company has entered into forward exchange contracts in foreign currency to hedge commercial currency allocations, corresponding to a purchase value of DKK -8.6 million (2021: DKK -6.8 million). At the balance sheet date, the contracts have a fair value before tax of DKK 41 thousand (2021: DKK 188 thousand). For the year a loss after tax of DKK 116 thousand is recognized (2021: DKK 119 thousand).

17. Contingencies

Contingent liabilities

	31/12 2022	31/12 2021
	t.kr.	t.kr.
Lease liabilities	1.291	2.609
Total contingent liabilities	1.291	2.609

Lease liabilities comprise of minor and short term lease.

Joint taxation

With Alfa Laval Kolding A/S, company reg. no 30938011 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

18. Related parties

Controlling interest

Related parties with controlling interest include the parent company Alfa Laval Kolding A/S, Albuen 31, Kolding, Denmark and ultimate parent Alfa Laval Corporate AB, Rudeboksvägen 1, Lund, Sweden. Other related parties are also consolidated entities in the Alfa Laval Group.

Notes

DKK thousand.

Transactions

In addition to the payment of ordinary executive fees, there have been no transactions with the company's management.

The company purchases a significant proportion of goods and services for the company's sales from other group entities. The company also sells a significant portion of its products through group entities.

Primary related group transactions:

	2022 t.kr.	2021 t.kr.
Sales to parent company	91	56
Sales to other group entities	932.482	828.315
Royalty	151.256	112.143
Purchases from parent company	67.709	19.076
Purchases from other group entities	332.920	379.510

Consolidated financial statements

Alfa Laval Copenhagen A/S is included in the consolidated financial statements of Alfa Laval AB, Sweden, which is the largest in which the company is a subsidiary. The consolidated annual report can be obtained at the group headquarters, Rudeboksvägen 1, Lund, Sweden or at www.alfalaval.com.

Accounting policies

The annual report for Alfa Laval Copenhagen A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Some adjustments have been made in the comparative figures.

Pursuant to section 86(4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Alfa Laval Corporate AB, Lund, Sweden.

Pursuant to section 96(3) of the Danish Financial Statements Act, the financial statements do not disclose information about fees to the auditor appointed at the annual general meeting. The fees are disclosed in the consolidated financial statements of Alfa Laval Corporate AB, Lund, Sweden.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Intercompany transfer of activities

Pure Ballast activity has been transferred in June 2019 to Alfa Laval Aalborg A/S at net booked value. The book-value method was used at the transfer.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Accounting policies

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the fair value of the hedged asset or the hedged liability.

Income statement

Segmental statement

Information on activity and geographical markets is provided. The segment information follows the accounting policies for the group, risks and internal financial controlling.

Revenue

The company will be applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Revenue from service contracts is recognised on a linear basis over the period during which the service is performed.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

Accounting policies

Production costs

Production costs include the manufacturing and procurement costs incurred to achieve the revenue for the year. Direct and indirect manufacturing costs are recognized, including costs for raw materials and consumables, wages and salaries, energy consumption, maintenance, leasing and depreciation on production facilities, with adjustments for changes in finished goods inventories and work in progress.

Distribution costs

Distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year. Also, costs concerning sales staff, advertising and exhibitions costs, and amortisations.

Administration costs

Administration costs comprise expenses incurred during the year concerning management and administration, including expenses concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

Cost of sales

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income

Other operating income comprises items of a secondary nature as regards the principal activities of the company, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the company, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Accounting policies

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Licenses, trademarks and similar rights

Licenses, trademarks and similar rights are measured at cost with deduction of accrued amortisation. Trademarks and similar rights are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Property, plant, and equipment

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

Accounting policies

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	10-40 years
Plant and machinery	7-15 years
Other fixtures and fittings, tools and equipment	3-15 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Property, plant, and equipment under construction

Property, plant, and equipment under construction are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Right-of-use assets

The company will be applying IFRS 16 as its basis of interpretation for the recognition of classification and recognition of leases.

Leases pertaining to property, plant, and equipment for which the company has the right-of-use are recognised in the statement of financial position as right-of-use assets. The assets are, at initial recognition, measured at imputed cost, consisting of:

- The imputed lease liability
- Any lease payments paid prior to – or on – the starting date, less any lease incentives received
- Any direct start-up costs
- Any restoring costs

Hereafter, recognised leased assets are treated like the company's remaining property, plant, and equipment.

Accounting policies

Lease liabilities are recognised in the statement of financial position as liabilities other than provision and are measured, at initial recognition, at the present value of lease payments payable over the lease term. This includes a purchase option in the event that the company expects to purchase the right-of-use asset. When determining the present value, the internal rate of return or, alternatively, the enterprise's borrowing rate is applied as discount rate.

Hereafter, the lease liability is treated like the remaining financial liabilities, i.e. at amortised cost.

The interest element of the lease payments is recognised in the income statement over the contractual term.

The following leases are not recognised as assets and liabilities in the statement of financial position:

- Leases with a duration of twelve months or less (short leases)
- Leases where the replacement value of the asset is less than DKK 30,000. (low-value assets)

For such leases, the lease payment is recognised in the income statement as an expense on a linear basis over the lease term.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Accounting policies

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Contract work in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an evaluation of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

When it is probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

If the results of a contract can not be estimated reliably, the selling price is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Accounting policies

Contracts for which the selling price of the work performed exceeds invoicing on account and expected losses are recognised as trade debtors. Contracts for which invoicing on account and expected losses exceed the selling price are recognised as liabilities.

Prepayments from customers are recognised under liabilities.

Costs in connection with sales work and the achievement of contracts are recognised in the income statement when incurred.

Prepayments

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash

Cash comprise cash at bank and on hand.

Equity

Share capital

Share capital comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Reserve for hedging transactions

The reserve for hedging transactions arises when hedging instruments are subject to fair value adjustments.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

Accounting policies

According to the rules of joint taxation, Alfa Laval Copenhagen A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Other provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Liabilities

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.