



Alfa Laval Aalborg A/S

Annual report 2020

The annual report was presented and approved at the
Company's annual general meeting

on _____ 2021 _____

Jan Alde
chairman

Alfa Laval Aalborg A/S
Gasværksvej 21
DK-9000 Aalborg
Tel.: +45 99 30 40 00
www.alfalaval.com

CVR no. 17 83 06 35

Alfa Laval Aalborg A/S

Annual report 2020



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Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Alfa Laval Aalborg A/S for the financial year 1 January – 31 December 2020.

The annual report has been 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 2020 and of the results of its operations for the financial year 1 January – 31 December 2020.

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

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

Aalborg, 25 May 2021

Executive Board:

A handwritten signature in blue ink, appearing to read 'Søren Hjorth Krarup', written over a horizontal line.

Søren Hjorth Krarup

Board of Directors:

A handwritten signature in blue ink, appearing to read 'Jan Lennart Allde', written over a horizontal line.

Jan Lennart Allde
Chairman

A handwritten signature in blue ink, appearing to read 'Søren Hjorth Krarup', written over a horizontal line.

Søren Hjorth Krarup

A handwritten signature in blue ink, appearing to read 'Emma Rebecka Matilda Adlerton', written over a horizontal line.

Emma Rebecka Matilda Adlerton

A handwritten signature in blue ink, appearing to read 'Lars Skytte Jørgensen', written over a horizontal line.

Lars Skytte Jørgensen

A handwritten signature in blue ink, appearing to read 'Jacob Nørgaard', written over a horizontal line.

Jacob Nørgaard

A handwritten signature in blue ink, appearing to read 'Tina Sørensen', written over a horizontal line.

Tina Sørensen



Independent auditor's report

To the shareholder of Alfa Laval Aalborg A/S

Opinion

We have audited the financial statements of Alfa Laval Aalborg A/S for the financial year 1 January – 31 December 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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' 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 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.

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.



Independent auditor's report

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.

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.

Aalborg, 25 May 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink that reads 'Hans B. Vistisen'.

Hans B. Vistisen
State Authorised Public Accountant
mne23254

A handwritten signature in blue ink that reads 'Chris Mark'.

Chris Mark
State Authorised Public Accountant
mne42788



Management's review

Company details

Alfa Laval Aalborg A/S
Gasværksvej 21
DK-9000 Aalborg

Telephone: +45 99 30 40 00

CVR no.: 17 83 06 35
Established: 15 April 1984
Registered office: Aalborg
Financial year: 1 January – 31 December

Board of Directors

Jan Lennart Allde (Chairman)
Søren Hjort Krarup
Emma Rebecka Matilda Adlerton
Lars Skytte Jørgensen
Jacob Nørgaard
Tina Sørensen

Executive Board

Søren Hjorth Krarup

Audit

EY Godkendt Revisionspartnerselskab
Vestre Havnepromenade 1A
DK-9000 Aalborg

Annual general meeting

The annual general meeting will be held on May 2021.



Management's review

Financial highlights

DKK m	2020	2019*	2018	2017	2016
Revenue	2,519	1,821	973	1,153	1,365
Gross profit/loss	374	330	250	249	293
Profit/loss from ordinary operating activities	81	20	-24	48	48
Profit/loss from net financials, incl. dividend	332	175	163	65	311
Profit/loss for the year	400	191	143	106	277
Total assets	2,354	2,110	1,604	1,960	2,218
Investments in property, plant and equipment	3	2	2	16	31
Equity	1,020	744	647	680	553
Profit margin	3.2%	1.1%	-2.5%	4.1%	3.5%
Return on capital employed	3.6%	1.1%	-1.4%	2.3%	2.3%
Equity ratio	43.3%	35.2%	40.3%	34.7%	24.9%
Return on equity	45.3%	27.4%	21.6%	17.2%	46.6%
Average number of full-time employees	461	423	365	343	421

* In June 2019 the Pure Ballast activity was transferred from Alfa Laval Copenhagen A/S. The book value method was used and no comparative figures was adjusted in relation to this structural change. The Pure Ballast activity was recognised from date of change in control, 1 June 2019 and until 31 December 2019 (7 months).

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

The financial highlights have been calculated as follows:

Profit margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on capital employed	$\frac{\text{Operating profit/loss}}{\text{Average assets} \times 100}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$



Management's review

Operating review

Principal activities

The Company develops, manufactures, delivers and services boilers, burners, exhaust gas cleaning systems, heat exchangers and inert gas systems for ships and industries worldwide. Moreover, the Company is increasing its focus on the development of green technologies designed for the shipping industry, including assembly of ballast water treatment equipment.

Development in activities and financial matters

In 2020, the Company reported revenue of DKK 2,518,998 thousand against DKK 1,820,598 thousand last year. The increase in revenue is mostly driven by the transfer of marine activities from our affiliated company Alfa Laval Copenhagen A/S during 2019 which impacted 7 months compared to a full year in 2020. The income statement for 2020 shows a profit of DKK 399,614 thousand against a profit of DKK 190,750 thousand last year.

The realised revenue and profit from ordinary operating activities ended up lower than what we had assumed in our outlook in our last annual report. This is mainly driven by delays in revenue due to the Covid-19 pandemic. However, the development versus last year is still considered satisfactory.

At 31 December 2020, the Company's balance sheet showed equity of DKK 1,019,505 thousand.

The purpose of our business is to accelerate success for our customers, people and planet

Alfa Laval is a leading global provider of first-rate products in the areas of heat transfer, separation and fluid handling. With these as its base, Alfa Laval aims to help enhance the productivity and competitiveness of our customers in various industries throughout the world. We define their challenges and deliver sustainable products and solutions that meet their requirements - mainly in energy, the environment, food and the marine industry. Alfa Laval is active in the areas of Energy, Marine, and Food & Water, as well as in wastewater treatment industries around the world.

The purpose of our business "Advancing Better" provides the motivational force in our daily activities driven by the three business divisions: Energy, Food & Water and Marine. Dedicated to outstanding customer service, an inspiring and inclusive workplace, and with sustainability in our genetic code, we define our purpose as accelerating success for our customers, people and planet. Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, promoting more responsible use of natural resources. They contribute to improved energy efficiency and heat recovery, better water treatment, and reduced emissions.

A company with global reach

Alfa Laval's Danish companies are owned by Alfa Laval Corporate AB, which is listed on Nasdaq OMX. The Group is headquartered in Lund in the Oresund region and has major branches in both Sweden and Denmark. The Alfa Laval companies have a strong international focus and work together in a global network.

Alfa Laval's products are sold in more than 100 countries, of which more than 50 have their own sales organisations. Alfa Laval has more than 100 service centres worldwide, whose purpose is to service 160 countries worldwide. Today, Alfa Laval has approx. 16,800 employees around the world, of which the majority works in Sweden, Denmark, China, India and North America. In 2020, the Alfa Laval Group had a turnover of SEK 41,6bn equivalent to approx. DKK 30,1bn



Strong global trends drive demand at Alfa Laval in 2020

2020 was a remarkable year in many ways. Throughout the pandemic, we navigated our company in unprecedented circumstances while seeing many global transformational trends accelerating, with the sustainability agenda continuing to gain momentum and high pace in the digital transformation.

Despite unprecedented circumstances, Alfa Laval performed well in 2020 and we remain fully committed to our long-term strategy while leveraging the changing market conditions. Increased investments in our technology leadership, a stronger focus on expanding the service offerings and the development of a more customer-oriented culture with faster decision making continue to be our key strategic ambitions.

Sustainability

Alfa Laval regards increased focus on sustainability as a necessity and as a business opportunity. Our technologies promote a more responsible use of natural resources in our Energy Division. The division's heat transfer technology is critical in driving energy efficiency in a wide range of applications. Energy efficient solutions for heat pumps and reducing the energy consumption in energy intensive data centers are just two applications that are growing in importance. The increased need for renewable energy sources drives a long-term demand for radically improved energy storage solutions.

Alfa Laval has continued to invest heavily in a new technology for thermal energy storage. Furthermore, the importance of hydrogen as a fuel became evident in 2020 and is an important component in reaching the Paris agreement. Investments into the global infrastructure for hydrogen are expected to greatly increase over the next ten years and Alfa Laval intends to play an important role in this transition. During 2020, we increased our investments into fuel cells to take an early position in this market early in the process.

After many years of investments in new product platforms and a more focused sales organisation, the results were evident in the Food & Water division. While most of the traditional applications for the division are growing in line with the growth of the global middle class, the division is also adjusting to significant changes in consumer behaviour. Investments into plant-based proteins as well as insect-based proteins are increasing. Alfa Laval's extraction technologies, as well as other process equipment, are needed for cost and energy efficient production of these proteins and have continued to see good momentum during 2020.

Sustainability is a key focus also in the Marine division. From a volume perspective, the applications for cleaning ballast water and exhaust gases (PureBallast and PureSOX), dominated the portfolio. New marine fuels to reduce the CO₂ impact of world trade will continue to drive technology and new product offerings for many years to come. LNG as a fuel was one of the fuel initiatives with most traction in 2020. An important step in making LNG a climate positive fuel in the marine industry was the launch of PureCool a new technology to reduce the problem of methane-slip in LNG applications.

Digitalization

During the first quarter in 2020 Alfa Laval had to adjust the global workforce to start working remotely. More than 50 percent of the white-collar employees have worked from home since then. Although the changes posed challenges to the organisation, the people, technology and infrastructure was already in place to manage the situation and secure business continuity.



Our customers also adjusted quickly to digital interaction. The most important area of development was in service, which historically has required physical interaction with the customers and the equipment. Our service organisation had already developed the required tools for connected equipment and remote diagnostics. The number of remote diagnostics and service hours grew from essentially zero in 2019, to more than 10,000 service hours in 2020. The change to digital service is here to stay and will continue to grow in years to come, and Alfa Laval is committing to developing and growing in this area going forward.

Business performance in 2020

In a year of volatility caused by the COVID-19 pandemic, Alfa Laval proved resilient and showed a good ability to act fast. In all, order intake declined by 10 percent compared to 2019 and amounted to 41 BSEK and total invoicing was 42 BSEK, a decline of 11 percent compared to previous year. Despite lower volumes, profitability remained on a high level at 17.4 percent, essentially unchanged compared to 2019. At the end of 2020, a restructuring program was announced with the objective to adjust certain businesses in the Marine and Oil & Gas sectors to more structural changes in demand. The program is estimated to generate annual savings of approximately 300 MSEK with full effect from 2022.

Among some of the Alfa Laval highlights in Denmark in 2020 are the following:

- In the spring of 2017, Alfa Laval Copenhagen announced that the production of decanters, which had been carried out at the factory in Søborg, will be moved to Krakow in Poland. This relocation was completed at the end of 2020.
- As a result of significant growth, Alfa Laval doubled the size of its service centre in Søborg as of January 1st, 2020, thus becoming one of the Group's largest global service centers for rotating units. In 2019, the Danish service centre was expanded by additional 1,000 square meters to the original 1,000 square meters and in 2020, the service centre expanded again and this time by 2,000 square meters. The number of employees also increased from seven to almost 20 while the amount of service hours in 2020 has increased fivefold compared to 2018.
- On October 1st, 2020, Alfa Laval Kolding opened a new global application and innovation centre of 1,600 square meters. The purpose of this centre is to strengthen the company's global position for fluid handling by accelerating innovation and product development as well as strengthening our capability to meet our customers current and future needs. Going forward, our customers will be able to see – either in person or via live stream – how Alfa Laval equipment performs under their actual operating conditions with the customers' specific product, thereby validating and improving the overall performance of a specific product.
- In 2019, Alfa Laval Copenhagen opened the doors to start-up companies. The purpose of inviting newly created companies in Alfa Laval Innovation House, Copenhagen, is to create and ecosystem where synergy and innovation are in the centre and where the direction of development is managed in relation to two lighthouses: Digitalization and sustainability. The concept was carried on and further development in 2020 and further 10 start-ups have moved into the vacant premises in Søborg.
- In January 2020, Alfa Laval Kolding celebrated its 70 anniversary.
- In February 2020, Kolding's largest company, Alfa Laval Kolding, is nominated by Business Kolding and wins the award of being "Company of the Year".

Alfa Laval Aalborg A/S

Annual report 2020



Alfa Laval in Danmark

In Denmark, Alfa Laval consists of five different legal entities, which together have a turnover of DKK 5.6bn. The approx. 1,750 employees are involved in innovation, business development, production and sales. Our customer segments ranging from biotech and food to energy and shipping, so almost all industries use our products.

Alfa Laval in Denmark is a vital part of the Alfa Laval Group's activities. Several global competence centers are located in Denmark as well as a large part of our global business development and management take place from Denmark.

Alfa Laval has following five entities in Denmark:

- **Alfa Laval Aalborg** is our global centre for boiler technology and global manufacturing for the environmental product PureBallast
- **Alfa Laval Copenhagen** is our global centre for process technology and decanter centrifuges
- **Alfa Laval Kolding** is our global centre for flow equipment and equipment for tank cleaning
- **Alfa Laval Nakskov** is our global centre for membrane filtration
- **Alfa Laval Nordic** is our sales and service company in Denmark.

The five Danish entities work closely together to coordinate activities and to position Alfa Laval in Denmark as an innovative company that develops, produces and sells high quality products.

Alfa Laval Aalborg A/S

Alfa Laval Aalborg is a global centre for boiler technology. The company develops, manufactures, supplies and services boilers, burners, heat exchangers and inert gas burners for ships and industries throughout the world. In addition, the company has an increasing focus on the development of green shipping technologies, such as scrubber solutions for cleaning sulphur gases.

Alfa Laval Aalborg has production facilities as well as the world's largest test and training centre, which gives the customers a unique opportunity to test their marine products in their own environment supplied with seawater from Limfjorden on state-of-the-art equipment.

Alfa Laval Copenhagen A/S

Alfa Laval Søborg is a global centre for process technology and decanter centrifuges. The entity's primary business area are product development, production, marketing and worldwide sales of a number of products for various industries. E.g. decanters are used to solve separation tasks in various industries, fresh water systems for use on board ships, oil platforms, power plants and the like, process plants for extracting and treating vegetable oils, ballast water treatment equipment, brewery equipment such as modules, yeast product process, sampling and tank top systems as well as process equipment for use in the food industry. The produced systems are mainly used for



processing by-products from the fish and meat industry, such as fishmeal, gelatine, extracts and concentrates.

Alfa Laval Copenhagen has a modern innovation and test centre for decanters, which is used to develop and test future technologies and applications for the benefit of customers in various industries

Alfa Laval Kolding A/S

Alfa Laval Kolding is a global centre for flow equipment and for tank cleaning equipment. The entity's primary business areas are product development, production, distribution and sale of pumps, valves and tank equipment for the food industry, breweries, dairies and pharmaceutical and cosmetic industries.

The Alfa Laval Kolding specializes in precision control of fluid transport solutions for pumping liquids of any viscosity, fast cleaning and intelligent, automated control. In addition, the company is responsible for purchasing complementary products for use in the liquid food industry, breweries, the pharmaceutical industry, the chemical industry, the pulp and paper industry as well as the marine and offshore industries.

Furthermore, Alfa Laval Kolding also has a global test and training centre which can be used by Alfa Laval employees, partners and end users.

Alfa Laval Nakskov A/S

Alfa Laval Nakskov is a global centre for membrane filtration. The entity is Alfa Laval's global centre for 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 the finest pore-size filters in the market ranging from microfiltration to nanofiltration and ultrafiltration to reverse osmosis membranes, where separation takes place based on molecular sizes. Latest business areas are wastewater treatment membranes, membrane BioReactors (MBR), where membrane filtration is used as an alternative to traditional wastewater treatment technology, which makes wastewater plants smaller, cheaper and more efficient.

Alfa Laval Nakskov also has a global test centre where customers can test various applications using some of the world's finest pore-size filters from microfiltration to ultrafiltration and nanofiltration to reverse osmosis membranes, where separation can be made to molecular level.

Alfa Laval Nordic A/S

Alfa Laval Nordic A/S is responsible for sales and marketing of products and systems as well as sales of spare parts and services within separation, heat exchangers and liquid handling in Denmark. Alfa Laval's customers are mainly in the areas of the food and beverage, wastewater, energy and marine industries. The entity is part of the Nordic sales region within Alfa Laval, which entails integrated cooperation across the sales organizations in Denmark, Finland, Norway and Sweden, which also covers activities in Iceland and the Faroe Islands.



Impact on the external environment

It is company policy to comply with applicable environmental legislation and to reduce the environmental impact of operations. The environmental impact of the Company's own operating activities is limited and primarily stems from electricity and raw materials consumption when manufacturing products. In connection with the Company's development activities, we focus on developing products with low energy consumption when in operation that reduce the environmental impact of operations.

Our most important contribution to a "greener" global environment involves increased use of our products. Our customers often use our products to reduce their impact on the environment. We call this part of our support for a sustainable environment "Green Customer Processes". In addition, we are aware that our internal processes have a minor impact on the environment but are also sustainable. We call this part of our work "Green Operations". We have chosen to focus on improving a limited number of areas at a time to obtain the greatest effect possible.

Intellectual capital

The Alfa Laval companies in Denmark have approx. 1,750 employees, of which more than 1,100 are white collar workers.

Unusual matters

No unusual matters have occurred in 2020 that have materially affected results apart from the market trends in the marine industry and the volatility due to the Covid-19 Pandemic.

Uncertainty related to recognition and measurement

There are no material uncertainty related to the financial statement items in the annual report.

Special risks

The Company assesses that it is exposed to the following risks that may affect performance and expected results:

- Cancellation of contracts or credit risk
- Product defects
- Competitive environment
- Foreign currency risk related to purchase and sale on global markets
- Trends in the new ship market.

Activities are continuously in progress to reduce the effect of these risks.

Research and development activities

The Company's products are continuously perfected. The products are continuously developed and adjusted to meet our customers' and markets' needs and developments.



Report on the gender composition of Management

The composition of the Board of Directors is decided at group level in accordance with the Group's and thus the Company's general policy that "Alfa Laval is working to achieve equal career opportunities of for instance gender or ethnic origin". At 31 December 2020, the Board of Directors of Alfa Laval Aalborg A/S consisted of 6 members, of which two are female. One female board member was elected by the general meeting.

It is Alfa Laval's goal by 2025 to have 35% females globally and 25% female managers. Consequently, we have regular development programmes for women with management potential. This has resulted in an increase in the share of female managers, and by end of 2020, 19% of managers in Alfa Laval worldwide were female and female managers in top management was 33%.

Corporate social responsibility (CSR)

Alfa Laval respects human rights of employees and the communities that we live in and deliver to. For our statutory report on corporate social responsibility, cf. section 99a, reference is made to: <https://www.alfalaval.com/about-us/sustainability/a-matter-of-trust/sustainability-reports/>

Moreover, reference is made to the consolidated financial statements of our Swedish parent company Alfa Laval AB.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position at 31 December 2020.

Outlook

In 2021 the Company expects an increase in revenue to app. DKK 3,0 billion and increase in operating profit to app. DKK 100 million compared to 2020 as it is expected that the Covid-19 pandemic will be on the decline.



Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2020	2019
Revenue	2	2,518,998	1,820,853
Raw materials and consumables		-1,796,539	-1,320,811
Other operating income		72,801	102,349
Other external expenses		-420,866	-272,035
Gross profit/loss		374,394	330,356
Staff costs	3	-270,007	-288,579
Amortisation of intangible assets and depreciation on property, plant and equipment	8.9.10	-23,631	-21,404
Profit/loss from ordinary operating activities		80,756	20,373
Income from equity investments in group entities		355,639	190,341
Financial income	4	559	2,562
Financial expenses	5	-24,521	-17,603
Profit/loss before tax		412,433	195,673
Tax for the year	6	-12,819	-4,923
Profit/loss for the year		399,614	190,750



Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2020	2019
Assets			
Fixed assets			
Intangible assets	8		
Intangible assets acquired regarding technologies		11,863	14,235
Property, plant and equipment	9		
Land and buildings		23,543	25,177
Plant and machinery		4,414	4,678
Fixtures and fittings, tools and equipment		28,793	33,405
Property, plant and equipment under construction		305	2,073
		57,055	65,333
Leasing assets	10		
Right of use		146,050	144,160
Investments	11		
Equity investments in group entities		604,363	608,526
Other receivables		4,797	4,782
		609,160	613,308
Total fixed assets		824,128	837,037
Current assets			
Inventories			
Raw materials and consumables		319,127	213,535
Finished goods		186,786	98,257
Prepayments for goods		20,655	24,840
		526,568	336,632
Receivables			
Trade receivables		65,183	92,128
Contract work in progress, selling price	12	342,821	373,245
Receivables from group entities		198,491	140,189
Corporation tax receivable		0	8,399
Other receivables		29,295	8,199
		635,790	622,160
Cash		367,906	314,620
Total current assets		1,530,264	1,273,412
TOTAL ASSETS		2,354,392	2,110,449



Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	13	256,097	256,097
Retained earnings		563,408	337,711
Proposed dividend for the financial year		200,000	150,000
Total equity		<u>1,019,505</u>	<u>743,808</u>
Provisions			
Deferred tax	14	8,402	7,511
Warranty commitments	15	60,926	48,353
Other provisions	16	21,743	9,464
Total provisions		<u>91,071</u>	<u>65,328</u>
Liabilities			
Long term liabilities other than provisions			
Leasing obligation, right of use	17	140,640	139,287
Other payables		21,760	8,663
Total long term liabilities other than provisions		<u>162,400</u>	<u>147,950</u>
Current liabilities other than provisions			
Leasing obligation, right of use		9,039	6,734
Loans from group entities	18	272,339	372,790
Prepayments received from customers		4,687	11,721
Progress billing regarding contract work in progress	12	363,398	339,251
Trade payables		184,131	211,009
Payables to group entities		104,914	93,906
Corporation tax payable		2,766	0
Other payables		140,142	117,952
Total current liabilities		<u>1,081,416</u>	<u>1,153,363</u>
Total liabilities		<u>1,243,816</u>	<u>1,301,313</u>
TOTAL EQUITY AND LIABILITIES		<u>2,354,392</u>	<u>2,110,449</u>
Contractual obligations and contingencies, etc.	19		
Currency and interest rate risks and use of derivative financial instruments	20		
Related parties	21		
Events after the balance sheet date	22		



Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	256,097	290,644	100,000	646,741
Distributed dividend	0	0	-100,000	-100,000
Transferred; see distribution of profit/loss	0	40,750	150,000	190,750
Value adjustments of hedging instruments	0	8,029	0	8,029
Tax on entries on shareholders' equity	0	-1,767	0	-1,767
Foreign exchange adjustment regarding foreign branch	0	55	0	55
Equity at 1 January 2020	256,097	337,711	150,000	743,808
Distributed dividend	0	0	-150,000	-150,000
Transferred; see distribution of profit/loss	0	199,614	200,000	399,614
Value adjustments of hedging instruments	0	33,440	0	33,440
Tax on entries on shareholders' equity	0	-7,357	0	-7,357
Equity at 31 December 2020	256,097	563,408	200,000	1,019,505



Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Alfa Laval Aalborg A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the consolidated cash flow statement of Alfa Laval Corporate AB.

Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of Alfa Laval Aalborg A/S and its subsidiaries are included in the consolidated financial statements of Alfa Laval Corporate AB.

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.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

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 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 January – 31 December

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1 Accounting policies (continued)

Integrated foreign entities are translated according to the following principles:

- The income statement is translated at the rates at the transaction date except for items derived from non-monetary assets. These are translated at the historical rates of the related monetary item.
- Monetary balance sheet items are translated at the rates at the acquisition date or any later date of revaluation.

Derivative financial instruments

On initial recognition, derivative financial instruments are 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 or other payables.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future transactions are recognised in other receivables or other payables and in equity until the hedged transactions are carried out. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

Income statement

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.



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1 Accounting policies (continued)

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.

Other external expenses

Other external costs include costs relating to the company's primary activity that are incurred during the year, including costs for distribution, sales, advertising, administration, premises, bad debts, lease payments on operating leases, license fees etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions and other social security costs, etc., relating to the Company's employees. Refunds received from public authorities are deducted from staff costs.

Other operating income

Other operating income comprises items secondary to the Company's activities, including licence fees and gains on disposal of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items secondary to the Company's activities and losses on disposal of intangible assets and items of property, plant and equipment.

Income from equity investments in group entities

Dividends from subsidiaries are recognised in the income statement.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expenses, gains and losses on securities, 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.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax for the year

Tax for the year comprises current corporation 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 recognised directly in equity is recognised directly in equity.

The Company is jointly taxed with the other Danish entities in the Alfa Laval Group. The Danish tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the administration company based on the rates applicable to interest allowances, and jointly taxed entities that have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the administration company.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Intangible assets acquired are measured at cost less accumulated amortisation and impairment losses and are usually amortised over 5 years, however not more than 20 years.

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

The basis of depreciation is cost less any expected residual value at the end of the useful life. The basis of depreciation is distributed on a straight-line basis over the expected useful lives, which are as follows:

Buildings	20-40 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years

Useful lives and residual amounts are reassessed annually. Changes are treated as accounting estimates, and the effect of depreciation charges are recognised prospectively. Land is not depreciated.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation charges are recognised in the income statement.

Gains and losses on the disposal of property, plant and equipment are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Right-of-use assets

The company apply 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.

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 company'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.



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Notes

1 Accounting policies (continued)

When measuring the lease commitment, the Company has in absence of an contractual interest rate used an average incremental borrowing rate for discounting future lease payments of 1,8% for operating equipment, 3.0% for production properties and 3.0% for sale and administration properties.

Investments

Equity investments in subsidiaries are measured at cost less write-downs. In case of indication of impairment, an impairment test is conducted. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Other receivables and deposits are recognised at amortised cost.

Impairment of fixed assets

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

Impairment tests are conducted on individual assets or groups of related assets when there is indication of impairment. Write-down is made to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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 costs and production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Contract work in progress

Ongoing service deliverables and contract work in progress are measured at the selling price of the work performed less progress billings. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the work. The stage of completion is determined based on costs incurred relative to the expected total costs for the individual work in progress.

Where the selling price of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

If total costs of the contract work are expected to exceed the total sales value, the expected loss is recognised as an onerous agreement under provisions and expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the selling price.

Equity

Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for corrections of tax relating to taxable income in previous years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities, calculated on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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.



Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of work within the warranty period. Provisions are measured and recognised based on experience gained from guarantee work. Provisions expected to mature after more than one year after the balance sheet date are discounted at a rate reflecting the risk and maturity date of the liability.

When it is probable that the total contract expenses will exceed the total contract revenue, a provision is made for the total anticipated loss on the contract.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, cost corresponding to the proceeds received less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost.

Finance lease commitments are recognised at amortised cost as financial liabilities.

Other liabilities are measured at net realisable value.



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DKK'000	2020	2019
2 Segment information, revenue		
Broken down by business areas:		
New sales	2,122,035	1,443,374
Repairs and service	189,057	174,939
Spare parts	207,906	202,540
	2,518,998	1,820,853
Broken down by markets:		
Europe	1,249,206	773,492
Korea	482,177	477,550
China	257,413	190,214
Rest of Asia	360,503	287,248
North America, Central America and South America	160,241	90,038
Rest of the world	9,458	2,311
	2,518,998	1,820,853
3 Staff costs		
Wages and salaries	230,477	245,165
Pensions	22,209	20,330
Other social security costs	17,321	23,084
	270,007	288,579
Average number of employees	461	423
Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, management remuneration is not disclosed.		
4 Other financial income		
Interest income from group entities	534	2,406
Other financial income	25	156
	559	2,562
5 Financial expenses		
Interest expenses to group entities	7,493	7,681
Other financial expenses	17,028	9,922
	24,521	17,603



Financial statements 1 January – 31 December

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	2020	2019
DKK'000		
6 Tax for the year		
Current tax for the year	19,284	5,403
Deferred tax adjustment for the year	892	1,473
Prior year adjustment	0	-187
	<u>20,176</u>	<u>6,689</u>
Specified as follows:		
Tax for the year	12,819	4,923
Tax on changes in equity	7,357	1,766
	<u>20,176</u>	<u>6,689</u>
7 Proposed distribution of profit/loss		
Proposed dividend for the financial year	200,000	150,000
Retained earnings	199,614	40,750
	<u>399,614</u>	<u>190,750</u>
8 Intangible assets		Intangible assets acquired
DKK'000		
Cost at 1 January 2020		28,470
Disposals		0
Cost at 31 December 2020		<u>28,470</u>
Amortisation and impairment losses at 1 January 2020		14,235
Amortisation		2,372
Reversed amortisation		0
Amortisation and impairment losses at 31 December 2020		<u>16,607</u>
Carrying amount at 31 December 2020		<u>11,863</u>

Intangible assets acquired comprise patents and design rights acquired.



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9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2020	81,182	11,812	65,301	2,073	160,368
Additions	1,053	0	0	1,846	2,899
Disposals	0	0	0	0	0
Transferred	305	1,004	2,305	-3,614	0
Cost at 31 December 2020	82,540	12,816	67,606	305	163,267
Depreciation and impairment losses at 1 January 2020	56,005	7,638	31,391	0	95,034
Depreciation	2,992	764	7,422	0	11,178
Disposals	0	0	0	0	0
Depreciation and impairment losses at 31 December 2020	58,997	8,402	38,813	0	106,212
Carrying amount at 31 December 2020	23,543	4,414	28,793	305	57,055

10 Leased assets

DKK'000	Right of use, land and buildings	Right of use, equipment	Total
Recognised at 1 January 2020	149,589	2,992	152,581
Additions	9,339	2,722	11,791
Disposals	0	-453	-453
Cost at 31 December 2020	158,928	5,261	164,189
Depreciation and impairment losses at 1 January 2020	7,598	823	8,421
Depreciation	8,880	1,200	10,080
Disposals	0	-362	-362
Depreciation and impairment losses at 31 December 2020	16,478	1,661	18,139
Carrying amount at 31 December 2020	142,450	3,600	146,050



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11 Investments

DKK'000	Equity investments in group entities	Other receivables
Cost at 1 January 2020	619,328	4,782
Additions	0	15
Cost at 31 December 2020	619,328	4,797
Impairment losses at 1 January 2020	-10,802	0
Impairment losses for the year	-4,163	0
Impairment losses at 31 December 2020	-14,965	0
Carrying amount at 31 December 2020	604,363	4,797

Name	Registered office	Voting rights and ownership	Equity DKK'000	Profit/loss for the year DKK'000
Alfa Laval Aalborg Oy	Finland	100%	99,876	28,595
Alfa Laval Nijmegen B.V.	The Netherlands	100%	692,616	347,289
Alfa Laval Aalborg Pty Ltd.	Australia	100%	10,788	764
Alfa Laval Qingdao Ltd.	China	100%	543,695	75,016
Alfa Laval Aalborg Indústria e Comércio Ltda.	Brazil	99.5%	53,127	21,292
Alfa Laval Aalborg Limited	Hong Kong	100%	0	0
Alfa Laval Aalborg Ltd.	China	100%	0	19

DKK'000	2020	2019
12 Contract work in progress		
Selling price of work in progress	342,821	373,245
Progress billing regarding work in progress	-363,398	-339,251
	-20,577	33,994

Contract work in progress is presented at gross amount in the balance sheet.



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13 Share capital

The share capital has remained unchanged for the past 5 financial years.

All shares rank equally. The share capital consists of 2,560,972 shares of DKK 100 each.

DKK'000	2020	2019
14 Deferred tax		
Deferred tax at 1 January	7,510	6,037
Deferred tax adjustment for the year	-6,465	-293
Tax on equity transactions	7,357	1,766
Deferred tax at 31 December	<u>8,402</u>	<u>7,510</u>
Provision for deferred tax can be specified as follows:		
Intangible assets	2,610	3,132
Property, plant and equipment	2,844	3,585
Right of use and leasing obligation	-798	-409
Receivables	7,707	6,418
Equity	5,180	-2,177
Provisions	-9,065	-2,963
Tax losses	-76	-76
Deferred tax at 31 December	<u>8,402</u>	<u>7,510</u>
15 Warranty commitments		
Warranties at 1 January	48,353	29,500
Used during the year	-46,006	-17,928
Reversal	-798	-271
Provision for the year	59,377	37,052
Other provisions at 31 December	<u>60,926</u>	<u>48,353</u>
Warranties comprise liabilities related to the normal 2-year warranty.		
16 Provisions		
Other provisions at 1 January	9,464	12,000
Used during the year	-4,045	-6,000
Reversal	0	0
Provision for the year	16,324	3,464
Other provisions at 31 December	<u>21,743</u>	<u>9,464</u>

Alfa Laval Aalborg A/S is party to a few disputes. At 31 December 2020, DKK 6.000 thousand has been recognised based on Management's assessment of the potential outcome of the disputes. The outcome is subject to material uncertainty, and the amount may be adjusted later on.



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17 Leasing obligation, right of use

DKK'000	2020			2019		
	Lease payment	Interest	Carrying amount	Lease payment	Interest	Carrying amount
0 – 1 years	13,321	-4,282	9,039	10,954	-4,220	6,734
1 – 5 years	41,582	-14,800	26,782	37,111	-14,942	22,169
< 5 years	148,809	-34,951	113,858	155,108	-37,990	117,118
	<u>203,712</u>	<u>-54,033</u>	<u>149,679</u>	<u>203,173</u>	<u>-57,152</u>	<u>146,021</u>

18 Liabilities other than provisions

The intra-group loan falls due for payment in 2021 and has therefore been presented as short-term debt. Management expects that a large part of the loan will be extended.

19 Contractual obligations and contingencies, etc.

Operating lease commitments

Remaining undiscounted operating lease commitments at the balance sheet date fall due within 4 years at an amount of DKK 117 thousand (2019: DKK 427 thousand).

20 Currency and interest rate risks and use of derivative financial instruments

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

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables denominated in foreign currencies.



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20 Currency and interest rate risks and use of derivative financial instruments (continued)

Currency risks

Currency	Payment/ maturity	2020			
		Receivables	Payables	Hedged by forward exchange contracts and currency swaps	Net position
		DKK'000	DKK'000	DKK'000	DKK'000
USD	0-12 months	102,266	-19,497	-87,380	-4,611
	> 12 months	0	-150	124	-26
CNY	0-12 months	0	-54,200	48,491	-5,709
	> 12 months	0	-15,156	16,946	1,790
SEK	0-12 months	651	-6,243	0	-5,592
	> 12 months	0	0	0	0
JPY	0-12 months	0	-452	0	-452
	> 12 months	0	0	0	0
HRK	0-12 months	555	0	0	555
	> 12 months	0	0	0	0
GBP	0-12 months	1,724	-317	0	1,407
	> 12 months	0	0	0	0
AUD	0-12 months	0	-5	0	-5
	> 12 months	0	0	0	0
EUR	0-12 months	418,155	-191,510	-48,318	178,327
	> 12 months	0	0	0	0
CHF	0-12 months	0	-13	0	-13
	> 12 months	0	0	0	0
		<u>523,351</u>	<u>-287,543</u>	<u>-70,137</u>	<u>165,671</u>



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20 Currency and interest rate risks and use of derivative financial instruments (continued)

Forecast transactions

The Company primarily hedges exchange rate risks relating to sale and purchases of goods in USD and CNY.

DKK'000	Time to maturity	Contractual value		Accumulated gains and losses recognised in equity at 31 December (fair value)	
		2020	2019	2020	2019
Forward exchange contracts	0-12 months	202,137	296,470	20,850	-10,004
	> 12 months	50,698	84,960	2,697	111
		<u>252,835</u>	<u>381,430</u>	<u>23,547</u>	<u>-9,893</u>

Interest rate risks

Loans from the parent company of DKK 272,339 thousand carry variable interest.

21 Related parties

Control

Alfa Laval Corporate AB, Rudeboksvägen 1, Lund, Sweden, reg. no. 556007-7785.

Alfa Laval Corporate AB, Rudeboksvägen 1, Lund, Sweden holds the share capital in the Company.

Related parties also include Management, subsidiaries and consolidated entities in the Alfa Laval Group.

Alfa Laval Aalborg A/S is included in the consolidated financial statements of Alfa Laval AB, Sweden, which is the largest and smallest group in which the Company is a subsidiary. The consolidated accounts of Alfa Laval AB is available on <https://www.alfalaval.com/investors/>

Related party transactions

DKK'000	2020		2019	
	Sales	Purchases	Sales	Purchases
Goods and services	1,730,045	474,583	1,041,352	427,603
Management fees and cost allocation	29,486	160,227	50,644	164,221
License fees and costs related to intellectual property rights	38,991	1,068	51,397	731
Interest on loans	0	5,705	0	6,576
Cost price of Pure Ballast activity *	0	0	0	154,924
	<u>1,798,522</u>	<u>641,583</u>	<u>1,143,393</u>	<u>754,055</u>

* Bought from Alfa Laval Copenhagen A/S, Maskinvej 5, 2860 Søborg, Denmark, CVR 10134285



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22 Events after the balance sheet date

No significant events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.