

Annual report 2016



Approved at the annual general meeting on / 2017

Chairman

Kamstrup A/S
Industrivej 28, Stilling
DK-8660 Skanderborg
CVR no.: 21 24 81 18



Intelligent water solutions provide energy savings of 15 %

Smart metering supports Skanderborg Supply Company's ambitious vision of being the most modern water company in Denmark.

"Real-time data collection provides a clearer picture of the water consumption. This allows us to optimise the supply and reduce the energy consumption and, as a result, also the CO₂ emission. In total, we have been able to reduce the energy consumption by 15 % at our largest water utility. On a nationwide scale, the total energy savings equal a medium-sized Danish city such as Skive."
- Jens Bastrup, CEO of Skanderborg Supply Company.

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Introduction of the most flexible heat meter on the market

In April, we introduced the heat meter MULTICAL® 403. The heat meter is based on innovative ultrasonic technology and high quality combined with an understanding of the challenges faced by utilities both today and in the future.

"The utilities are looking for metering solutions that make it easier for them to optimise their daily work. With MULTICAL® 403, they get a meter that generates tangible and measurable savings in terms of both time and money. At the same time, the meter supports the demand for further streamlining and optimisation of how energy is metered in the future."

Søren Lang, Product Group Manager – Heat/Cooling meters.



Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Kamstrup A/S for the financial year 1 January – 31 December 2016.

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

It is our opinion that the consolidated financial statements and the parent company's financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

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

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

Aarhus, 20 March 2017

Executive Board:

Per Asmussen
CEO

Henrik Rom
CFO

Board of Directors:

Jørgen Wisborg
Chairman

Flemming Rasmussen
Vice-chairman

Torben B. Pedersen

Dan Korsgaard

Tina Amdisen
Employee representative

Anja Borg
Employee representative

Independent auditors' report

To the shareholders of Kamstrup A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Kamstrup A/S for the financial year 1 January – 31 December 2016. The consolidated financial statements and the parent company financial statements comprise income statement, balance sheet, equity statement, cash flow statement and notes including accounting policies. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. Our responsibility according to these standards and requirements are described in more detail in the auditor's report section "*Auditor's responsibility for the audit of the consolidated financial statements and the parent company financial statements*". We are independent of the Group and the Company in accordance with international ethics standards for auditors (IESBA's Code of Ethics for Professional Accountants) and additional requirements under Danish audit regulation, and we have met our other ethics obligations in compliance with these standards and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

When preparing the consolidated and parent company financial statements, the management is responsible for assessing the Company's ability to continue operations; informing about conditions regarding continued operations, if relevant; and preparing the consolidated and parent company financial statements on the basis of the accounting principle of continued operations unless the management either intends to liquidate the Company, discontinue operations or has no other realistic alternative than to do so.

Auditor's responsibility for the audit of the consolidated financial statements and the parent company financial statements

Our aim is to obtain a high degree of security that the consolidated financial statements and the parent company financial statements in general are free from material misstatement, whether due to fraud or error, and to submit an auditor's report including an opinion.

High degree of security is a high level of security, but is not guaranteeing that an audit, which is carried out in accordance with International Standards on Auditing and additional requirements under Danish audit regulation, will always disclose material misstatement, when found. Material misstatement can occur in consequence of fraud or error and is to be considered as significant if it reasonably can be expected that it individually or collectively has an influence on the economic decisions which the users of the financial statements make on the basis of the consolidated financial statements and the parent company financial statements.

As part of an audit, which is carried out in accordance with International Standard on Auditing and additional requirements under Danish audit regulation, we make professional assessments and maintain professional scepticism during the auditing. Additionally:

- We identify and assess the risk of material misstatement in the consolidated financial statements and the parent company financial statements, regardless of it being caused by fraud or error, design and perform audit procedures as a reaction against these risks as well as obtain audit evidence that is sufficient and suitable for forming the basis of our opinion. The risk of not discovering material misstatement caused by fraud is higher than in the case of material misstatement caused by error as fraud can include conspiracy, falsification of documents, intentional omissions, misrepresentation or disregard of internal control.

- We achieve understanding of the internal control relevant to the auditing for the purpose of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in the effectiveness of the Group and the Company's internal control.
- We evaluate the appropriateness of the accounting policies used by the Management and the reasonableness of the accounting estimates and related information made by the Management.
- We conclude if the Management's preparation of the consolidated financial statements and the parent company financial statements on the basis of the accounting principle of continued operations is appropriate, and if there on the basis of the obtained audit evidence is material uncertainty associated with events or conditions that can call into significant question the Group's and Company's ability to continue operations. If we conclude that there is a material uncertainty, we must in our auditor's report point out the information about this in the consolidated financial statements and the parent company financial statements or, if such information is not sufficient, modify our opinion. Our opinion is based on the audit evidence obtained up until the date of our auditor's report. However, future events or conditions can cause that the Group and the Company can no longer continue operations.
- We evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the notes, as well as if the consolidated financial statements and the parent company financial statements reflect the underlying transactions and events in a true and fair way.

We communicate with the senior management on, among other things, the planned scope and the timing of the auditing as well as considerable auditing observations, including any significant deficiencies in internal control, which we identify during the auditing.

Statement on the Management's review

The Management is responsible for the Management's review

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any opinion for certain on the Management's review.

When auditing the consolidated financial statements and the parent company financial statements, it is our responsibility to read the Management's review and in this connection consider if the Management's review is significantly inconsistent with the consolidated financial statements and the parent company financial statements or if our knowledge obtained during the auditing or otherwise seems to comprise material misstatement.

In addition, it is our responsibility to consider if the Management's review contains required information in relation to the Danish Financial Statements Act.

On this basis, it is our opinion that the Management's review is consistent with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We have not found material misstatement in the Management's review.

Aarhus, 20 March 2017

Ernst & Young

Chartered Accountancy Partner Company
CVR no.: +45 30 70 02 28

Claus Hammer-Pedersen
*State Authorised Public
Accountant*

Hans Peter Roug
*State Authorised Public
Accountant*

Company details

Kamstrup A/S
Industrivej 28, Stilling
DK-8660 Skanderborg

T: +45 89 93 10 00
F: +45 89 93 10 01
W: kamstrup.com
E: info@kamstrup.com

Reg. no.: 21 24 81 18

Established on 28 August 1931 (founded in 1946).
Registered office in Skanderborg

Board of Directors

Jørgen Wisborg, chairman
Flemming Rasmussen, vice-chairman
Torben B. Pedersen
Dan Korsgaard
Tina Amdisen
Anja Borg

Executive Board

Per Asmussen
Henrik Rom

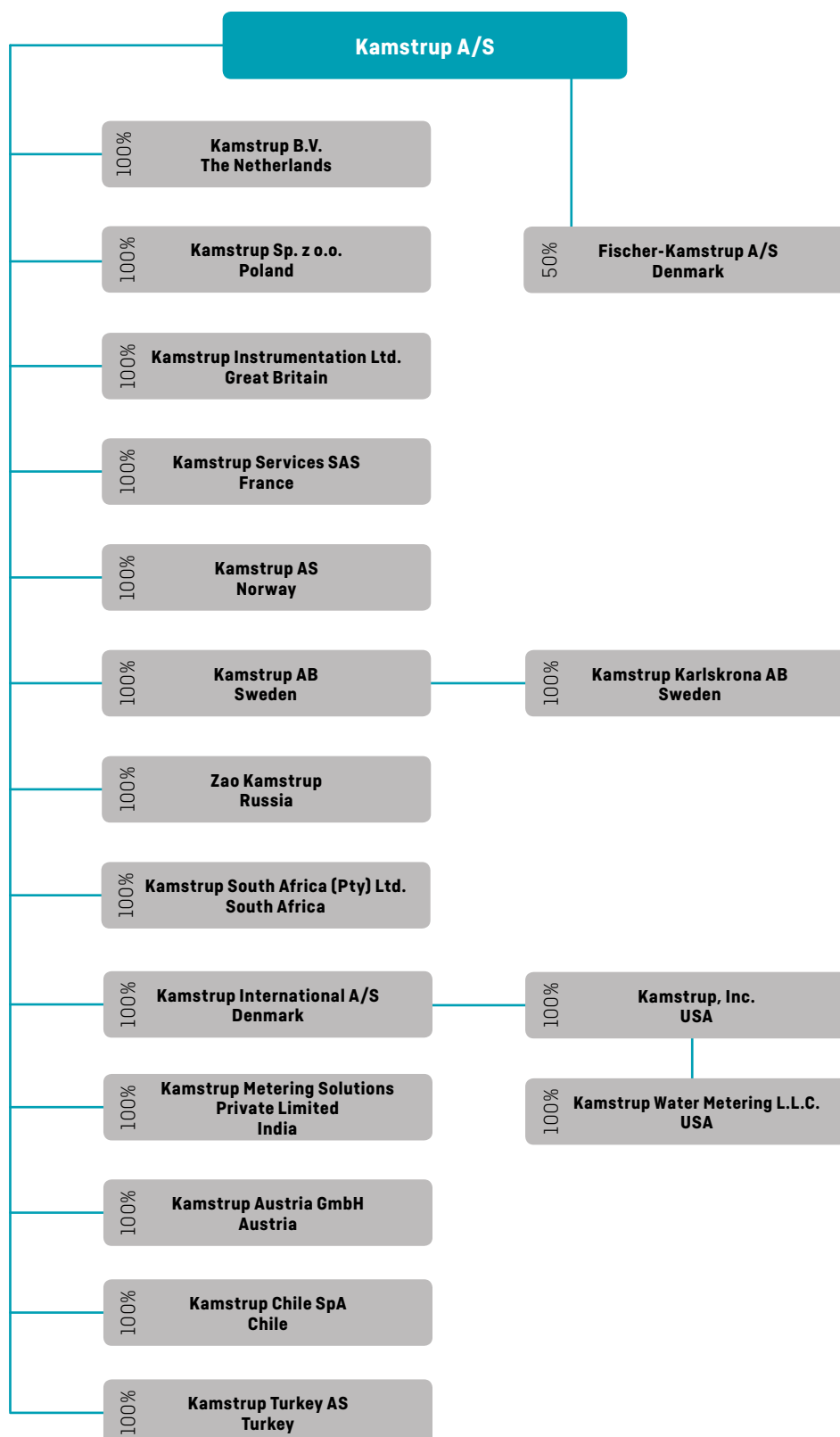
Revision

Ernst & Young
Chartered Accountancy Partner Company
Værkmestergade 25
DK-8100 Aarhus C
CVR no.: 30700228

Annual general meeting

The annual general meeting is to be held on 20 March 2017.

Group chart



Financial highlights for the Group

DKKm	2016	2015	2014	2013	2012
Key figures:					
Revenue	1,739.9	1,523.9	1,382.9	1,289.1	1,257.1
Operating profit	164.9	211.1	238.5	186.9	197.9
Financial income and expenses	-2.7	-6.6	-3.6	-5.4	-7.7
Profit before tax	165.9	201.6	260.5	182.5	191.0
Profit for the year	124.7	152.2	206.1	145.7	144.7
Non-current assets	548.4	355.6	320.5	310.0	301.9
Current assets	596.8	514.5	498.9	441.1	420.7
Total assets	1,145.3	870.1	819.4	751.1	722.6
Share capital	14.0	14.0	14.0	14.0	14.0
Equity	443.0	449.2	472.8	415.7	375.3
Provisions	47.7	38.5	40.3	42.2	31.9
Current liabilities	591.9	314.7	233.8	218.1	248.1
Liabilities	654.6	382.4	306.4	295.8	315.4
Investments in property, plant and equipment	230.7	72.5	61.1	46.0	77.9
Cash flows from operating and investing activities	-102.4	161.3	152.6	172.8	54.7
Financial ratios					
Operating margin	10	14	19	15	16
Return on investment	32	39	49	40	47
Current ratio	101	163	213	203	170
Solvency ratio	39	52	58	55	52
Return on equity	28	33	46	37	40
Average number of employees	1,066	930	874	850	761

The financial ratios are computed as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on investment	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}^*}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity excl. non-controlling interests, year end} \times 100}{\text{Total liabilities, year end}}$
Return on equity	$\frac{\text{Profit for the year after tax} \times 100}{\text{Average equity}}$

*Invested capital:

Operating intangible assets and property, plant and equipment as well as net working capital

A photograph of the Antwerp skyline at dusk. The prominent spire of the Antwerp Cathedral (Cathedral of Our Lady) is illuminated and stands out against the deep blue twilight sky. Below the cathedral, various historic and modern buildings line the waterfront. A bridge with a glass railing is visible in the foreground, and the city lights are reflected in the calm water of the Scheldt River.

Antwerp invests in intelligent water metering

In June, we entered into an agreement for approx. 193,000 smart water meters with the utility Water-Link, the water utility for the city of Antwerp in Belgium. In the project, we are subsuppliers to Hydroko who is a long-time partner of Belgian water utilities. This agreement with Hydroko is the largest so far for smart water meters and comes after several years with major investments in technological development and innovation.

"The intelligent water meter is the basis for the efficient handling of drinking water in a sustainable way", says Jan Van Cappellen, former project leader at Water-Link.

Operating review

Principal activities

Kamstrup A/S Group develops, produces and sells electric meters for reading energy and water consumption and relating reading systems and data analysis tools to utilities and other users over the entire world.

The head office is located in Stilling, south of Aarhus, and houses development, administration, sales and automated production. Generally, Kamstrup develops all its products and manufactures them on its highly automated factories in the Nordic countries.

On a world basis, Kamstrup has set up branches in: Dubai, Estonia, Finland, France, the Netherlands, India, China, Norway, Poland, Romania, Russia, Switzerland, Spain, Great Britain, Sweden, South Africa, Czech Republic, Turkey, Germany, USA and Austria. The Company's products are sold and marketed through a network of distributors in other countries.

Development in activities and financial position

Profit for the year

In 2016, the electricity and water meter markets have globally experienced moderate growth in the sales of smart meters. The heat meter market has been stagnant in 2016. Again in 2016, we have increased our global market shares regardless of the continued intensified competition.

The growth is primarily a result of recent years' efforts within product development with a number of successful product launches. These products have strengthened Kamstrup's competitiveness through their enhanced functionality. Regular investments in manufacturing automation have also contributed to improved competitiveness together with a high and consistent quality level. Substantial improvements arising from Lean activities have also improved productivity.

Major investments in 2016 mean an increased demand for financing, but Kamstrup is still in a sound financial position.

Considerable efforts within marketing, sales and product development again in 2016 implied an increase in capacity costs and are expected to contribute to increasing market shares going forward. Kamstrup expects to enter new markets in 2017.

Profit for the year is lower than in 2015, but considering the increased costs for development of future markets and products in 2016, the profit for the year is considered satisfactory.

Markets and outlook

Kamstrup experiences great interest in the product program of the Company and has secured substantial orders within all segments, but especially the water segment is developing positively with several groundbreaking orders.

In 2017, Kamstrup is expected to gain additional market shares on a number of markets, resulting in increasing revenue, primarily as a result of the efforts within product development, production related development as well as sales activities within several markets.

Kamstrup plans to continuously invest intensively in new product development and production related development in the coming years.

In addition to continued new sales, we will in 2017 and onwards focus strongly on delivering the large orders which were signed in recent years.

We expect further growth in 2017 and a higher profit than in 2016, primarily due to growth in the export markets.

Risks

Kamstrup manufactures, sells and installs primarily electric meters for reading energy and water consumption and relating remote reading systems and data analysis tools. The need/market is fairly stable; geographically, there is, however, growth potential. No major general risks are deemed to exist when the risk of not being at the forefront with technological development, having a high product quality and by acting in a competitive market is disregarded.

Kamstrup's sensitivity to financial risks is very limited. The need for interest-rate and currency hedging instruments is assessed regularly and the instruments are only applied based on commercial needs in order to hedge future cash flows. The risk of losses on customers is, in general, minimised by means of credit lines and by obtaining credit information and credit insurance in some markets.

Kamstrup's creditworthiness is high.

Intellectual capital

Kamstrup has reliable, qualified and highly educated employees. The location of the Company facilitates the recruitment of skilled employees within technology, finance, etc.

Gender quotation on the Management Board

In the opinion of the Company, diversity – including the representation of both genders – can strengthen cooperation and working environment. It is therefore company policy to increase the share of the underrepresented gender.

Kamstrup is a global high-technology company where specialised, highly qualified employees are decisive. This means that the recruitment basis for a number of executive positions in Kamstrup represents candidates from technical educational institutions.

The share of women who graduated with a bachelor's degree in engineering within electronics/IT in Denmark represents less than 4 %, and the share of women who graduated with a Master's degree in engineering within electronics/IT is less than 3 %. These branches of study represent a natural recruitment base for a large part of the management positions in a technology company such as Kamstrup. The top management in Kamstrup defined as the Executive Board, executive managers, department managers and others comprise 88 managers of which the female share represents 15.9 %. It is the Company's goal that the share of managers of the underrepresented gender at least corresponds to the share in the recruitment basis.

The Company has the following policies for complying with its goals:

- Periodic staff development interviews are carried out which contribute to the clarification of the employees' ambitions and competencies in relation to management. Management training is offered to employees, if relevant.
- The Company must perform periodic employee surveys, allowing both male and female managers to have the employees' assessment and feedback on how managerial assignments are performed.

When recruiting executives, the Company is particularly aware of whether candidates from the underrepresented gender are represented.

Goals for the underrepresented gender on the Board of Directors

The Company has a policy on increasing the share of the underrepresented gender on the Board of Directors. The objective is to obtain a representation of at least one female member of the Board of Directors before 2018, corresponding to a representation of 25 %. At the beginning of the target period, there were no female board members in Kamstrup A/S elected at the annual general meeting, and subsequently the Board of Directors has not changed. In Kamstrup's Board of Directors as a whole, there are 2 female board members (employee representatives).


Corporate Social Responsibility (CSR)

In January 2010, Kamstrup acceded to the UN Global Compact. UN Global Compact is the world's largest initiative for enterprises' CSR established by the UN with the purpose of involving private enterprises in solving some of the large social and environmental challenges as a consequence of globalisation.


UN Global Compact asks companies to embrace, support and enact ten principles in the areas of human rights, labour, the environment and anti-corruption and to implement these in their policies.

Kamstrup will continue its efforts within CSR and annually report the results to UN Global Compact.

Further information on the annual report is available at kamstrup.com/csr2016



Through a deep understanding of the customers' needs, we inspire to deliver superior quality and groundbreaking innovation.



Danish water solutions presented at the White House

At the White House Water Summit in March, Kamstrup and a number of other Danish companies presented technological solutions for reducing the great water resource challenges of the USA. The solutions were presented through 20,000 LEGO bricks that formed a city showing the various challenges and solutions.

Minister for the Environment and Food of Denmark, Esben Lunde Larsen said:

"The LEGO model shows the best of what we can do in Denmark, across the entire field of water from ground water mapping over efficient drinking water supplies to energy-producing wastewater plants. We have the turnkey solutions that in addition are energy neutral, a thing that the Americans crave for."



Energy efficiency in Sweden

In the coming years, Swedish utilities are facing the second wave of smart meter roll-outs. Västerbergslagens Elnät AB is among the first in the country to invest in a solution they believe will help them meet current and future demands.

With the OMNIA® solution, Västerbergslagens Elnät AB will obtain a raft of benefits. In addition to improving the service the utility offers its customers through more transparent billing and the potential to monitor their energy usage, the solution will provide the utility with data to analyse and optimise grid performance and increase efficiency.

Income statement

DKK'000	Note	Consolidated		Parent company	
		2016	2015	2016	2015
Revenue	1	1,739,943	1,523,888	1,493,039	1,316,729
Production costs	2	-1,194,327	-960,680	-1,105,553	-907,041
Gross profit		545,616	563,208	387,486	409,688
Sales and distribution costs	2	-300,424	-284,499	-156,053	-150,585
Administrative expenses	2,3,4	-80,279	-67,641	-71,581	-64,603
Operating profit		164,913	211,068	159,852	194,500
Other operating income		1,073	331	871	233
Other operating expenses		0	-3,792	0	-3,792
Operating profit		165,986	207,607	160,723	190,941
Profit in subsidiaries	10	0	0	-2,362	10,883
Profit in associates	11	2,538	577	2,538	577
Financial income	5	3,478	716	6,050	1,015
Financial expenses	6	-6,149	-7,277	-6,439	-7,378
Profit before tax		165,853	201,623	160,510	196,038
Tax on profit for the year	7	-41,163	-49,423	-35,820	-43,838
Profit for the year		124,690	152,200	124,690	152,200

Proposed profit appropriation

Proposed dividends	0	127,000
Retained earnings	124,690	25,200
	124,690	152,200

Balance – Assets

DKK'000	Note	Consolidated		Parent company	
		2016	2015	2016	2015
ASSETS					
Non-current assets					
Intangible assets	8				
Finalised development projects		80,044	61,064	80,044	61,064
Group goodwill		0	2,370	0	0
Development projects in progress		31,359	32,512	31,359	32,512
		111,403	95,946	111,403	93,576
Property, plant and equipment					
Land and buildings	9	128,515	107,078	128,514	107,078
Plant and machinery		99,647	87,871	98,155	86,282
Fixtures and fittings, other plant and equipment		24,141	24,985	19,079	19,368
Assets in the course of construction		179,668	36,578	179,668	36,578
		431,971	256,512	425,416	249,306
Investments					
Investments in subsidiaries	10	0	0	113,828	135,155
Investments in associates	11	2,921	958	2,921	958
Receivables from subsidiaries		0	0	5,066	5,252
Deposits		2,153	2,137	538	522
		5,074	3,095	122,353	141,887
Total non-current assets		548,448	355,553	659,172	484,769
Current assets					
Inventories					
Raw materials and consumables		127,808	95,487	121,118	88,727
Work in progress		8,043	5,169	7,094	3,528
Finished goods		15,581	17,167	14,294	13,760
		151,432	117,823	142,506	106,015
Receivables					
Trade receivables		267,452	184,534	102,587	110,383
Selling price of systems deliveries	12	130,834	113,351	48,368	74,161
Receivables from subsidiaries		0	0	175,894	46,198
Receivables from group enterprises	17	0	13,943	0	13,943
Tax asset	14	11,000	14,208	0	0
Corporation tax receivable	17	3,717	5,086	912	3,381
Other receivables		14,466	15,379	9,981	10,358
		427,469	346,501	337,742	258,424
Cash at bank and in hand		17,946	50,215	2,710	26,331
Total current assets		596,847	514,539	482,958	390,770
TOTAL ASSETS		1,145,295	870,092	1,142,130	875,539

Balance – Equity

		Consolidated		Parent company	
DKK'000	Note	2016	2015	2016	2015
EQUITY AND LIABILITIES					
Equity	13				
Share capital		14,000	14,000	14,000	14,000
Reserve for development costs		0	0	40,893	0
Reserve for net revaluation according to the equity method		0	0	2,670	708
Retained earnings		428,957	308,208	385,394	307,500
Proposed dividends		0	127,000	0	127,000
Total equity		442,957	449,208	442,957	449,208
Provisions					
Deferred tax	14	24,325	20,690	24,325	20,690
Other provisions	15	23,421	17,819	18,471	12,815
Total provisions		47,746	38,509	42,796	33,505
Liabilities					
Non-current liabilities	16				
Mortgage credit institutions		61,779	67,200	61,779	67,200
Lease liabilities		865	458	0	0
		62,644	67,658	61,779	67,200
Current liabilities					
Current portion of non-current liabilities		5,538	6,389	5,190	5,160
Credit institutions		51	210	0	0
Selling price of systems deliveries	12	31,681	46,475	23,944	38,315
Prepayments from customers		28,213	27,784	17,609	19,074
Trade payables		91,407	95,413	83,364	87,672
Payables to subsidiaries		0	0	70,539	74,424
Payables to associates		0	1,578	0	1,578
Payables to associates		270,597	39	270,597	39
Corporation tax payable	17	0	4,331	0	630
Other payables		164,461	132,498	123,355	98,734
		591,948	314,717	594,598	325,626
Total liabilities other than provisions		654,592	382,375	656,377	392,826
TOTAL EQUITY AND LIABILITIES		1,145,295	870,092	1,142,130	875,539
Contingent items	18				
Related parties	21				

Cash flow statement

DKK'000	Note	Consolidated	
		2016	2015
Revenue		1,739,943	1,523,888
Costs		-1,478,370	-1,230,431
Cash flows from operations before changes in working capital	19	261,573	293,457
Changes in working capital	20	-121,083	28,575
Cash generated from operations (operating activities)		140,490	322,032
Interest received		3,478	716
Interest paid		-6,148	-7,277
Cash generated from operations (ordinary activities)		137,820	315,471
Corporation tax paid	17	-7,406	-36,288
Cash flows from operating activities		130,414	279,183
Disposal of enterprise		966	0
Acquisition of intangible assets		-54,291	-46,484
Acquisition of property, plant and equipment		-230,729	-73,202
Disposal of non-current assets		1,281	1,822
Deposits		-16	-54
Cash flows from investing activities		-282,789	-117,918
<i>External financing:</i>			
Mortgage credit institutions		-5,840	-4,559
Credit institutions		-159	-175
<i>Shareholders:</i>			
Receivables from/payables to group enterprises		50,000	0
Dividends paid		-127,000	-180,000
Cash flows from financing activities		-82,999	-184,734
Cash flows for the year		-235,374	-23,469
Opening cash and cash equivalents		64,158	87,627
Closing cash and cash equivalents		-171,216	64,158
Closing cash and cash equivalents comprise			
Cash at bank and in hand		17,946	50,215
Receivables from/payables to group enterprises, cash pool		-189,162	13,943
		-171,216	64,158

Notes

	Consolidated		Parent company	
	2016	2015	2016	2015
DKK'000				
1. Segment information (broken down on revenue)				
Europe	91%	91%	91%	90%
Other	9%	9%	9%	10%
	100%	100%	100%	100%
System & Service	40%	38%	31%	38%
Components	60%	62%	69%	62%
	100%	100%	100%	100%
2. Staff costs				
Wages and salaries	530,447	453,510	435,278	367,411
Pensions	33,303	29,469	23,050	20,535
Other social security costs	26,524	24,749	7,129	6,313
	590,274	507,728	465,457	394,259
<i>Staff costs are specified as follows:</i>				
Production	288,566	252,517	273,160	236,624
Distribution	218,707	193,438	110,167	97,130
Administration	35,561	30,144	34,690	28,876
Capitalised in development projects	47,440	31,629	47,440	31,629
	590,274	507,728	465,457	394,259
Average number of employees	1066	930	849	745

Remuneration of the parent company's Executive Board and Board of Directors totals DKK 7,742 thousand (2015: DKK 5,421 thousand).

3. Depreciation/amortisation and impairment losses

Intangible assets	38,805	35,113	36,464	32,743
Property, plant and equipment	54,013	46,438	51,589	43,811
	92,818	81,551	88,053	76,554
<i>Depreciation/amortisation and impairment losses are specified as follows:</i>				
Production	82,342	73,328	79,375	70,397
Distribution	2,342	2,661	575	637
Administration	8,134	5,562	8,103	5,520
	92,818	81,551	88,053	76,554

Notes

	Consolidated		Parent company	
DKK'000	2016	2015	2016	2015
4. Fees paid to auditors appointed at the general meeting				
Statutory audit fees	939	710	352	345
Assurance engagements	18	29	18	22
Tax advisory services	139	234	96	200
Other services	338	213	260	183
	1,434	1,186	726	750
5. Financial income				
Financial income – subsidiaries	0	0	2,317	374
Other financial income	3,478	716	3,733	641
	3,478	716	6,050	1,015
6. Financial expenses				
Financial expenses – subsidiaries	0	0	533	1,258
Other financial expenses	6,149	7,277	5,906	6,120
	6,149	7,277	6,439	7,378
7. Tax on profit for the year				
Current joint taxation contribution	33,923	44,205	31,435	38,039
Tax in branches	1,173	1,131	1,173	1,131
Deferred tax	6,586	4,188	3,734	4,757
Adjustment of tax in respect of previous years	-96	159	-99	171
	41,586	49,683	36,243	44,098
Tax on profit for the year is specified as follows:				
Tax recognised in the income statement	41,163	49,423	35,820	43,838
Tax recognised in equity	423	260	423	260
	41,586	49,683	36,243	44,098

Notes

DKK'000	Consolidated			
	Completed development projects	Goodwill	Development projects in progress	In total
8. Intangible assets				
Cost at 1 January	206,351	150,632	32,512	389,495
Exchange rate adjustment in foreign enterprises	-1,200	0	0	-1,200
Additions	0	0	54,290	54,290
Disposals	-27,553	-125,833	0	-153,386
Transferred	55,443	0	-55,443	0
Cost at 31 December	233,041	24,799	31,359	289,199
Amortisation and impairment losses at 1 January	-145,286	-148,263	0	-293,549
Exchange rate adjustment in foreign enterprises	1,200	0	0	1,200
Disposals	27,525	125,833	0	153,358
Depreciation/amortisation and impairment losses	-36,436	-2,369	0	-38,805
Amortisation and impairment losses at 31 December	-152,997	-24,799	0	-177,796
Carrying amount at 31 December	80,044	0	31,359	111,403
Amortised over	<u>2-5 years</u>	<u>5 years</u>		
	Parent company			
Cost at 1 January	177,597	12,295	32,512	222,404
Additions	0	0	54,290	54,290
Disposals	0	0	0	0
Transferred	55,444	0	-55,443	1
Cost at 31 December	233,041	12,295	31,359	276,695
Amortisation and impairment losses at 1 January	-116,533	-12,295	0	-128,828
Disposals	0	0	0	0
Depreciation/amortisation and impairment losses	-36,464	0	0	-36,464
Amortisation and impairment losses at 31 December	-152,997	-12,295	0	-165,292
Carrying amount at 31 December	80,044	0	31,359	111,403
Amortised over	<u>2-5 years</u>	<u>5 years</u>		

Notes

DKK'000

9. Property, plant and equipment

	Consolidated				
	Land and buildings	Production plant and machinery	Fixtures and fittings, other plant and equipment	Prepayments and plant in progress	In total
Cost at 1 January	173,269	283,080	85,312	36,578	578,239
Exchange rate adjustment in foreign enterprises	0	-92	-344	0	-436
Additions	14,213	28,046	8,795	179,668	230,722
Disposals	-140	-5,173	-8,883	0	-14,196
Transferred	14,826	18,107	3,645	-36,578	0
Cost at 31 December	202,168	323,968	88,525	179,668	794,329
Amortisation and impairment losses at 1 January	-66,190	-195,211	-60,327	0	-321,728
Exchange rate adjustment in foreign enterprises	0	26	342	0	368
Depreciation/amortisation and impairment losses	-7,532	-34,289	-12,192	0	-54,013
Disposals	69	5,153	7,793	0	13,015
Amortisation and impairment losses at 31 December	-73,653	-224,321	-64,384	0	-362,358

Carrying amount at 31 December

	25 years	5 years	3-7 years		
Amortised over					
Prop., plant and equipm, comprise assets held under finance leases with a carrying amount totalling	0	0	1,194	0	1,194

	Parent company				
Cost at 1 January	173,267	280,866	66,040	36,578	556,751
Additions	14,214	27,665	7,201	179,668	228,748
Disposals	-140	-5,162	-7,835	0	-13,137
Transferred	14,826	18,107	3,645	-36,578	0
Cost at 31 December	202,167	321,476	69,051	179,668	772,362
Amortisation and impairment losses at 1 January	-66,190	-194,582	-46,672	0	-307,444
Depreciation/amortisation and impairment losses	-7,532	-33,797	-10,260	0	-51,589
Disposals	69	5,058	6,960	0	12,087
Amortisation and impairment losses at 31 December	-73,653	-223,321	-49,972	0	-346,946
Carrying amount at 31 December	128,514	98,155	19,079	179,668	425,416
Amortised over	25 years	5 years	3-7 years		

Notes

DKK'000	Parent company	
	2016	2015
10. Investments in subsidiaries		
Cost at 1 January	172,913	173,038
Additions for the year	117	0
Disposals for the year	0	-125
Cost at 31 December	173,030	172,913
Adjustments at 1 January	-37,758	-56,540
Foreign exchange adjustment	-4,016	3,691
Profit for the year before tax	3,506	16,246
Negative net asset value in subsidiaries set off against receivables	11,794	13,235
Tax on profit for the year	-5,868	-5,363
Disposals, sales of company, Energy-Lab	0	-733
Benefit	-26,860	-8,294
Adjustments at 31 December	-59,202	-37,758
Carrying amount at 31 December	113,828	135,155

Name	Reg. office	Voting right and ownership
Kamstrup B.V.	NL	100%
Kamstrup Sp. z o.o.	PL	100%
Kamstrup Instrumentation Ltd.	GB	100%
Kamstrup AS	NO	100%
Kamstrup Services SAS	FR	100%
Kamstrup AB	SE	100%
Kamstrup Karlskrona AB	SE	100%
Zao Kamstrup	RU	100%
Kamstrup South Africa (Pty) Ltd.	ZA	100%
Kamstrup Austria GmbH	AT	100%
Kamstrup Metering Solutions Private Limited	IN	100%
Kamstrup International A/S	GB	100%
Kamstrup, Inc.	US	100%
Kamstrup Water Metering L.L.C.	US	100%
Kamstrup Chile SpA	CL	100%
Kamstrup Turkey AS	TR	100%

Notes

DKK'000

	Consoli- dated	Parent company
11. Investments in associates		
Acquisition amount at 1 January	250	250
Acquisition amount at 31 December	250	250
Adjustments at 1 January	708	708
Profit for the year before tax	3,253	3,253
Tax on profit for the year	-716	-716
Benefit	-575	-575
Adjustments at 31 December	2,670	2,670
Carrying amount at 31 December	2,920	2,920

Name	Reg. office	Voting right and ownership
Fischer-Kamstrup A/S	DK	50%

	Consolidated		Parent company	
	2016	2015	2016	2015
12. Selling price of systems deliveries				
Systems deliveries	1,176,566	1,039,715	811,144	859,603
Progress billings	-1,077,413	-972,839	-786,720	-823,757
	99,153	66,876	24,424	35,846
Progress billings are specified as follows:				
Systems deliveries (assets)	130,834	113,351	48,368	74,161
Systems deliveries (equity and liabilities)	-31,681	-46,475	-23,944	-38,315
	99,153	66,876	24,424	35,846

Notes

DKK'000	Consolidated			
	Equity capital	Retained earnings	Proposed dividends	In total
13. Equity				
Equity at 01 January 2015	14,000	278,777	180,000	472,777
Distributed dividends	0	0	-180,000	-180,000
Transferred via profit appropriation	0	25,200	127,000	152,200
Value adjustment of hedging instruments	0	1,105	0	1,105
Tax recognised in equity	0	-260	0	-260
Exchange rate adjustment – foreign subsidiaries	0	3,386	0	3,386
Equity at 01 January 2016	14,000	308,208	127,000	449,208
Distributed dividends	0	0	-127,000	-127,000
Transferred via profit appropriation	0	124,690	0	124,690
Value adjustment of hedging instruments	0	737	0	737
Tax recognised in equity	0	-423	0	-423
Exchange rate adjustment – foreign subsidiaries	0	-4,255	0	-4,255
Equity at 31 December 2016	14,000	428,957	0	442,957

Notes

DKK'000	Parent company					In total
	Equity capital	Reserve for development costs	Net re-valuation accord. to the equity method	Retained earnings	Proposed dividends	
13. Equity – continued						
Equity at 1 January 2015	14,000	0	1,931	276,846	180,000	472,777
Distributed dividends	0	0	0	0	-180,000	-180,000
Transferred via profit appropriation	0	0	-1,223	26,423	127,000	152,200
Value adjustment of hedging instruments	0	0	0	1,105	0	1,105
Tax recognised in equity	0	0	0	-260	0	-260
Exchange rate adjustment – foreign subsidiaries	0	0	0	3,386	0	3,386
Equity at 1 January 2016	14,000	0	708	307,500	127,000	449,208
Distributed dividends	0	0	0	0	-127,000	-127,000
Transferred via profit appropriation	0	40,893	1,962	81,835	0	124,690
Value adjustment of hedging instruments	0	0	0	737	0	737
Tax recognised in equity	0	0	0	-423	0	-423
Exchange rate adjustment – foreign subsidiaries	0	0	0	-4,255	0	-4,255
Equity at 31 December 2016	14,000	40,893	2,670	385,394	0	442,957

The share capital comprises 28,000 shares of DKK 500 each. All shares carry the same voting rights.

Notes

	Consolidated		Parent company	
DKK'000	2016	2015	2016	2015
14. Deferred tax				
Deferred tax at 1 January	6,482	3,793	20,690	17,168
Adjustment of tax in respect of previous years	1,325	-1,499	-99	-1,235
Deferred tax for the year	5,518	4,188	3,734	4,757
Deferred tax at 31 December	13,325	6,482	24,325	20,690
Deferred tax liability	24,325	20,690	24,325	20,690
Deferred tax asset	-11,000	-14,208	0	0
	13,325	6,482	24,325	20,690
<i>Deferred tax is incumbent on:</i>				
Intangible assets	23,880	18,683	23,880	18,683
Property, plant and equipment	3,263	4,038	3,263	4,031
Unrealised intra-group profit	-187	-269	-122	-269
Indirect production overheads	1,183	910	1,183	910
Provisions and other accruals	-14,814	-16,880	-3,879	-2,665
	13,325	6,482	24,325	20,690
15. Other provisions				
Other provisions at 1 January	17,819	23,088	12,815	15,710
Utilised during the year	-4,616	-4,689	-4,498	-3,474
Unused guarantee obligations, restored	-4,075	-4,348	-3,891	-2,930
Provisions for the year	14,293	3,768	14,045	3,509
Other provisions at 31 December	23,421	17,819	18,471	12,815
<i>The provisions are expected to be payable in:</i>				
0-1 years	7,181	6,726	7,108	6,650
1-5 years	8,940	6,704	8,235	5,938
+5 years	7,300	4,389	3,128	227
	23,421	17,819	18,471	12,815

Notes

	Consolidated		Parent company	
	2016	2015	2016	2015
DKK'000				
16. Liabilities				
<i>The loans are specified as follows:</i>				
Long-term	62,644	67,658	61,779	67,200
Short-term	5,538	6,389	5,190	5,160
	68,182	74,047	66,969	72,360
Non-current liabilities falling due more than five years after the expiry of the financial year	40,798	46,294	40,798	46,294
17. Corporation tax				
Corporation tax at 1 January	716	11,162	2,712	11,473
Adjustment of tax in respect of previous years	-654	-1,399	14	-1,393
Current tax for the year	-35,096	-45,335	-32,608	-39,169
Corporation tax paid during the year	7,406	36,288	-641	31,801
Corporation tax at 31 December	27,628	716	-30,523	2,712
<i>Allocated as follows:</i>				
Corporation tax receivable	3,717	5,086	912	3,381
Corporation tax payable	0	-4,331	0	-630
Receivables from/payables to group enterprises	-31,345	-39	-31,435	-39
	27,628	716	-30,523	2,712

Notes

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
18. Contingent items				
Contingent liabilities				
Leasehold liabilities	11,724	13,230	2,478	1,579
Lease liabilities	12,502	10,789	10,185	8,750
Collateral				
Performance guarantees provided as collateral for the Company's liabilities towards third party	257,953	266,827	247,327	261,832
The below assets have been provided as collateral for mortgage debt:				
<i>Land and buildings with a carrying amount of:</i>	128,515	107,078	128,515	107,078
	410,694	397,924	388,505	379,239

The Parent Company has provided Norwegian customers with parent company guarantees of DKK 4.6 million in total. (2015: DKK 0 million) regarding an outstanding balance with the subsidiary in Norway.

In addition to this, the Group and the Parent Company have provided collateral for liabilities of its group enterprises at an amount of DKK 247 million (2015: DKK 79 million).

The Parent Company's shares in the subsidiary Kamstrup AB have been provided as collateral for bank loans with group enterprises.

The Company is jointly taxed with other Danish group companies. As a group company, the company has unlimited and joint liability with other group companies for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit. The jointly taxed companies' total known net liability to SKAT appears from the financial statements of the management company OK a.m.b.a, CVR no. 39 17 04 18.

Any subsequent corrections to the joint taxation income and the withholding tax, etc. may result in an increased liability for the company. The Group as a whole is not liable to any others.

DKK'000	2016	2015
19. Cash flows from operations before changes in working capital		
Ordinary operating profit	164,913	211,068
<i>Adjustment for non-cash operating items, etc.:</i>		
Depreciation/amortisation and impairment losses	92,818	81,551
Gain/loss on the disposal of non-current assets	0	0
Other adjustments	3,842	838
	261,573	293,457
20. Changes in working capital		
Changes in inventories	-33,608	19,449
Changes in receivables	-114,283	-35,505
Changes in trade and other payables	26,808	44,631
	-121,083	28,575

Notes

21. Related parties

Kamstrup A/S' related parties comprise:

Control

OK a.m.b.a., Viby J., Denmark, owns the entire share capital.

Other related parties

Other related parties comprise subsidiaries and associates, as described in notes 10 and 11, and the companies' Executive Board and the Board of Directors, executive employees and their family members. Further, related parties comprise companies in which the above persons have substantial interests.

Transactions with related parties

All transactions take place on an arm's length basis.

Apart from the usual remuneration as well as financial income and expenses to the parent company, no transactions have been carried out with the Executive Board and the Board of Directors, executive employees, shareholders or other related parties, which have not been eliminated in the consolidated financial statements. In addition, intragroup balances with the parent company have not been eliminated in the consolidated financial statements.

22. Accounting policies

The annual report of Kamstrup A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

With effect from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This implies the following changes to recognition and measurement of:

1. Yearly reassessment of residual values of material assets
2. Reserve for development costs

Item 1: In the future, residual values of material assets will be reassessed yearly. Review of residual values of the Company's property plant and equipment does not give rise to corrections for existing property plant and equipment. The change has no monetary impact on the income statement or the balance for 2016 or for the comparative figures.

Item 2: In the future, an amount equivalent to the included development costs are tied to a special reserve under equity named "Reserve for development costs". The amount is tied to a special reserve that cannot be used for dividends or for covering losses. If the included development costs are sold or otherwise removed from the Company's operation, the reserve is reduced or liquidated. This takes place by transferring directly to the free equity reserves. If the included development costs are depreciated, a part of the reserve for development costs must be restored. The part that is restored corresponds to the depreciation of the development costs.

If a depreciation of the development costs is restored subsequently, the reserve for the development costs is re-established. The reserve for development costs is also reduced by the depreciation made. The reserve will thus not exceed the amount that is included in the balance as development costs.

The change has no monetary impact on the income statement or the balance for 2016 or for the comparative figures.

Apart from the above and new and changed presentation and disclosure requirements as a result of Act no. 738 of 1 June 2015, the accounting policies are consistent with those applied last year.

A photograph of Whirling Dervishes in the middle of a Sema ceremony. They are wearing their traditional felt hats and long, flowing robes in red, green, and brown. Their arms are outstretched, and their long skirts are swirling around them as they move on a wooden floor. The background is dark and out of focus.

Office opening in Turkey

In Turkey, the demand for intelligent solutions for running a better and more efficient supply business is growing. With a particular focus on electricity, the office in Turkey was opened in 2016 headed by Mehmet Akif Ak as Country Manager. To create a valuable supply business for our customers and potential partners in Turkey, we need to be close to them and understand the market and the conditions.

"The Turkish market is financially highly regulated and the utilities need good partners and experts to improve the conditions. Smart metering is the way forward for the Turkish utilities to ensure a good business".

Notes

Consolidated financial statements

The consolidated financial statements comprise the parent company, Kamstrup A/S, and subsidiaries in which Kamstrup A/S directly or indirectly holds more than 50 % of the voting rights or which it, in some other way, controls. Enterprises in which the group holds between 20 % and 50 % of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation.

Disposed or liquidated enterprises are recognised in the consolidated income statements up until the date of disposal. Comparative figures are not corrected for enterprises acquired, disposed or liquidated during the year.

Gains and losses at disposal of subsidiaries and associates are calculated as the difference between the disposal amount and the carrying amount of net assets at the date of the disposal incl. non-amortized goodwill and expected sales or liquidation costs.

Acquisitions of enterprises are accounted for using the purchase method. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

At the moment, the useful life is assessed to be five years.

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 at 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 at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

On recognition of foreign subsidiaries and associates, the income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates ruling at the balance sheet date are recognised directly in equity.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

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

Notes

Income statement

Revenue

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. Discounts granted are recognised in revenue.

Revenue from sale of goods

Income from the sale of finished goods, comprising electric meters for reading heat and water consumption is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue from sale of services

Income from the provision of services, comprising service contracts, is recognised in revenue on a straight-line basis as the services are provided.

Revenue from systems deliveries

Systems deliveries involving highly customised solutions are recognised in revenue in line with production. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

The stage of completion is made up based on the used costs compared to the latest cost estimate.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Sales and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Notes

Other operating income

Other operating income contains items of secondary character in relation to the activity of the companies, including gains at disposal of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses contain items of secondary character in relation to the activity of the companies, including losses at disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries and associates

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

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

Financial income and expenses

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


Tax on profit for the year

The Parent Company is covered by the Danish rules on compulsory joint taxation of the OK a.m.b.a. Group's Danish subsidiaries. Danish subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company, OK a.m.b.a., is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by the settlement of joint taxation contributions between the jointly taxed enterprises in proportion to their taxable income. In this relation, enterprises with tax loss carryforwards receive joint taxation contributions from enterprises that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.



We are committed to
create a brighter future
for the water and energy
industries by always
turning vision into action.

Notes

Balance sheet

Intangible assets

Capitalised development costs are measured at cost less accumulated amortisation. Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Company's development activities. Capitalised development costs are amortised on a straight-line basis after the completion of the development work over the estimated useful life. The amortisation period is 2-5 years.

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life, which is 5 years.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers as well as wages and salaries.

The cost of assets held under finance leases is recognised at the lower of the fair value of the assets and the present value of the future lease payments. For the calculation of the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount rate.

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

Buildings	25 years
Plant and machinery	5 years
Fixtures and fittings, other plant and equipment	3-7 years

Impairment of non-current assets

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

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured in accordance with the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

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

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds the cost of acquisition.

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.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance and depreciation of production machinery, buildings and equipment as well as factory administration. Borrowing costs are not recognised.

Notes

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

Selling price of systems deliveries

The selling price of systems deliveries is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the individual work in progress.

Individual systems deliveries are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of systems deliveries where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of systems deliveries where progress billings exceed the selling price.

Equity – dividends

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

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

Reserve for development costs comprises included development costs. The reserve cannot be used for dividends or to cover losses. The reserve is reduced or liquidated if the included development costs are depreciated or are removed from the Company's operation. This takes place by transferring directly to the free equity reserves.

Corporation tax and deferred tax

Joint taxation contributions payable and receivable are recognised in the balance sheet as amounts owed to/by group enterprises.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or 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; either as a set-off against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity and jurisdiction.

Other provisions

Provisions comprise anticipated costs related to warranties, losses on systems deliveries, unfunded pension obligations, etc.

Financial liabilities

Financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities

Other liabilities are measured at net realisable value.

Notes

Cash flow statement

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

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

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

Cash flows from investing activities


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

Cash flows from financing activities

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

Segment information

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



We keep our promises
and measure our success
on the basis of the
progress we create for
others.

Think forward

Kamstrup A/S

Industrivej 28, Stilling
DK-8660 Skanderborg
T: +45 89 93 10 00
F: +45 89 93 10 01
info@kamstrup.dk
kamstrup.com