

Haarslev Group A/S

Bogensevej 85

DK-5471 Søndersø

Central Business Registration No

33968981

Annual report 2016

The Annual General Meeting adopted the annual report on 29.05.2017

Chairman of the General Meeting

Name: Michael Kaalund

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	7
Balance sheet at 31.12.2016	8
Statement of changes in equity for 2016	10
Notes	11
Accounting policies	15

Entity details

Entity

Haarslev Group A/S
Bogensevej 85
DK-5471 Søndersø

Central Business Registration No: 33968981

Registered in: Nordfyns Kommune

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Søren Dan Johansen, Chairman
Jan Vestergaard Olsen, Vice-chairman
Bengt Maunsbach
Thomas Stegeager Kvorning
Ola Harald Erics
Peter Christopher Vestermark Bason

Executive Board

Herman Hubertus Jacobus Defauwes, CEO
Michael Kaalund, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Haarslev Group A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Søndersø, 09.05.2017

Executive Board

Herman Hubertus Jacobus
Defauwes
CEO

Michael Kaalund
CFO

Board of Directors

Søren Dan Johansen
Chairman

Jan Vestergaard Olsen
Vice-chairman

Bengt Maunsbach

Thomas Stegeager Kvorning

Ola Harald Eriç

Peter Christopher Vestermark
Bason

Independent auditor's report

To the shareholders of Haarslev Group A/S

Opinion

We have audited the financial statements of Haarslev Group A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 09.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Lars Siggaard Hansen
State Authorised Public Accountant

Tim Kjær-Hansen
State Authorised Public Accountant

Management commentary

Primary activities

Haarslev Group A/S' primary activity is to own the shares of Haarslev Industries A/S and to support Management and administrative assistance to the subsidiaries.

Haarslev is a global provider of process solutions and equipment for the drying, dehydrating and processing of fish-based and animal by-products and by-products from the brewing and distilling industries. Haarslev also offers its process solutions, drying and dehydrating equipment for the municipal and industrial environmental sectors.

Development in activities and finances

The company's income statement for 2016 shows a profit after tax of DKK 6,378k, which is as expected. The development is an improvement compared to 2015 – driven by a higher revenue and a higher profitability in subsidiaries. The Company's balance sheet at 31 December 2016 shows equity of DKK 699,972k.

Unusual circumstances affecting recognition and measurement

Revenue in subsidiaries related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized on the basis of the stage of completion of work performed. The stage of completion is based on estimates as well as expected future events and is thus subject to uncertainty.

Outlook

In 2017 it is expected that the market will continue to be positive and increasing in key markets and segments. As such the Company also expects that 2017 will end at a higher level than 2016 with an estimated organic growth in earnings but not exceeding an increase of 10-15%.

Particular risks

As a consequence of its operations, investments and financing, the subsidiaries are exposed to volatility in terms of raw material prices, exchange rates and the level of interest. The fiscal policy pursued by the Company involves operating with a low risk profile so that risks concerning exchange rates, interest rates and credit only arise, should commercial conditions occur. On an ongoing basis, the Company enters into currency contracts for hedging of currency risks.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Revenue		69,889	8,146
Production costs		<u>(8,824)</u>	<u>0</u>
Gross profit/loss		61,065	8,146
Distribution costs		(7,652)	0
Administrative costs	1	<u>(55,866)</u>	<u>(7,396)</u>
Operating profit/loss		(2,453)	750
Income from investments in group enterprises		25,040	8,729
Other financial income		1,138	0
Other financial expenses	2	<u>(25,731)</u>	<u>(29,115)</u>
Profit/loss before tax		(2,006)	(19,636)
Tax on profit/loss for the year	3	<u>8,384</u>	<u>7,248</u>
Profit/loss for the year		<u>6,378</u>	<u>(12,388)</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		0	2,354
Retained earnings		<u>6,378</u>	<u>(14,742)</u>
		<u>6,378</u>	<u>(12,388)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investments in group enterprises		<u>1,113,261</u>	<u>1,124,836</u>
Fixed asset investments	4	<u>1,113,261</u>	<u>1,124,836</u>
Fixed assets		<u>1,113,261</u>	<u>1,124,836</u>
Deferred tax	5	8,865	826
Other receivables		19	62
Income tax receivable		<u>6,921</u>	<u>6,921</u>
Receivables		<u>15,805</u>	<u>7,809</u>
Cash		<u>4</u>	<u>0</u>
Current assets		<u>15,809</u>	<u>7,809</u>
Assets		<u>1,129,070</u>	<u>1,132,645</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	6	7,505	7,505
Retained earnings		<u>692,467</u>	<u>671,590</u>
Equity		<u>699,972</u>	<u>679,095</u>
Debt to other credit institutions		<u>265,703</u>	<u>304,259</u>
Non-current liabilities other than provisions	7	<u>265,703</u>	<u>304,259</u>
Current portion of long-term liabilities other than provisions	7	42,101	23,388
Trade payables		3,815	0
Payables to group enterprises		98,498	120,626
Other payables		<u>18,981</u>	<u>5,277</u>
Current liabilities other than provisions		<u>163,395</u>	<u>149,291</u>
Liabilities other than provisions		<u>429,098</u>	<u>453,550</u>
Equity and liabilities		<u>1,129,070</u>	<u>1,132,645</u>
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Mortgages and securities	10		
Related parties with controlling interest	11		
Group relations	12		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7,505	671,590	679,095
Exchange rate adjustments	0	13,374	13,374
Value adjustments	0	1,470	1,470
Tax of equity postings	0	(345)	(345)
Profit/loss for the year	0	6,378	6,378
Equity end of year	7,505	692,467	699,972

Notes

	2016 DKK'000	2015 DKK'000
1. Staff costs		
Wages and salaries	43,772	3,782
Pension costs	3,319	190
Other social security costs	109	15
	47,200	3,987
Average number of employees	32	3

	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Executive Board	6,966	3,526
Board of Directors	565	565
	7,531	4,091

Wages and salaries, pension costs and other social security costs are recognised in the following items:

	2016 DKK'000	2015 DKK'000
Production costs	7,669	0
Distribution costs	5,555	0
Administrative costs	33,976	3,987
	47,200	3,987

	2016 DKK'000	2015 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	2,860	2,886
Other financial expenses	22,871	26,229
	25,731	29,115

Notes

	2016	2015
	DKK'000	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	(345)	(6,921)
Change in deferred tax for the year	(8,039)	(499)
Adjustment concerning previous years	0	172
	<u>(8,384)</u>	<u>(7,248)</u>

	Investment s in group enterprises DKK'000
4. Fixed asset investments	
Cost beginning of year	1,210,725
Cost end of year	<u>1,210,725</u>
Revaluations beginning of year	(85,889)
Amortisation of goodwill	(51,791)
Share of profit/loss for the year	76,833
Dividend	(50,000)
Other adjustments	13,383
Revaluations end of year	<u>(97,464)</u>
Carrying amount end of year	<u>1,113,261</u>

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK'000	Profit/loss DKK'000
Investments in group enterprises comprise:					
Haarslev Industries A/S	Søndersø	A/S	100.0	323,440	76,833

Notes

5. Deferred tax

Deferred tax consists of tax on equity postings (financial instruments), capitalized borrowing costs and tax losses carried forward.

6. Contributed capital

Contributed capital consists of 7,505,001 shares of nominal value of DKK 1. The shares have not been divided into classes and no shares carry any special rights.

The contributed capital has not been changed in the past 5 years.

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000
7. Liabilities other than provisions			
Debt to other credit institutions	42,101	23,388	265,703
	42,101	23,388	265,703

Payments due within 1 year are recognised under current liabilities other than provisions.

	2016 DKK'000	2015 DKK'000
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	1,311	0

9. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Haarslev Group Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

10. Mortgages and securities

The Company's shares in subsidiaries DKK 1,113,261 have been provided as security for payables in Group enterprises to banks and, at 31 December 2016, amount to net DKK 692,405k.

Notes

11. Related parties with controlling interest

The following shareholder is recorded in the Company's register of shareholders to have at least 5% of the votes of the share capital:

Haarslev Group Holding A/S, Bogensevej 85, Hårslev, 5471 Sønderø, Denmark.

12. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Haarslev Group Holding A/S, Bogensevej 85, Hårslev, 5471 Sønderø, Denmark

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income

Accounting policies

statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Income statement

Revenue

Revenue from Management and administrative services is recognised in the income statement when delivery is made. Revenue is recognised net of VAT and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise cost of sales for the financial year, and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets attached to the distribution process.

Administrative costs

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets used for administration of the Entity.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, realised and unrealised exchanged adjustments as well as ekstra payments and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised exchange adjustments as well as amortisations of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its Parent and all the Parent's other Danish subsidiaries. The current income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus unamortised goodwill and minus or plus unrealised intra-group profits or losses.

Net revaluation of investments in subsidiaries is transferred to "reserve for net revaluation according to the equity method" under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated useful life up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile.

Haarslev's investments in businesses are of strategic significance in order to further increase Haarslev's revenue and profits. The acquired businesses include technologies, segments and products closely linked to Haarslev's core business. The earnings profile, underpins an economic life of 20 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.