

Haarslev Group A/S
Bogensevej 85
5471 Søndersø
Business Registration No
33968981

Annual report 2017

The Annual General Meeting adopted the annual report on 25.05.2018

Chairman of the General Meeting

Name: Morten Rose-Nielsen

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 2017	8
Balance sheet at 31.12.2017	9
Statement of changes in equity for 2017	11
Notes	12
Accounting policies	15

Entity details

Entity

Haarslev Group A/S
Bogensevej 85
5471 Søndersø

Central Business Registration No (CVR): 33968981

Registered in: Nordfyns

Financial year: 01.01.2017 - 31.12.2017

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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 26.04.2018

Executive Board

Herman Hubertus Jacobus Defauwes CEO	Michael Kaalund CFO
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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 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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, 26.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Lars Siggaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne32208

Tim Kjær-Hansen
State Authorised Public Accountant
Identification No (MNE) mne23295

Management commentary

Primary activities

Haarslev Group A/S'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 2017 shows a loss after tax of DKK 136,411k, which is not as expected and not in accordance with outlook presented in the annual report 2016. The negative result primarily relates to change in revenue as well as an increase in fixed costs and project related costs resulting from the significant increase in activity level and resulting pressure on the supply chain. Finally, the 2017 result are impacted by exceptional costs relating to the implementation of a number of internal projects aimed at securing a stronger platform as the company continues to grow.

The Company's balance sheet at 31 December 2017 shows equity of DKK 536,978k.

Unusual circumstances affecting recognition and measurement

As a result of an analysis of the project portfolio the Company refined the classification of the project portfolio in relation to the timing of revenue recognition with effect from 1 January 2017, This change resulted in a one-off accounting impact as more customer contracts are recognized as income at transfer of risk instead of as Work in Progress. Management estimates that revenue has been negatively influenced by approximately DKK 90-115 million. This change had no impact on the underlying profit or liquidity of Haarslev.

The Company's financial position at 1 January 2017 has been affected by a misstatement related to the lack of recognition of costs in a 100% owned subsidiary in the years 2015 and 2016. The misstatement has been corrected as of 1 January 2017 and has been applied for the comparative figures for 2016. The change results in a reduction of the profit for 2016 with DKK 6,7 million, and the liabilities and equity has been reduced with DKK 8,8 million.

Outlook

In 2018 it is expected that the market will continue to be positive and increasing in key markets and segments. It is expected that 2018 will end at a higher level than 2017 with an estimated organic growth in revenue in the range 15-25% and a significant rebound in earnings.

Management commentary

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 Group 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 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue		94,965	69,889
Production costs		<u>(15,185)</u>	<u>(8,824)</u>
Gross profit/loss		79,780	61,065
Distribution costs		(13,223)	(7,652)
Administrative expenses	1	<u>(70,920)</u>	<u>(55,866)</u>
Operating profit/loss		(4,363)	(2,453)
Income from investments in group enterprises		(108,154)	18,305
Other financial income		618	1,138
Other financial expenses	2	<u>(22,011)</u>	<u>(25,731)</u>
Profit/loss before tax		(133,910)	(8,741)
Tax on profit/loss for the year	3	<u>(2,501)</u>	<u>8,384</u>
Profit/loss for the year		<u>(136,411)</u>	<u>(357)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(136,411)</u>	<u>(357)</u>
		<u>(136,411)</u>	<u>(357)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Acquired patents		427	0
Intangible assets	4	<u>427</u>	<u>0</u>
Investments in group enterprises		918,057	1,104,439
Fixed asset investments	5	<u>918,057</u>	<u>1,104,439</u>
Fixed assets		<u>918,484</u>	<u>1,104,439</u>
Receivables from group enterprises		11,360	0
Deferred tax	6	67	8,865
Other receivables		836	19
Income tax receivable		5,415	6,921
Prepayments		5,669	0
Receivables		<u>23,347</u>	<u>15,805</u>
Cash		<u>248</u>	<u>4</u>
Current assets		<u>23,595</u>	<u>15,809</u>
Assets		<u>942,079</u>	<u>1,120,248</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Contributed capital		7,505	7,505
Retained earnings		<u>529,473</u>	<u>683,645</u>
Equity		<u>536,978</u>	<u>691,150</u>
Debt to other credit institutions		<u>242,413</u>	<u>265,703</u>
Non-current liabilities other than provisions	7	<u>242,413</u>	<u>265,703</u>
Current portion of long-term liabilities other than provisions	7	33,364	42,101
Trade payables		12,130	3,815
Payables to group enterprises		109,751	98,498
Other payables		<u>7,443</u>	<u>18,981</u>
Current liabilities other than provisions		<u>162,688</u>	<u>163,395</u>
Liabilities other than provisions		<u>405,101</u>	<u>429,098</u>
Equity and liabilities		<u>942,079</u>	<u>1,120,248</u>
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with controlling interest	11		
Group relations	12		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7,505	692,467	699,972
Corrections of material errors	0	(8,822)	(8,822)
Adjusted equity, beginning of year	7,505	683,645	691,150
Exchange rate adjustments	0	(19,641)	(19,641)
Value adjustments	0	1,880	1,880
Profit/loss for the year	0	(136,411)	(136,411)
Equity end of year	7,505	529,473	536,978

Notes

	2017	2016
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	36,295	43,772
Pension costs	2,968	3,319
Other social security costs	643	109
	39,906	47,200
Average number of employees	42	32
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2017	2016
	DKK'000	DKK'000
Executive Board	5,944	6,966
Board of Directors	525	565
	6,469	7,531
	2017	2016
	DKK'000	DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	2,900	2,860
Other financial expenses	19,111	22,871
	22,011	25,731
	2017	2016
	DKK'000	DKK'000
3. Tax on profit/loss for the year		
Current tax	(579)	(345)
Change in deferred tax	(8,798)	(8,039)
Adjustment concerning previous years	11,878	0
	2,501	(8,384)

Notes

		Acquired patents DKK'000		
4. Intangible assets				
Additions		446		
Cost end of year		446		
Amortisation for the year		(19)		
Amortisation and impairment losses end of year		(19)		
Carrying amount end of year		427		
		Invest- ments in group enterprises DKK'000		
5. Fixed asset investments				
Cost beginning of year		1,210,725		
Cost end of year		1,210,725		
Revaluations beginning of year		(106,286)		
Amortisation of goodwill		(51,791)		
Share of profit/loss for the year		(56,351)		
Dividend		(60,000)		
Other adjustments		(18,240)		
Revaluations end of year		(292,668)		
Carrying amount end of year		918,057		
	Corpo- rate form	Equity inte- rest %	Equity DKK'000	Profit/loss DKK'000
Investments in group enterprises comprise:	Registered in			
Haarslev Industries A/S	Søndersø	A/S	180,048	(56,351)

Notes

6. Deferred tax

Deferred tax consists of tax on capitalized borrowing costs and tax losses carried forward.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000
7. Liabilities other than provisions			
Debt to other credit institutions	33,364	42,101	242,413
	33,364	42,101	242,413

	2017 DKK'000	2016 DKK'000
8. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	1,536	1,311

9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Haarslev Group Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

10. Assets charged and collateral

The Company's shares in subsidiaries DKK 918,057k have been provided as security for payables in Group enterprises to banks, at 31 December 2017, amount to net DKK 706,109k.

11. Related parties with controlling interest

The following parties have a controlling interest:

- Haarslev Holding S.A.R.L. (principal shareholder), 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg.
- Haarslev Group Holding A/S (shareholder), Bogensevej 85, Haarslev, 5471 Sønderød.

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, Haarslev, 5471 Sønderød, Danmark.

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 to these financial statements are consistent with those applied last year.

Consolidated financial statements

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

Material errors in previous years

The Company's financial position at 1 January 2017 has been affected by a misstatement related to the lack of recognition of costs in a 100% owned subsidiary in the years 2015 and 2016. The misstatement have been corrected as of 1 January 2017 and have been applied for the comparative figures for 2016. The change results in a reduction of the profit for 2016 with DKK 6.7 million, and the liabilities and equity have been reduced with DKK 8.8 million.

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 rate 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.

Accounting policies

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

Income statement

Revenue

Revenue from the sale of management and administrative services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories 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 costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery 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 intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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 of the Parent's Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise trademarks and patents.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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 value plus unamortised goodwill and plus or minus 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.

Upon distribution of profit or loss, net revaluation of investments in group enterprises 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 pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. Useful lives are reassessed annually. The amortisation periods used are 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 a 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.

Accounting policies

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value 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 computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and 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.