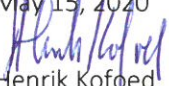


# Haarslev Group A/S

Bogensevej 85, 5471 Soendersoe  
CVR.no. 33 96 89 81

Annual report for 2019

Adopted at the annual general meeting on  
May 15, 2020

  
Henrik Kofod  
Chairman



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## Company information

### The company

Haarslev Group A/S  
c/o Haarslev Industries A/S  
Bogensevej 85  
5471 Soendersoe  
Website: [www.haarslev.com](http://www.haarslev.com)  
E-mail: [DK-info@haarslev.com](mailto:DK-info@haarslev.com)  
Registered office: Nordfyns Kommune  
CVR no.: 33 96 89 81  
Financial year: 01.01 - 31.12

### Executive Board

CEO	Herman Hubertus Jacobus Defauwes
CFO	Morten Nicolaj Rose-Nielsen

### Board of directors

Chairman	Søren Dan Johansen
	Jan Vestergaard Olsen
	Ola Harald Erics
	Paal Kristian Weberg

### Auditors

DELOITTE STATSAUTORISERET REVISIONSPARTNERSELSKAB

### Parent company

Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg, which is owned by Altor Fund III GP Limited.

## Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.19-31.12.19 for Haarslev Group A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial positions as at 31.12.2019 and of the results of the company's activities for the financial year 01.01.2019 - 31.12.2019.

In our opinion, management's review includes a fair review includes of the matters dealt with in the management's review.


The annual report is submitted for adoption by the general meeting.

Soendersoe, April 29, 2020

### Executive Board



Herman Hubertus Jacobus  
Defauwes  
CEO



Morten Nicolaj Rose-Nielsen  
CFO

### Board of directors

Søren Dan Johansen

Chairman



Paal Kristian Weberg



Jan Vestergaard Olsen



Ola Harald Erici

## 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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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, April 29, 2020

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556



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



Eskild Nørregaard Jakobsen  
State Authorised Public Accountant  
Identification No (MNE) mne11681

## Management's review

### Primary activities

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. The Group also offers its process solutions, drying and dehydrating equipment for the municipal and industrial environmental sectors.

Haarslev Group A/S primary activity is to own shares of Haarslev Industries A/S and to support management and administration to the subsidiaries.

### Development in activities and finances

Following the implementation of a new ERP system in the Company's Danish entities, a strong order intake in the first quarter of 2019 and the positive effects of the Company's strategic initiatives, the group showed an increase in earnings.

The revenue for the Company decreased by 32,4% to DKK 57.358k (2018: DKK 84.856k).

The Group had high activity level in our core rendering markets in Europe and Asia Pacific with strong growth in order intake, whereas our North America and South American markets were more challenged.

The Company's income statement for 2019 shows a loss after tax of DKK 171.564k (2018: loss after tax DKK 201.185k), which is below the outlook presented in the annual report 2018.

The negative result is a combination of several factors; a lower than expected activity, and significant losses incurred primarily within the Environment division loss after tax DKK 44.960k and South American entities. Inventory write downs and the realization of projects sold in prior years have also had an adverse impact on the Company's result. Nonrecurring costs relating to restructuring projects and IT investments have also had a negative impact.

The Company's balance sheet as of 31 December 2019 shows an equity of DKK 310.627k (2018: DKK 396.845k) and total assets of DKK 839.864k (2018: DKK 898.137k).

### Capital resources and funding

The cash flow is still not satisfactory.

The Group's guidelines and procedures for control and management of the capital structure remained unchanged in 2019. Several initiatives have been planned for 2020 to improve the cash flow, including enhanced focus on Net Working Capital management.

Delayed customer payments and softer order intake in Q1 2020 put some pressure on near-term liquidity. Additional liquidity support from the owners of EUR 6m was received mid-April 2020 in the form of a subordinated loan. An equal amount of postponed repayment of debt was provided by the Group's banks. Several initiatives have been planned for 2020 to improve the cash flow (e.g. more focus on Net Working Capital management).

As part of the agreement with the Group's lenders, the Group must comply with certain financial covenants. For 2019 the Group has been in compliance with the financial covenants. The outlook for 2020 is also in compliance with the financial covenants based on the key assumptions that the Group will not experience any significant operational issues throughout 2020 and that the Covid-19 impact will gradually recovery in 2nd half of 2020. In addition, the main shareholder Altor Fund III has demonstrated their continued support mid-April 2020 with the latest liquidity support of EUR 6m.

Based hereon and the budget for 2020, Group Management considers that the Group's capital resources and funding is on an acceptable level throughout 2020.

### **Uncertainty relating to recognition and measurement**

The main accounting areas where the recognition and measurement can be affected by estimates and subject to uncertainty are investments in group enterprises and result from group enterprises as these enterprises includes:

- Revenue related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized based on the stage of completion of work performed.
- Goodwill is measured at cost less accumulated amortization and impairment. Management has assessed indication of impairment of goodwill based on expected earnings.
- Deferred tax assets, including the tax base of tax losses carried forward, are measured at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. The estimated realisable value is based on expected earnings.

The stage of completion and expected earnings is based on estimates as well as expected future events and is thus subject to uncertainty.

### **Outlook**

The outlook for 2020 is uncertain and depends on different scenarios of the Covid-19 impact. In general end-market food producers/renderers expect to be less affected by the virus crisis and we expect Haarslev's main markets to have a V-shaped recovery.

Our global supply chain includes China where the production stopped on January 24 for the China Spring Festival. Due to the virus outbreak, the production was only restarted officially on February 13, with half of staff on duty. The restriction on people's return was lifted on February 20, when the production gradually recovered to normal levels. Our Chinese manufacturing activities are now running normally.

DK manufacturing has been running at full capacity in Q1 2020. Due to our order backlog, the production continues but the order intake in March was lower than budget. Our S&I teams are faced with difficulties being on site at our customers plants in March and April.

Covid-19's impact on order intake in Q2 and rest of 2020 is difficult to predict. Some capital sales postponement is expected, and this would reduce order intake in Q2/Q3. Gradual recovery in Q4 onwards is expected.

The unforeseen Covid-19 impact leads to a more challenging than expected outlook and management decided in Q1 2020 to take significant mitigating actions by accelerating the transformation program including cost reduction initiatives. Several initiatives have been planned for 2020 to improve the cash flow (e.g. through more focus on Net Working Capital management).

Based on the new outlook for 2020, a revenue decrease in the range of 5-10% is expected compared to 2019. Due to the initiatives implemented in Q1 2020, the profit for the year before tax is expected to be improved for the continued operations.

### **Risk Management**

Because of its operations, investments, and financing, the Group is exposed to volatility in terms of raw material prices, exchange rates, and the level of interest. The risk of changes in raw material prices is to a degree contractually transferred to our customers. Because of the historically low risk, the Group seldomly enters financial instruments for hedging.



### **Intellectual capital resources**

The Group's ambition is to be in the lead of technological development. The Group has considerable intellectual capital resources within its field of activity, which may be divided into four categories: Customers, Technology, Processes, and Staff relations.

#### **Customers**

The Group aims at creating value for its customers by providing intelligent solutions, created in cooperation with the individual customer, meeting the customers' expectations through the delivery of customized, high quality products, delivered in accordance with terms of delivery, etc. The key performance indicators in this respect include customer satisfaction and customer loyalty. Follow-up is made regularly through close dialogue with customers.

#### **Technology**

It is important for the Group - in both the short and long term - to ensure the right portfolio of production technologies and a continued further development of existing production technologies.

#### **Processes**

The critical business processes relate to the development of individual solutions, quality, and service. In order to make sure that the customer receives the agreed service, the individual methods and procedures are documented. Compliance with time of delivery and the scope of warranty expenses are important indicators of the functionality of business processes. The Group constantly makes great efforts to ensure that the goals set up for the business processes are complied with.

Furthermore, the Group's internal development activities are constantly focused on improving products and processes, often in cooperation with the customer.

#### **Staff relations**

In order to continuously be able to deliver and develop competitive products and solutions, it is crucial that the Group is capable of recruiting and retaining highly qualified employees.

The number of employees has developed as follows:

Average number of employees was 68 (2018: 51).

#### **Environmental performance**

The Group cares about the environment and is currently working on reducing the environmental impact from the Group's operation, the processes, and products offered. The Group possesses the relevant environmental approvals, and the Group's activities do not involve harmful or extraordinary impacts to the environment.

#### **Research and development activities**

The Group is not engaged in research but is developing its technologies, processes, and competencies on an ongoing basis.

#### **Statutory report on corporate social responsibility, diversity and underrepresented gender**

Haarslev has decided to publish the statutory CSR and Diversity statements on the Company's website, see the Danish Financial Statements Act, § 99a and § 99b. The CSR and Diversity statements are developed for Haarslev Industries A/S only and do therefore not include any subsidiaries. To read the statements please visit <http://haarslev.com/CSR-performance>.

#### **Corporate governance**

The Board of Directors and Executive Board of Haarslev Group Holding A/S constantly seek to ensure that the management structure and control systems of the Group are appropriate and satisfactory.

On an ongoing basis, Management assesses whether this remains the case. The tasks and responsibilities of Management are, among others, based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association and generally accepted practice for enterprises of the same size and with the same international reach as Haarslev Group Holding. In this connection and because the Group's principal shareholder is Altor Fund III, who is a member of Danish Venture Capital and Private Equity Association ([www.dvca.dk](http://www.dvca.dk)), the Haarslev Group in all material respects also complies with the guidelines for responsible ownership and corporate governance of DVCA.

On this basis, Management has developed a number of internal procedures to ensure an active, secure and profitable management of the Group. This includes a further strengthening of the Finance function, an increased number of financial control reviews, controlling visits at subsidiaries and an updated "Code of Conduct" across the Group.

### **Operational risk management**

The main operational risks in the Group relates to the execution of large complex customer projects. The Group's extensive know-how and many years of experience within project management are the main components in mitigating this risk. Bid reviews and project support from central knowledge centres are an integrated part of the project management process.

Additionally, several reporting procedures are set up in order to monitor project progress and to secure actions are taken if unforeseen issues arise during the project lifetime. The status on the largest projects is reported to the Board of Directors on a monthly basis.

In relation to the preparation of the financial statements, Management has a particular focus on the control procedures in relation to the following items:

- Revenue recognition of large projects
- Valuation of work in progress

The formal monthly reporting procedures, as well as review meetings are set up to mitigate risks related to these items.

### **Shareholder relations**

On an ongoing basis, the Board of Directors assesses whether the Company's capital structure is in accordance with the Company's and its stakeholders' interests. The overall objective is to ensure a capital structure that supports long-term, profitable growth.

The Company's Articles of Association stipulate no limits of ownership or voting rights. If an offer is received for an acquisition of company shares, the Board of Directors will consider this in accordance with the law.

The Haarslev Group's principal shareholder is Altor Fund III who possesses c. 76% of the Company's shares. Group Management holds a minority share of c. 2% of the Company's shares.

By the year end of 2019 Haarslev Group Holding A/S owns none of its own shares (2018:19.154). The company will from time to time hold limited part of own shares, when changes in Group Management take place.

### **Board of Directors**

#### **Søren Dan Johansen**

Elected by Altor Fund III. Chairman of the Board of Directors. Member of the Board since 2012.

CEO of Altor Equity Partners A/S, New Nutrition Holding ApS, New Nutrition ApS, KR122019 ApS, KR22019 ApS and KR32019 ApS.

Chairman of the Board of Haarslev Group A/S, Haarslev Industries A/S, Haarslev Group Holding A/S, Wrist Ship Supply Holding A/S, W.S.S. Holding A/S, Wrist Ship Supply A/S, CAM Holding 1 DK ApS, C WorldWide Holding A/S, C WorldWide Group Holding A/S, Statens Ejendomssalg A/S, A/S, and Technoinvest A/S.

Vice-chairman of the Board of Hamlet Protein A/S, New Nutrition Holding ApS and New Nutrition ApS.

Member of the Board of Tresu A/S, Tresu Investment A/S, Tresu Investment Holding A/S and Tresu Group Holding A/S, Hamlet Protein A/S and Norican Global A/S.

### **Jan Vestergaard Olsen**

Elected by Altor Fund III. Vice-chairman of the Board of Directors since 2012.

CEO of TAMI Holding ApS.

Chairman of the Board of Mekoprint Holding A/S, Mekoprint A/S and Mekoprint Ejendomme A/S.

Vice-chairman of the Board of Haarslev Group A/S, Haarslev Group Holding A/S and Haarslev Industries A/S.

Member of the Board of Hoyer Group A/S.

Chairman of the Board of S/I Ønskeland.

### **Ola Harald Erci**

Elected by Altor Fund III. Member of the Board of Directors since 2012.

Chairman of the Board of Midsona AB, Geveko Markings AB, Dynasafe Demil Systems AB and Arendalis AB.

Member of the Board of Haarslev Group A/S, Haarslev Industries A/S, Solix Group AB and Tresu Group A/S.

### **Paal Kristian Weberg**

Elected by Altor Fund III. Member of the Board of Directors since 2019.

Member of the Board since 2019.

Member of the Board of KonfiDents Altordent Holding AB, Haarslev Group A/S, Haarslev Industries A/S, Haarslev Group Holding A/S.

### **Responsibilities of the Board of Directors**

The Board of Directors as a whole has monitored the preparation of the financial reporting, the internal controls and the audit of the financial statements.

The Board of Directors ensures that the Executive Board complies with the objectives, strategies and procedures laid down by the Board of Directors. The reporting from the Executive Boards of the respective companies takes place systematically, both at meetings and through written and verbal reporting on an ongoing basis.

Among other things, this reporting includes a description of the development in key markets, as well as the Group's operational and financial development. The Board of Directors holds meetings according to a fixed plan, with at least five meetings a year and extraordinary meetings, if required.

### **Management remuneration**

In order to attract and retain the Group's management competencies, remuneration of the members of the Executive Board and executives is determined considering their responsibilities, value creation and the conditions of comparable enterprises. The remuneration includes performance-related elements aimed at aligning interests between company management and the shareholders, as the schemes consider both short-term and long-term goals.

Such performance-related elements include cash bonuses as well as a warrant program for selected key executives responsible for the day-to-day management.

**Dividend policy**

Payment of dividend takes place in due consideration of the necessary consolidation of equity as a basis for the Group's continued expansion. No dividend is proposed for 2019.

**Stakeholders**

The Group constantly seeks to develop and maintain good relations with its stakeholders, as such relations are assessed to be of significant and positive importance to the Group's development. On this basis, Haarslev Group Holding is pursuing an active communication with its stakeholders and, moreover, has separate policies for various key areas such as staff, environmental factors and responsibility towards customers and society at large. These policies are to ensure that information of importance to, among others, investors, employees and authorities is provided and published in accordance with rules and agreements.

Part of the work of the Board of Directors is to ensure both compliance with and regular adaptation of the guidelines in accordance with the development in and around the Group.

**Events after the balance sheet date**

The outlook for 2020 is uncertain and depends on different scenarios of the Covid-19 impact. The unforeseen Covid-19 impact leads to a challenging outlook and management decided in Q1 2020 to take significant mitigating actions by accelerating the transformation program including cost reduction initiatives. Several initiatives have been planned for 2020 to improve the cash flow (e.g. through more focus on Net Working Capital management).

In April 2020 the Group obtained a subordinated loan of EUR 6m from our main shareholder, Altor Fund III, in order to strengthen the capital structure of the Group. An equal amount of postponed amortizations were provided by the Group's banks.

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

## Financial highlights

Figures in DKK '000	2019	2018	2017	2016	2015
<i>Profit/loss</i>					
Revenue	57.358	84.856	94.965	69.889	8.146
Operating profit/loss before net financials and tax	-50.857	-24.403	-4.363	-2.453	750
Total net financials	-116.431	-188.335	-129.547	447	-20.386
Profit/loss for the year	-171.564	-201.185	-136.411	6.378	-12.388
<i>Balance</i>					
Total assets	853.455	898.137	942.079	1.129.070	1.132.645
Investments in property, plant and equipment					
Equity	310.627	396.845	536.978	699.972	679.095
<b>Ratios</b>					
<i>Profitability</i>					
Return on equity	-49%	-43%	-22%	1%	-2%
Gross Margin	100%	86%	84%	87%	100%
Profit margin	-89%	-29%	-5%	-4%	9%
<i>Equity ratio</i>					
	36%	44%	57%	62%	60%
<i>Others</i>					
Numbers of employees (average)	68	51	42	32	3
Return of equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$				
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$				
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$				
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				

## Income statement

Notes	<i>Figures in DKK '000</i>	2019	2018
<b>1</b>	<b>Revenue</b>	<b>57.358</b>	<b>84.856</b>
	Administration costs	-108.215	-109.259
	<b>Profit/loss before net financials</b>	<b>-50.857</b>	<b>-24.403</b>
<b>3</b>	<b>Result from equity investments in group enterprises</b>	<b>-94.513</b>	<b>-145.815</b>
<b>4</b>	<b>Financial income</b>	<b>637</b>	<b>688</b>
<b>4</b>	<b>Financial expenses</b>	<b>-22.556</b>	<b>-43.208</b>
	<b>Profit/loss before tax</b>	<b>-167.289</b>	<b>-212.738</b>
<b>5</b>	<b>Tax on profit or loss for the year</b>	<b>-4.275</b>	<b>11.553</b>
<b>6</b>	<b>Profit/loss for the year</b>	<b>-171.564</b>	<b>-201.185</b>

## Balance sheet

<b>ASSETS</b>			
Notes	<i>Figures in DKK '000</i>	2019	2018
	Trademarks	338	382
	Development projects in progress	1.000	
<b>7</b>	<b>Total intangible assets</b>	<b>1.338</b>	<b>382</b>
<b>8</b>	<b>Equity investments in group enterprises</b>	<b>766.935</b>	<b>870.152</b>
	Receivables from group enterprises	44.850	
	<b>Total investments</b>	<b>811.785</b>	<b>870.152</b>
	<b>Total non-current assets</b>	<b>813.123</b>	<b>870.534</b>
<b>9</b>	<b>Deferred tax asset</b>	<b>19.380</b>	<b>17.380</b>
	Other receivables	2.453	
	Receivables to group companies	13.591	
<b>10</b>	<b>Prepayments</b>	<b>3.400</b>	<b>10.118</b>
	<b>Total receivables</b>	<b>38.823</b>	<b>27.498</b>
	<b>Cash</b>	<b>1.509</b>	<b>105</b>
	<b>Total current assets</b>	<b>40.332</b>	<b>27.603</b>
	<b>Total assets</b>	<b>853.455</b>	<b>898.137</b>
<b>EQUITY AND LIABILITIES</b>			
	<i>Figures in DKK '000</i>	2019	2018
<b>11</b>	<b>Share capital</b>	<b>7.505</b>	<b>7.505</b>
	Reserve for development costs	1.000	
	Retained earnings	302.122	389.340
	<b>Total equity</b>	<b>310.627</b>	<b>396.845</b>
	Payables to other credit institutions	200.626	219.394
	Subordinated loan from group companies	44.850	
	Payable to group companies	234.539	219.407
	Other payables	1.342	
<b>12</b>	<b>Total long-term payables</b>	<b>481.357</b>	<b>438.801</b>
<b>12</b>	<b>Short-term portion of long-term payables</b>	<b>30.853</b>	<b>27.104</b>
	Trade payables	20.523	16.336
	Payables to group enterprises	0	3.350
	Other payables	10.095	15.701
	<b>Total short-term payables</b>	<b>61.471</b>	<b>62.491</b>
	<b>Total payables</b>	<b>542.829</b>	<b>501.292</b>
	<b>Total equity and liabilities</b>	<b>853.455</b>	<b>898.137</b>
<b>13</b>	<b>Contingent liabilities</b>		
<b>14</b>	<b>Charges and security</b>		
<b>15</b>	<b>Related parties</b>		

## Changes in equity

<i>Figures in DKK '000</i>	Share capital	Retained earnings	Reserve Development cost	Total Equity
Statement of changes in equity for 01.01.2018 - 31.12.2018				
Balance as at 01.01.2018	7.505	529.473		536.978
Value adjustments		7.118		7.118
Group contribution		53.934		53.934
Net profit/loss for the year		-201.185		-201.185
Balance as at 31.12.2018	7.505	389.340		396.845
0				
Statement of changes in equity for 01.01.2019 - 31.12.2019				
Balance as at 01.01.2019	7.505	389.340		396.845
Foreign currency translation adjustment of foreign enterprises		7.784		7.784
Group contribution		77.561		77.561
Net profit/loss for the year		-172.564	1.000	-171.564
Balance as at 31.12.2019	7.505	302.121	1.000	310.626



## Notes

### 1. Revenue

<i>Figures in DKK '000</i>	2019	2018
Revenue comprises of the following activities		
Service	57.357	84.856
Revenue comprises of the following geographical markets:		
Revenue, Denmark	18.722	49.941
Revenue, Europe	16.454	13.559
Revenue, Other countries	22.182	21.356
<b>Total</b>	<b>57.357</b>	<b>49.941</b>

### 2. Personnel costs

<i>Figures in DKK '000</i>	2019	2018
Personnel costs - type		
Wages and Salaries	40.781	41.280
Pensions	2.875	2.961
Other personnel costs	2.499	335
<b>Total</b>	<b>46.154</b>	<b>44.576</b>
Personnel costs - function		
Administrative costs	46.154	44.576
<b>Total</b>	<b>46.154</b>	<b>44.576</b>
Average number of employees during the year	68	51
Remuneration for the management		
Salaries, Board of Executives	3.782	5.328
Total remuneration for the management	3.782	5.328
Remuneration for the Board of Directors	601	450
Remuneration for the Executive Board and Board of Directors	4.383	5.778

### 3. Income from equity investments in group enterprises

<i>Figures in DKK '000</i>	2019	2018
Result from equity investments in group enterprises, continuing operations	-251	-94.024
Result from equity investments in group enterprises, discontinued operations	-42.471	
Amortisation of goodwill	-51.791	-51.791
<b>Total</b>	<b>-94.513</b>	<b>-145.815</b>

### 4. Financial income

<i>Figures in DKK '000</i>	2019	2018
Interest, group enterprises	22	
Other financial income	616	
<b>Total</b>	<b>637</b>	

### 4. Financial expenses

<i>Figures in DKK '000</i>	2019	2018
Interest, group enterprises	6.625	24.626
Other financial expenses	5.431	6.596
Other interest expenses	10.500	11.986
<b>Total</b>	<b>22.556</b>	<b>43.208</b>

### 5. Tax on profit or loss for the year

<i>Figures in DKK '000</i>	2019	2018
Adjustment of deferred tax for the year	-4.275	-17.313
Adjustment of tax in respect to previous years		5.760
<b>Total</b>	<b>-4.275</b>	<b>-11.553</b>

### 6. Distribution of net profit

<i>Figures in DKK '000</i>	2019	2018
Reserve development cost	1.000	
Retained earnings	-172.564	-201.185
<b>Total</b>	<b>-171.564</b>	<b>-201.185</b>

## 7. Intangible assets

<i>Figures in DKK '000</i>	Acquired rights	Development projects in progress
Cost as of 01.01.2019	446	
Cost, additions	0	1.000
Cost as of 31.12.2019	446	1.000
Amortisation and impairment losses as of 01.01.2019	-63	
Amortisation and impairment losses, additions	-45	
Amortisation and impairment losses as of 31.12.2019	-108	
Carrying amount as of 31.12.19	338	1.000

## 8. Equity investments

<i>Figures in DK '000</i>	Equity investments in group enterprises
Cost as of 01.01.2019	1.301.517
Additions during the year	103.512
Cost as of 31.12.2019	1.405.029
Adjustment to cost per 01.01.2019	-431.365
Foreign currency translation adjustment of foreign enterprises	7.783
Amortisation of goodwill	-51.791
Net profit/loss from equity investments	-42.787
Dividend relating to equity investments	-120.000
Other adjustments relating to equity investments	66
Adjustment to cost, ultimo	-638.094
<b>Carrying amount as of 31.12.2019</b>	<b>766.935</b>
The item comprises goodwill as of 31.12.2019	634.440
Goodwill on initial recognition of equity investments measured at equity value	1.035.821

Subsidiaries	Registered in	Equity interest in percent
Group enterprises		
Haarslev Industries A/S	Søndersø, Denmark	100

## 9. Deferred tax

<i>Figures in 000' DKK</i>	2019	2018
Deferred tax asset	19.380	17.380
<b>Total</b>	<b>19.380</b>	<b>17.380</b>

As at 31.12.2019, the enterprise has recognised a deferred tax asset of DKK 19.380k, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the bases of expectations of positive operating results for the coming years.

## 10. Prepayments

<i>Figures in 000' DKK</i>	2019	2018
Other prepayments	3.400	10.118

Prepayments recognised under assets comprise cost incurred in respect of subsequent financial years.

## 11. Share capital

<i>Figures in 000' DKK</i>	2019	2018
The share capital consists of:		
Shares	7.505	7.505

## 12. Long-term payables

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1-5 years	Fall due more than 5 years	Total long payables at 31.12.2019	Total long payables at 31.12.2018
Payables to other credit institutions	30.787	200.626		200.626	219.394
Subordinated loan from group companies		44.850		44.850	
Payable to group companies		234.539		234.539	219.407
Other Payables	66	42	1.300	1.342	
<b>Total</b>	<b>30.853</b>	<b>480.057</b>	<b>1.300</b>	<b>481.357</b>	<b>438.801</b>

After balancesheet date there have been changes in agreements with credit institutions. Payables for credit institutions will hereafter fall due 30. June 2021. No repayment first year.

Loan from shareholder is a subordinated loan and rank after the company's other financial liabilities. Repayment shall be made on the lenders first written demand with respect for credit institutions approval. Interest will first be paid after credit institutions approval.

## 13. Contingent liabilities

The company is taxed jointly with Haarslev Group Holding A/S in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed entities total known net liability under joint taxation arrangement is disclosed in the administration companys financial statement.

## 14. Charges and security

The companys shares in subsidiaries with a carrying amount of DKK 766.935k (2018: DKK 870.152k.) have been provided as security for payables in group enterprises to banks, at 31 December 2019, amount to net DKK 672.142 DKK k. (2018: DKK 763.059k.)

The parent company's shares in 7 material subsidiaries with a carrying amount of DKK 310.626 (2018: DKK 266.961k) have been provided as security to credit institutions, at 31 December 2019, amount to net DKK 672.142k (2018: DKK 763.059k). Further more, the parent company and 7 material subsidiaries has guaranteed for the engagement with the credit institutions.

The parent company has found joint an unlimited surety for the groups cash pool with credit institutions with a net debt of DKK 150.584k (2018: DKK 172.069k).

## 15. Related parties

<b>Controlling influence:</b>	<b>Basis of influence</b>
Altor Fund III GP Limited, Seaton Place 11-15 JH4 OQH St Helier Jersey	principal shareholder
Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg	shareholder
Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Sønderød	shareholder

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The company is included in the consolidated financial statements of the parent Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Sønderød.

## 16. Events after the balance sheet date

The outlook for 2020 is uncertain and depends on different scenarios of the Covid-19 impact. The unforeseen Covid-19 impact leads to a challenging outlook and management decided in Q1 2020 to take significant mitigating actions by accelerating the transformation program including cost reduction initiatives. Several initiatives have been planned for 2020 to improve the cash flow (e.g. through more focus on Net Working Capital management).

In April 2020 the Group obtained a subordinated loan of EUR 6m from our main shareholder, Altor Fund III, in order to strengthen the capital structure of the Group. An equal amount of postponed amortizations were provided by the Group's banks.

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

## 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.

The comparative figures in the income statement and the balance sheet are not restated according to the Danish Financial Statement Act § 24 section 1.

### Consolidated financial statements

Referring to 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 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.

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.

### **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.

### **Result from investments in group enterprises**

Result from equity investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

### **Financial income**

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.

### **Financial expenses**

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.

### **Tax on profit or 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**

### **Development projects in progress and acquired rights**

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.

### **Equity 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.

#### **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.

#### **Cash flow statement**

Referring to section 86 (4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.