

# **Haarslev Group Holding A/S**

Bogensevej 85, 5471 Søndersø

CVR no. 33 96 93 76

## **Annual report for 2018**

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 12.06.19

Morten Nicolaj Rose-Nielsen  
Dirigent

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**The company**

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Haarslev Group Holding A/S  
c/o Haarslev Industries A/S  
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5471 Søndersø  
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 93 76  
Financial year: 01.01 - 31.12

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**Executive Board**

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CEO Herman Hubertus Jacobus Defauwes  
CFO Morten Nicolaj Rose-Nielsen

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**Board Of Directors**

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Søren Dan Johansen, chairman  
Jan Vestergaard Olsen, vice-chairman  
Ola Harald Erics, member  
Thomas Stegeager Kvorning, member  
Poul Erik Johannsen, employee representative  
Rene Johansen, employee representative  
Søren Jakob Rasmussen, employee representative

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**Auditors**

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DELOITTE STATS-AUTORISERET REVISIONSPARTNERSELSKAB

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

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We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for Haarslev Group Holding A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.18 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

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

Søndersø, May 28, 2019

### Executive Board

Herman Hubertus Jacobus  
Defauwes  
CEO

Morten Nicolaj Rose-Nielsen  
CFO

### Board Of Directors

Søren Dan Johansen  
Chairman

Jan Vestergaard Olsen

Ola Harald Ericsi

Thomas Stegeager Kvorning

Poul Erik Johannsen

Rene Johansen

Søren Jakob Rasmussen

**To the Shareholders of Haarslev Group Holding A/S****Opinion**

We have audited the consolidated financial statements and parent company financial statements of Haarslev Group Holding A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven)

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.18 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the consolidated financial statements and parent company financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 responsibility for the consolidated financial statements and parent company financial statements**

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

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements unless mana-

gement either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the extended review of the consolidated financial statements and parent company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going

concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 regarding the management's review**

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act (Årsregnskabsloven).

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Copenhagen, May 28, 2019

**DELOITTE STATSAUTORISERET  
REVISIONSPARTNERSELSKAB**

CVR no. 33963556

Lars Siggaard Hansen  
State Authorized Public Accountant  
MNE-no. mne32208

Tim Kjær-Hansen  
State Authorized Public Accountant  
MNE-no. mne23295



**GROUPS FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000	2018	2017	2016	2015	2014
<i>Profit/loss</i>					
Revenue	1,492,774	1,440,730	1,559,368	1,500,809	1,160,187
Gross profit	224,052	272,330	362,341	247,865	183,643
Operating profit/loss	-137,416	-58,942	65,640	46,613	28,167
Total net financials	-43,676	-44,854	-35,193	-47,413	-42,387
Profit/loss for the year	-200,750	-136,098	-290	-12,331	-40,381
<i>Balance</i>					
Total assets	1,762,125	1,985,582	2,048,979	2,134,877	2,108,649
Investments in property, plant and equipment	34,193	20,869	14,384	42,701	44,108
Index	78	47	33	97	100
Equity	397,922	592,626	743,130	727,290	743,915
<i>Cashflow</i>					
Net cash flow:					
Operating activities	-91,776	62,132	107,332	65,194	13,207
Investing activities	-66,054	-18,447	-37,149	-39,089	-118,895
Financing activities	-15,336	-53,443	-41,873	3,830	35,055
Cash flows for the year	-173,166	-9,758	28,310	29,935	-70,633

**Ratios**

	2018	2017	2016	2015	2014
<i>Profitability</i>					
Return on equity	-41%	-20%	0%	-2%	-5%
Gross margin	15%	19%	23%	17%	16%
Profit margin	-9%	-4%	4%	3%	2%
<i>Equity ratio</i>					
Equity interest	23%	30%	36%	34%	35%
<i>Others</i>					
Number of employees (average)	1,091	1,099	1,147	1,141	989

Return on 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:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

**Primary activities**

Haarslev is a globally leading 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.

Haarslev Group Holding A/S serves as holding company.

**Development in activities and financial affairs**

2018 was characterized by high activity level in our core rendering markets in Europe and North America with strong growth in order intake, whereas our South American and Asia Pacific markets were more challenged. Overall the year ended with total revenue of DKK 1,492,774k equaling a growth of 3%.

The Group's income statement for 2018 shows a loss after tax of DKK 200,750k, which is not as expected and not in accordance with the outlook presented in the annual report 2017. The negative result is a combination of several factors; including: a lower than expected activity level, significant losses incurred in certain troublesome projects, primarily within the Environment division and South America. Inventory write-downs and the realization of projects sold in prior years have also had an adverse impact on the Company's result. Exceptional costs relating to restructuring projects and IT investments have also had a negative impact.

The Company has initiated several restructuring- and improvement activities with significant potential to improve results for the Group in 2019.

On the 1st of April 2018 the Company acquired its UK agent; 3 companies; KMG UK Ltd, Haarslev UK Ltd, and Food Processing Equipment UK Ltd.

The Group's balance sheet as of 31 December 2018 shows an equity of DKK 397,922k.

**Capital resources and funding**

At 31. December 2018, Haarslev Group Holding A/S interest-bearing debt totals a net amount of DKK 626,706k compared to DKK 471 million at 31 December 2017.

As part of the financial agreement with the Group's lenders, the Group must comply with certain financial covenants. As a consequence of the negative financial performance in 2018 some of the financial covenants were breached. The Group's lenders provided a waiver on the covenants, the Group's credit lines and financing agreements were amended and new financial covenants were implemented. For Q1 2019 the Group is in compliance with the financial covenants.

In February 2019 the capital resources was improved through a capital injection of DKK 40,232k and a further strengthening of the capital resources of approx. DKK 37,000k is planned end of May 2019.

Based hereon and the budget for 2019 Group Management considers that the Group's capital resources and funding is on an acceptable level throughout 2019. The Group's guidelines and procedures for control and management of the capital structure remained unchanged in 2018.

**Uncertainty relating to recognition and measurement**

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 amortisation 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**

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 restructuring activities, it is expected that 2019 will show a significant increase in earnings. Organic revenue is expected to increase with 3%, but with a considerably improvement in earnings resulting in a positive EBIT.

**Particular risks**

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 fiscal policy pursued by the Group 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.

**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 the 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 shall be 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 constantly 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 developde as follows:

	Denmark	Globally
The number of employees has developde as follows:		
Number and employees, beginning of year	492	1,113
Change	3	3
Number and employees, end of year	495	1,116

### 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 business and competencies on an ongoing basis

**Statutory report on corporate social responsibility**

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 only, and do therefore not include any subsidiaries. To read the statements please visit <http://haarslev.com/CSR-performance>.

**Statutory report on 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 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)), then the Haarslev Group in all material respects 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 centers are an integrated part of the project management process.

Additionally, a number of 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 are reported to the Board of Directors on a monthly basis.

In relation to the preparation of the financial statements, Management has 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. 71% of the Company's shares. Group Management holds a minority share of 2% of the Company's shares.

By the year end of 2018 Haarslev Group Holding A/S owns 19,154 of its own shares, representing 0.2% of the total shares. 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 1/I

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, Technoinvest A/S, and Roenholt- media.com ApS.

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 and Norican Global A/S, PSR ApS.

**Jan Vestergaard Olsen**

Elected by Altor Fund 1/I

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, KK- Group A/S, Stormgade II ApS, and Bygge- og udviklingsfonden Aalborg Zoologiske Have.

**Ola Harald Ericsi**

Elected by Altor Fund 1/I

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 Holding A/S, Haarslev Group A/S, Haarslev Industries A/S, Solix Group AB and Tresu Group A/S.

**Thomas Stegeager Kvorning**

Elected by Altor Fund 1/I

Member of the Board of Directors since 2012.

CEO of Klean Holding Aps, Tsk 2019 ApS, Ask 2019 ApS, Ksk 2019 ApS, Lsk 2019 ApS, and TK Holding 2019 ApS.

Member of the Board of Haarslev Group A/S, Haarslev Industries A/S, Haarslev Group Holding A/S, Tresu A/S, Tresu Investment Holding A/S, Tresu Group Holding A/S



**Rene Johansen**

Elected by the employees

Member of the Board of Directors since 2012. Site Supervisor at Haarslev Industries A/S.

**Poul Erik Johansen**

Elected by the employees

Member of the Board of Directors since 2016. Boilermaker at Haarslev Industries A/ S.

**Søren Jakob Rasmussen**

Elected by the employees.

Member of the Board of Directors since 2018. Project Manager at Haarslev Industries 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 are considering to set up a separate audit committee.

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 are convened, 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 2018.

### **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**

In February 2019 the Group equity was increased by DKK 40.232k and end of May 2019 an increase of approx. DKK 37,000k is planned in order to strengthen the capital structure of the Group.

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

## Income statement

Note	Group		Parent		
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000	
1	<b>Revenue</b>	<b>1,492,774</b>	<b>1,440,730</b>	<b>0</b>	<b>0</b>
	Production costs	-1,268,722	-1,168,400	0	0
	<b>Gross profit</b>	<b>224,052</b>	<b>272,330</b>	<b>0</b>	<b>0</b>
	Distribution costs	-109,558	-99,544	0	0
	Administrative expenses	-251,910	-231,728	-744	-909
	<b>Profit/loss before net financials</b>	<b>-137,416</b>	<b>-58,942</b>	<b>-744</b>	<b>-909</b>
4	Income from equity investments in group enterprises	0	0	-201,185	-136,410
5	Income from equity investments in associates	-4	-426	0	0
6	Financial income	6,981	17,434	1,298	1,199
7	Financial expenses	-50,653	-61,862	-11	0
	<b>Profit/loss before tax</b>	<b>-181,092</b>	<b>-103,796</b>	<b>-200,642</b>	<b>-136,120</b>
8	Tax on profit or loss for the year	-19,658	-32,302	-108	22
	<b>Profit/loss for the year</b>	<b>-200,750</b>	<b>-136,098</b>	<b>-200,750</b>	<b>-136,098</b>
9	Distribution of net profit				

ASSETS		Group		Parent	
		31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
Note					
	Acquired rights	1,928	5,210	0	0
	Goodwill	901,387	936,159	0	0
10	<b>Total intangible assets</b>	<b>903,315</b>	<b>941,369</b>	<b>0</b>	<b>0</b>
	Land and buildings	81,171	75,645	0	0
	Plant and machinery	42,199	44,885	0	0
	Other fixtures and fittings, tools and equipment	25,759	23,434	0	0
	Property, plant and equipment under construction	1,262	3,850	0	0
11	<b>Total property, plant and equipment</b>	<b>150,391</b>	<b>147,814</b>	<b>0</b>	<b>0</b>
12	Equity investments in group enterprises	0	0	396,846	536,979
12	Equity investments in associates	20,390	20,884	0	0
13	Other receivables	3,333	3,248	0	0
	<b>Total investments</b>	<b>23,723</b>	<b>24,132</b>	<b>396,846</b>	<b>536,979</b>
	<b>Total non-current assets</b>	<b>1,077,429</b>	<b>1,113,315</b>	<b>396,846</b>	<b>536,979</b>
	Raw materials and consumables	100,532	89,030	0	0
	Work in progress	76,601	48,332	0	0
	Manufactured goods and goods for resale	82,993	72,094	0	0
	<b>Total inventories</b>	<b>260,126</b>	<b>209,456</b>	<b>0</b>	<b>0</b>
14	Work in progress for third parties	62,426	88,787	0	0
	Trade receivables	170,940	199,162	0	0
	Receivables from group enterprises	0	0	0	54,223
	Receivables from associates	129	0	0	0
16	Deferred tax asset	29,280	21,180	0	0
	Income tax receivable	10,341	16,412	1,941	2,030
	Other receivables	58,154	54,575	0	0
	<b>Total receivables</b>	<b>331,270</b>	<b>380,116</b>	<b>1,941</b>	<b>56,253</b>
	<b>Cash</b>	<b>93,300</b>	<b>282,695</b>	<b>114</b>	<b>123</b>
	<b>Total current assets</b>	<b>684,696</b>	<b>872,267</b>	<b>2,055</b>	<b>56,376</b>
	<b>Total assets</b>	<b>1,762,125</b>	<b>1,985,582</b>	<b>398,901</b>	<b>593,355</b>

EQUITY AND LIABILITIES		Group		Parent	
		31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
Note					
15	Share capital	9,143	9,143	9,143	9,143
	Retained earnings	388,779	583,483	388,779	583,483
	<b>Total equity</b>	<b>397,922</b>	<b>592,626</b>	<b>397,922</b>	<b>592,626</b>
16	Provisions for deferred tax	5,263	18,795	0	0
17	Other provisions	59,061	53,805	0	0
	<b>Total provisions</b>	<b>64,324</b>	<b>72,600</b>	<b>0</b>	<b>0</b>
18	Payables to other credit institutions	417,676	470,732	0	0
18	Lease commitments	3,005	3,607	0	0
	<b>Total long-term payables</b>	<b>420,681</b>	<b>474,339</b>	<b>0</b>	<b>0</b>
18	Short-term portion of long-term payables	92,953	53,557	0	0
	Payables to other credit institutions	198,546	214,775	0	0
14	Prepayments received from work in progress for third parties	178,880	112,575	0	0
	Prepayments received from customers	109,895	139,089	0	0
	Trade payables	191,843	218,488	0	0
	Payables to associates	0	678	0	0
	Income taxes	6,264	5,289	149	30
	Other payables	100,817	101,566	830	699
	<b>Total short-term payables</b>	<b>879,198</b>	<b>846,017</b>	<b>979</b>	<b>729</b>
	<b>Total payables</b>	<b>1,299,879</b>	<b>1,320,356</b>	<b>979</b>	<b>729</b>
	<b>Total equity and liabilities</b>	<b>1,762,125</b>	<b>1,985,582</b>	<b>398,901</b>	<b>593,355</b>
20	Contingent liabilities				
21	Charges and security				
22	Related parties				

## Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Total equity
Group:			
Statement of changes in equity for 01.01.17 - 31.12.17			
Balance as at 01.01.17	9,102	742,850	751,952
Net effect of correction of material errors	0	-8,822	-8,822
Balance as at 01.01.17	9,102	734,028	743,130
Foreign currency translation adjustment of foreign enterprises	0	-19,487	-19,487
Capital increase	41	6,379	6,420
Purchase of treasury shares	0	-3,054	-3,054
Other changes in equity	0	2,263	2,263
Tax on changes in equity	0	-548	-548
Net profit/loss for the year	0	-136,098	-136,098
Balance as at 31.12.17	9,143	583,483	592,626
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance as at 01.01.18	9,143	583,483	592,626
Foreign currency translation adjustment of foreign enterprises	0	7,441	7,441
Fair value adjustment of hedging instruments	0	-423	-423
Purchase of treasury shares	0	-1,071	-1,071
Other changes in equity	0	99	99
Net profit/loss for the year	0	-200,750	-200,750
Balance as at 31.12.18	9,143	388,779	397,922

## Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Total equity
Parent:			
Statement of changes in equity for 01.01.17 - 31.12.17			
Balance as at 01.01.17	9,102	742,850	751,952
Net effect of correction of material errors	0	-8,822	-8,822
Balance as at 01.01.17	9,102	734,028	743,130
Foreign currency translation adjustment of foreign enterprises	0	-19,487	-19,487
Capital increase	41	6,379	6,420
Fair value adjustment of hedging instruments	0	1,714	1,714
Purchase of treasury shares	0	-3,053	-3,053
Net profit/loss for the year	0	-136,098	-136,098
Balance as at 31.12.17	9,143	583,483	592,626
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance as at 01.01.18	9,143	583,483	592,626
Foreign currency translation adjustment of foreign enterprises	0	7,441	7,441
Fair value adjustment of hedging instruments	0	-324	-324
Purchase of treasury shares	0	-1,071	-1,071
Net profit/loss for the year	0	-200,750	-200,750
Balance as at 31.12.18	9,143	388,779	397,922

## Consolidated cash flow statement

Note	Group	
	2018 DKK '000	2017 DKK '000
	<b>-200,750</b>	<b>-136,098</b>
<b>Net profit/loss for the year</b>		
23 Adjustments	161,627	174,095
Change in working capital:		
Inventories	-45,523	-41,591
Receivables	120,086	88,336
Trade payables	-56,352	72,022
Other payables relating to operating activities	7,142	-18,383
<b>Cash flows from operating activities before net financials</b>	<b>-13,770</b>	<b>138,381</b>
Interest income and similar income received	6,981	17,434
Interest expenses and similar expenses paid	-50,653	-61,862
Income tax paid	-34,334	-31,395
<b>Cash flows from operating activities</b>	<b>-91,776</b>	<b>62,558</b>
Purchase of intangible assets	-329	-846
Sale of intangible assets	48	945
Purchase of property, plant and equipment	-27,224	-20,869
Sale of property, plant and equipment	4,047	1,301
Purchase of investments	-81	0
Disposal of investments	0	596
Acquisition of enterprise	-42,025	0
Dividend received	-490	0
<b>Cash flows from investing activities</b>	<b>-66,054</b>	<b>-18,873</b>
Purchase of treasury shares	0	-3,053
Raising of additional capital	0	6,420
Capital reduction	-1,071	0
Arrangement of credit institutions	40,237	0
Repayment of credit institutions	-53,869	-55,858
Lease commitments increase and reduction	-633	-953
<b>Cash flows from financing activities</b>	<b>-15,336</b>	<b>-53,444</b>
<b>Total cash flows for the year</b>	<b>-173,166</b>	<b>-9,759</b>
Cash, beginning of year	282,695	77,679
Short-term payables to credit institutions, beginning of year	-214,775	0
<b>Cash, end of year</b>	<b>-105,246</b>	<b>67,920</b>
Cash, end of year, comprises:		
Cash	93,300	282,695
Short-term payables to credit institutions	-198,546	-214,775
<b>Total</b>	<b>-105,246</b>	<b>67,920</b>



	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

## 1. Revenue

Revenue comprises the following activities:

Revenue	1,492,774	1,440,730	0	0
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Revenue comprises the following geographical markets:

Denmark	22,760	49,781	0	0
EU	502,462	526,079	0	0
Other	967,552	864,870	0	0
Total	1,492,774	1,440,730	0	0

## 2. Employee aspects

Wages and salaries	426,078	422,340	450	525
Pensions	28,573	23,192	0	0
Other social security costs	25,096	24,499	0	0
Total	479,747	470,031	450	525

Total staff costs comprise:

Production costs	319,197	343,903	0	0
Distribution costs	82,708	76,658	0	0
Administrative expenses	77,842	49,470	450	525
Total	479,747	470,031	450	525

Average number of employees during the year

	1,091	1,099	0	0
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Remuneration for the management:

Salaries, Board of Executives	7,612	8,491	0	0
Total remuneration for the management	7,612	8,491	0	0

Remuneration for the Board of Directors	450	525	450	525
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Remuneration for the Executive Board and Board of Directors

	8,062	9,016	450	525
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	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

### 3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	2,826	1,789	190	91
Tax advice	1,103	903	0	0
Other services	2,089	2,446	0	179
<b>Total</b>	<b>6,018</b>	<b>5,138</b>	<b>190</b>	<b>270</b>

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

Income from equity investments in group enterprises	0	0	-201,185	-136,410
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### 5. Income from equity investments in associates

Income from equity investments in associates	960	538	0	0
Amortisation of goodwill	-964	-964	0	0
<b>Total</b>	<b>-4</b>	<b>-426</b>	<b>0</b>	<b>0</b>

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
<b>6. Financial income</b>				
Interest, group enterprises	0	0	1,296	1,175
Other interest income	6,981	17,398	2	24
Foreign currency translation adjustments	0	36	0	0
Other financial income	6,981	17,434	2	24
<b>Total</b>	<b>6,981</b>	<b>17,434</b>	<b>1,298</b>	<b>1,199</b>

**7. Financial expenses**

Other interest expenses	46,797	55,263	11	0
Foreign currency translation adjustments	3,763	1,821	0	0
Fair value adjustment of derivative financial instruments	93	0	0	0
Other financial expenses	0	4,778	0	0
<b>Total</b>	<b>50,653</b>	<b>61,862</b>	<b>11</b>	<b>0</b>

**8. Tax on profit or loss for the year**

Tax on profit or loss for the year	33,496	24,951	108	64
Adjustment of deferred tax for the year	-21,632	-8,808	0	-86
Adjustment of tax in respect of previous years	7,794	16,159	0	0
<b>Total</b>	<b>19,658</b>	<b>32,302</b>	<b>108</b>	<b>-22</b>

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

### 9. Distribution of net profit

Retained earnings	-200,750	-136,098	-200,750	-136,098
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### 10. Intangible assets

Figures in DKK '000	Completed development projects	Acquired intellectual property rights	Goodwill	Total
Group:				
Cost as at 01.01.18	1,745	38,917	1,391,283	1,431,945
Foreign currency translation adjustment of foreign enterprises	5	-95	903	813
Additions during the year	0	329	35,247	35,576
Disposals during the year	0	-1,036	0	-1,036
Cost as at 31.12.18	1,750	38,115	1,427,433	1,467,298
Amortisation and impairment losses as at 01.01.18	-1,745	-33,707	-455,124	-490,576
Foreign currency translation adjustment of foreign enterprises	-5	70	-356	-291
Impairment losses during the year	0	-187	0	-187
Amortisation during the year	0	-3,545	-70,566	-74,111
Reversal of impairment losses in respect of previous years	0	194	0	194
Reversal of amortisation of and impairment losses on disposed assets	0	988	0	988
Amortisation and impairment losses as at 31.12.18	-1,750	-36,187	-526,046	-563,983
Carrying amount as at 31.12.18	0	1,928	901,387	903,315
Carrying amount of assets held under finance leases as at 31.12.18	0	56	0	56

**11. Property, plant and equipment**

Figures in DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:				
Cost as at 01.01.18	146,990	146,775	80,302	3,850
Additions relating to mergers and acquisition of enterprises	4,414	603	155	0
Foreign currency translation adjustment of foreign enterprises	568	-760	105	38
Additions during the year	9,795	11,504	7,722	0
Disposals during the year	-5,262	-15,353	-9,079	-1,797
Transfers during the year to/from other items	822	-166	-47	-829
<b>Cost as at 31.12.18</b>	<b>157,327</b>	<b>142,603</b>	<b>79,158</b>	<b>1,262</b>
Depreciation and impairment losses as at 01.01.18	-71,345	-101,890	-56,868	0
Additions relating to mergers and acquisition of enterprises	-501	-463	-139	0
Foreign currency translation adjustment of foreign enterprises	-17	232	0	0
Impairment losses during the year	0	0	-172	0
Depreciation during the year	-5,362	-13,618	-5,202	0
Reversal of impairment losses in respect of previous years	0	-474	213	0
Reversal of depreciation of and impairment losses on disposed assets	1,069	15,809	8,769	0
<b>Depreciation and impairment losses as at 31.12.18</b>	<b>-76,156</b>	<b>-100,404</b>	<b>-53,399</b>	<b>0</b>
<b>Carrying amount as at 31.12.18</b>	<b>81,171</b>	<b>42,199</b>	<b>25,759</b>	<b>1,262</b>
Carrying amount of assets held under finance leases as at 31.12.18	544	4,575	1,025	0

**12. Equity investments**

Figures in DKK '000	Equity invest- ments in group enterprises	Equity invest- ments in asso- ciates
Group		
Cost as at 01.01.18	0	22,050
Cost as at 31.12.18	0	22,050
Depreciation and impairment losses as at 01.01.18	0	-1,166
Amortisation of goodwill	0	-964
Net profit/loss from equity investments	0	960
Dividend relating to equity investments	0	-490
Depreciation and impairment losses as at 31.12.18	0	-1,660
Carrying amount as at 31.12.18	0	20,390
The item comprises goodwill as at 31.12.18 of	0	16,551
Goodwill on initial recognition of equity investments measured at equity value	0	19,282
Parent:		
Cost as at 01.01.18	750,354	0
Additions during the year	53,934	0
Cost as at 31.12.18	804,288	0
Depreciation and impairment losses as at 01.01.18	-213,375	0
Foreign currency translation adjustment of foreign enterprises	7,441	0
Net profit/loss from equity investments	-201,185	0
Other adjustments relating to equity investments	-323	0
Depreciation and impairment losses as at 31.12.18	-407,442	0
Carrying amount as at 31.12.18	396,846	0

**12. Equity investments** - continued -

Name and Registered office:	Ownership interest	Equity
Group enterprises:		
Haarslev Group A/S, Sønderlø	100%	396,845
Haarslev Industries A/S, Sønderlø	100%	183,921
Haarslev Inc., Kansas City, USA	100%	114,538
Haarslev Industries GmbH., Krefeldt , Germany	100%	29,076
Stord Bartz AS, Bryne, Norge	100%	720
Haarslev Industries S.A.C., Lima, Peru	100%	-12,250
Haarslev Inversiones Internacionales S.L.U., Barcelona, Spain	100%	-10,487
Haarslev Industries LTDA, Curitiba, Brazil	100%	11,663
Haarslev Industries S.A.U., Barcelona, Spain	100%	110,671
Haarslev Industries PTE LTD, Labuan, F.T., Malaysia	100%	7,074
Haarslev Industries SDN BHD, Selangor Darul Eshan, Malaysia	100%	2,397
Haarslev Industries L.L.C., Moscow, Russia	100%	14,145
Haarslev Xuzhou Machinery Co. LTD, Xuzhou City, Jiangsu Province, China	100%	62,242
Haarslev Industries Ltd, Rosedale, Auckland, New Zealand	100%	8,470
Haarslev Industries (India) Pvt Ltd, Mumbai, Maharashtra, India	100%	-245
Haarslev PT (India) Pvt Ltd, Mumbai, Maharashtra	100%	-5,045
Haarslev Industries Poland Sp. z.o.o., Kielce, Poland	100%	-1,532
Haarslev Industries S.A.S., Lorient, France	100%	7,210
Haarslev Industries Press Technology GmbH & Co., Wuppertal, Germany	100%	11,249
Haarslev Industries Remscheid GmbH, Mannheim, Germany	100%	165
Haarslev Makine Sanayi A.S., Bursa, Turkey	100%	-17,926

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Haarslev Holding UK, Skelmersdale, Lancashire, UK	100%	2,709
Haarslev Industries UK, Skelmersdale, Lancashire UK	100%	10,853
Haarslev Food Processing Equipment UK, Skelmersdale, Lancashire UK	100%	4,304
Associates		
Core A/S, Herlev, Denmark	49%	7,835

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**13.**

Figures in DKK '000	Other receivables
Group:	
Cost as at 01.01.18	3,248
Disposals relating to demergers and divestment of enterprises	8
Additions during the year	630
Disposals during the year	-553
Cost as at 31.12.18	3,333

	Group		Parent	
	31.12.18	31.12.17	31.12.18	31.12.17
	DKK '000	DKK '000	DKK '000	DKK '000

**14. Work in progress for third parties**

Work in progress for third parties	890,552	794,518	0	0
On-account invoicing	-1,007,006	-818,306	0	0
Work in progress for third parties	-116,454	-23,788	0	0
Work in progress for third parties	62,426	88,787	0	0
Prepayments received from work in progress for third parties, short-term payables	-178,880	-112,575	0	0
Total	-116,454	-23,788	0	0

**15. Share capital**

The share capital consists of:

Share capital 01.01.2013	9,035
Increase in share capital 01.01.2013-31.12.2013	42
Increase in share capital 01.01.2015-31.12.2015	9
Increase in share capital 01.01.2016-31.12.2016	16
Increase in share capital 01.01.2017-31.12.2017	41
<b>Total</b>	<b>9,143</b>

Contributed capital consists of 9,143,245 shares of nominal value of DKK 1. The shares are divided into 6,813,786 A shares and 2,329,459 B shares..

	Group		Parent	
	31.12.18	31.12.17	31.12.18	31.12.17
	DKK '000	DKK '000	DKK '000	DKK '000

**16. Deferred tax**

Deffered tax comprises:

Deferred tax asset	29,280	21,180	0	0
Deferred tax liability	-5,263	-18,795	0	0
<b>Total</b>	<b>24,017</b>	<b>2,385</b>	<b>0</b>	<b>0</b>

Deffered tax comprises:

Intangible assets	14	-3,681	0	0
Property, plant and equipment	-3,114	-5,127	0	0
Receivables	-16,007	-14,489	0	0
Securities and equity investments	19	-548	0	0
Provisions	-1,003	10,170	0	0
Liabilities	5,302	2,006	0	0
Tax losses	38,806	14,054	0	0
<b>Total</b>	<b>24,017</b>	<b>2,385</b>	<b>0</b>	<b>0</b>

**17. Other provisions**

Figures in DKK '000	Warranty commitments	Other provisions
Parent:		
Provisions as at 01.01.18	47,113	6,692
Provisions during the year, net	3,940	1,316
Provisions as at 31.12.18	51,053	8,008

Other provisions comprise warranty commitments and other commitments.

The Group currently makes provisions for warranty commitments relating to both projects in progress and completed projects. The provisions for warranty commitments are calculated as an estimated percentage of revenue on a project-by-project basis. Warranty commitments amount to DKK 51.053k at 31. december 2018.

Other provisions amount to DKK 8.008k at 31. december 2018

**18. Long-term payables**

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.18	Total payables at 31.12.17
Group:				
Payables to other credit institutions	92,464	387,476	510,140	523,417
Lease commitments	489	1,271	3,494	4,479
Total	92,953	388,747	513,634	527,896

## 19. Derivative financial instruments

The company has entered into forward exchange contracts to hedge future sales and purchase in USD, EUR, CHN and PLN. The contract value at 31. December 2018 amounts to DKK -123k (31. December 2017 DKK 388k). In relation to the rate at the balance sheet data, the contracts have a negative fair value. The exchange loss is recognized in equity.

## 20. Contingent liabilities

Group:

### *Lease commitments*

The enterprise has concluded lease agreements until maturity of DKK 3.494k.

### *Guarantee commitments*

As part of the Company's ordinary activities, the Company's bank and insurance companies have issued guarantees for contracting projects totaling DKK 160.842k.

### *Disputes and claims*

By nature, Haarslev Group is always involved in disputes and claims with customers and employees in certain regions. The outcome of ongoing disputes and claims is not expected to have significant impact on the financial position.

Parent:

### *Other contingent liabilities*

The Company serves as an administration company in a Danish joint taxation arrangement. 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 dividends for these companies. Apart from this, the Company has no contingent liabilities.

## 21. Charges and security

Group:

The enterprise has issued mortgage deeds registered to the mortgagor in the total amount of DKK 30.500k and a letter of indemnity of DKK 4.500k secured upon land and buildings with a carrying amount of DKK 40.309k at 31. december 2018 have been provided as security for bank debt in the Parent and Group enterprises amounting net to DKK 763.059k at 31. december 2018.

Parent:

As part of the Group's ordinary activities the Group bank's and insurance have issued guarantees for contracting projects totaling DKK 0k.

## 22. Related parties

Controlling influence:	Basis of influence
Haarslev Holding S.A.R.L., 9 A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg	Principal shareholder

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 2. Employee aspects.

**22. Related parties** - continued -

Incentive programmes:

At the Company's annual General Meeting on 30th March 2012 and 31st May 2013 and 25th May 2018, decisions were made to grant share options. The Board of Directors is authorized to grant A shares options through one or more allocations. These options give the right to subscribe for shares up to nominal DKK 184k in the Company. The authorization is valid until 24th May 2023. The capital increase is performed through cash payments in connection with exercising of share options.

Figures in DKK '000	Executive Board and other employees and related in Management	Board of Directors
Outstanding share options as at 01.01.18	804,174	62,529
Expired/Granted during the year	-26,199	0
Outstanding share options as at 31.12.18	777,975	62,529

	Group	
	2018	2017
	DKK '000	DKK '000

**23. Adjustments for the cash flow statement**

Depreciation, amortisation, impairment losses and write-downs	98,293	96,939
Income from equity investments in associate	4	426
Financial income	-6,981	-17,434
Financial expenses	50,653	61,862
Tax on profit or loss for the year	19,658	32,302
Total	161,627	174,095

## 24. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### Uncertainty relating to recognition and measurement

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 amortisation 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.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

**24. Accounting policies** - continued -

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries and associates, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

**DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are



**24. Accounting policies** - continued -

measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

**24. Accounting policies** - continued -**INCOME STATEMENT****Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the delivery of services is recognised as delivery takes place, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Construction contracts involving the delivery of highly customised installations are recognised as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

**Production costs**

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

**Distribution costs**

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

**Administrative expenses**

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are de-

**24. Accounting policies** - continued -

preciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	1-20	0
Acquired rights	1-20	0
Goodwill	20	0
Buildings	25	0
Plant and machinery	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

Intellectual property right etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

Patents are amortised over their remaining duration, and licenses are amortised over the term of agreement.

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

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Goodwill is calculated as the difference between cost of the investment 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 assesment of whether the enterprises are strategically acquired with a strong market position and a long term earning 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 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.

Land is not depreciated.

**24. Accounting policies** - continued -

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Other operating expenses****Income from equity investments in group enterprises and associates**

For equity investments in associates and in the parent also equity investments in subsidiaries that are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses. For associates, only the proportionate share of intercompany gains and losses is eliminated

Income from equity investments in subsidiaries and associates also comprises gains and losses on the sale of equity investments.

**Other net financials**

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**24. Accounting policies** - continued -**BALANCE SHEET****Intangible assets***Completed development projects*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Goodwill*

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Gains and losses on the disposal of intangible assets*

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**Property, plant and equipment**

Property, plant and equipment comprise land and buildings, plant and machinery as well as other

**24. Accounting policies** - continued -

fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Property, plant and equipment under construction*

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

*Gains and losses on the disposal of property, plant and equipment*

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Equity investments in group enterprises and associates**

Associates are recognised and measured in the consolidated balance sheet according to the equity method, meaning that equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the group's accounting policies, adjusted for the remaining value of positive or negative goodwill and the proportionate share of intercompany gains and losses.

Equity investments in subsidiaries and associates are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries and associates with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are

**24. Accounting policies** - continued -

impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

The proportionate share of the equity value of associates is determined according to the accounting policies of the group.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

**Inventories**

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs and indirect production costs. Indirect production costs comprise indirect materials and labour costs, costs of maintenance, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.. Interest on loans arranged to finance production is not

**24. Accounting policies** - continued -

included in the cost.

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

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

**Work in progress for third parties**

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

**Cash**

Cash includes deposits in bank accounts as well as operating cash.



**24. Accounting policies** - continued -**Equity**

The net revaluation of equity investments in subsidiaries and associates is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Acquisition costs and consideration for treasury shares as well as dividends therefrom are recognised directly in equity under retained earnings.

**Provisions**

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value. Other provisions are measured at net realizable value.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future

**24. Accounting policies** - continued -

earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and the purchase and sale of treasury shares and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.