

**Haarslev Group Holding
A/S**
Bogensevej 85
DK-5471 Søndersø
Central Business Registration
No 33969376

Annual report 2016

The Annual General Meeting adopted the annual report on 29.05.2017

Chairman of the General Meeting



Name: Michael Kaafund

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Entity details

Entity

Haarslev Group Holding A/S
Bogensevej 85
DK-5471 Søndersø

Central Business Registration No: 33969376
Registered in: Nordfyns Kommune
Financial year: 01.01.2016 - 31.12.2016

Website: www.haarslev.com
E-mail: DK-info@haarslev.com

Board of Directors

Søren Dan Johansen, Chairman
Jan Vestergaard Olsen, Vice-chairman
Ola Harald Erics
Bengt Maunsbach
Rene Johansen
Yasemin Merethe Celkan
Poul Erik Johannsen

Executive Board

Herman Hubertus Jacobus Defauwes, CEO
Michael Kaalund, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C

Statement by Management on the annual report

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

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


In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016 and of the results of their operations and the Group's cash flows for the financial year 01.01.2016 - 31.12.2016.

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

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

Søndersø, 09.05.2017

Executive Board


Herman Hubertus Jacobus
Defauwes
CEO


Michael Kaalfund
CFO

Board of Directors


Søren Dan Johansen
Chairman


Jan Vestergaard Olsen
Vice-chairman


Ola Harald Erici


Bengt Maunsbach


Rene Johansen


Yasemin Merethe Celkan


Poul Erik Johannsen

Independent auditor's report

To the shareholders of Haarslev Group Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Haarslev Group Holding A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 09.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556


Lars Siggaard Hansen
State Authorised Public Accountant


Tim Kjær Hansen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	1,559,368	1,500,809	1,160,187	1,212,035	874,762
Gross profit/loss	372,547	247,865	183,643	234,850	163,980
Operating profit/loss	75,846	46,613	28,167	91,979	73,022
Net financials	(35,193)	(47,413)	(42,387)	(52,762)	(46,941)
Profit/loss for the year	6,445	(12,331)	(40,381)	7,207	2,823
Total assets	2,071,478	2,134,877	2,108,649	1,991,270	1,946,037
Investments in property, plant and equipment	14,384	42,702	44,108	20,209	19,371
Equity	751,952	727,290	743,915	777,613	767,418
Cash flows from (used in) operating activities	107,332	65,194	13,207	59,013	87,175
Cash flows from (used in) investing activities	(37,149)	(39,089)	(118,895)	(40,821)	(1,228,528)
Cash flows from (used in) financing activities	(41,873)	3,830	35,055	(26,565)	1,088,605
Ratios					
Gross margin (%)	23.9	16.5	15.8	19.4	18.7
Net margin (%)	0.4	(0.8)	(3.5)	0.6	0.3
Return on equity (%)	0.9	(1.7)	(5.3)	0.9	0.4
Equity ratio (%)	36.3	34.1	35.3	39.1	39.4

Comparative figures for 2012 only comprise a period of nine months.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strenght of the Entity.

Management commentary

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 Holding A/S serves as holding company.

Development in activities and finances

The Group's income statement for 2016 shows a profit after tax of DKK 6,445k, which is as expected and in accordance with outlook presented in the annual report 2015. The development is an improvement compared to 2015 – driven by a higher revenue and a higher profitability.

The Group's balance sheet at 31 December 2016 shows equity of DKK 751,952k.

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 on the basis of the stage of completion of work performed. The stage of completion is based on estimates as well as expected future events and is thus subject to uncertainty.

Unusual circumstances affecting recognition and measurement

The Group's financial position at 31 December 2016 and its results from activities and cash flows for the financial year for 2016 have not been affected by any unusual circumstances.

Outlook

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

Particular risks

As a consequence 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.

At 31 December 2016, Haarslev Group Holding A/S' external interest-bearing debt totals a net amount of DKK 507,028k which Group Management considers a reasonable and acceptable level. The Group's guidelines and procedures for control and management of the capital structure remained unchanged in 2016.

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.

Management commentary

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 customised, 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 developed as follows:

	<u>Denmark</u>	<u>Globally</u>
Number of employees, beginning of year	393	1,209
Change	<u>22</u>	<u>(47)</u>
Number of employees, end of year	<u>415</u>	<u>1,162</u>

Environmental performance

The Group cares about the environment and is currently working on reducing the environmental impact from the Group's operation and 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.

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

Management commentary

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), 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 and 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, 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 71% of the Company's shares.

Group Management holds a minority share of 1% of the Company's shares.

Management commentary

Board of Directors

Søren Dan Johansen ¹

Chairman of the Board of Directors. Member of the Board since 2012.

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

Chairman of the Board of Haarslev Group A/S, Haarslev Industries A/S, Wrist Ship Supply Holding A/S, W.S.S. Holding A/S, Wrist Ship Supply A/S, Norican Global A/S, CAM Group Holding A/S, CAM Holding 1 DK ApS, CAM Group Holding 2 DK ApS, C WorldWide Holding A/S, Statens Ejendomssalg A/S, Technoinvest A/S, Leith Koncept ApS and Roenholtmedia.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 PSR ApS.

Ola Harald Eriç ¹

Member of the Board of Directors since 2012.

Chairman of the Board of Midsona AB, Ecobrånslé AB, Geveko AB and Arendalis AB.

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

Rene Johansen ²

Member of the Board of Directors since 2012.

Site Supervisor at Haarslev Industries A/S.

Poul Erik Johansen ²

Member of the Board of Directors since 2016.

Boilermaker at Haarslev Industries A/S.

Jan Vestergaard Olsen ¹

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 Industries A/S and KK-Group A/S.

Member of the Board of JKF Industri A/S, Hoyer Group A/S and Aalborg Zoologiske Have Bygge- og udviklingsfonden.

Bengt Maunsbach ¹

Member of the Board of Directors since 2012.

Partner at Altor Equity Partners A/S.

Member of the Board of Haarslev Group A/S, Haarslev Industries A/S, Ålô Holding AB, Ålô Group AB, OptiGroup AB and Altor Equity Partners AB.

Yasemin Merethe Celkan ²

Member of the Board of Directors since 2014.

Manager of project engineering department at Haarslev Industries A/S.

¹ Elected by Altor Fund III

² Elected by the employees

Management commentary

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 has chosen not 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 oral 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 programme 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 2016.

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.

Statutory report on corporate social responsibility

Haarslev Group Holding A/S 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 the legal entity Haarslev Industries A/S only, and do therefore not include any subsidiaries. To read the statements, please visit <http://haarslev.com/CSR-performance>.

Management commentary

Events after the balance sheet date

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

Consolidated income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue	1	1,559,368	1,500,809
Production costs	3	<u>(1,186,821)</u>	<u>(1,252,944)</u>
Gross profit/loss		372,547	247,865
Distribution costs		(87,503)	(90,514)
Administrative costs	2	<u>(209,198)</u>	<u>(110,738)</u>
Operating profit/loss		75,846	46,613
Income from investments in associates		(739)	0
Other financial income		14,306	2,035
Other financial expenses		<u>(48,760)</u>	<u>(49,448)</u>
Profit/loss before tax		40,653	(800)
Tax on profit/loss for the year	4	<u>(34,208)</u>	<u>(11,531)</u>
Profit/loss for the year	5	<u>6,445</u>	<u>(12,331)</u>

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Completed development projects		0	0
Acquired intangible assets		406	407
Acquired rights		10,885	17,680
Goodwill		1,008,705	1,071,994
Development projects in progress		0	1,163
Intangible assets	6	<u>1,019,996</u>	<u>1,091,244</u>
Land and buildings		75,888	72,263
Plant and machinery		51,987	54,062
Other fixtures and fittings, tools and equipment		26,107	29,342
Property, plant and equipment in progress		884	12,821
Property, plant and equipment	7	<u>154,866</u>	<u>168,488</u>
Investments in associates		21,310	0
Other receivables		3,844	3,134
Fixed asset investments	8	<u>25,154</u>	<u>3,134</u>
Fixed assets		<u>1,200,016</u>	<u>1,262,866</u>
Raw materials and consumables		167,865	166,178
Inventories		<u>167,865</u>	<u>166,178</u>
Trade receivables		249,067	239,322
Contract work in progress	10	101,657	153,459
Deferred tax	11	18,597	13,377
Other receivables		41,233	55,340
Income tax receivable		30,724	6,921
Receivables		<u>441,278</u>	<u>468,419</u>
Cash		<u>262,319</u>	<u>237,414</u>
Current assets		<u>871,462</u>	<u>872,011</u>
Assets		<u>2,071,478</u>	<u>2,134,877</u>

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital		9,102	9,086
Retained earnings		742,850	718,204
Equity		751,952	727,290
Deferred tax	11	14,773	20,095
Other provisions	12	67,367	61,470
Provisions		82,140	81,565
Finance lease liabilities		4,258	0
Debt to other credit institutions	13	502,838	570,852
Other payables		1,033	5,087
Non-current liabilities other than provisions		508,129	575,939
Current portion of long-term liabilities other than provisions		75,755	23,388
Finance lease liabilities		822	1,394
Payables to other credit institutions		184,641	205,106
Prepayments received from customers		51,796	48,290
Contract work in progress	10	73,592	152,108
Trade payables		196,105	195,290
Income tax payable		20,133	7,273
Other payables		126,413	117,234
Current liabilities other than provisions		729,257	750,083
Liabilities other than provisions		1,237,386	1,326,022
Equity and liabilities		2,071,478	2,134,877
Associates	9		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Mortgages and securities	17		
Subsidiaries	18		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	9,086	718,204	727,290
Increase of capital	16	3,703	3,719
Exchange rate adjustments	0	13,997	13,997
Value adjustments	0	655	655
Tax of equity postings	0	(154)	(154)
Profit/loss for the year	0	6,445	6,445
Equity end of year	9,102	742,850	751,952

Consolidated cash flow statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Operating profit/loss		75,845	46,613
Amortisation, depreciation and impairment losses		100,501	97,832
Working capital changes	14	4,016	11,371
Cash flow from ordinary operating activities		180,362	155,816
Financial income received		14,308	2,034
Financial income paid		(41,853)	(49,447)
Income taxes refunded/(paid)		(45,485)	(43,209)
Cash flows from operating activities		107,332	65,194
Acquisition etc of intangible assets		(6,972)	(11,786)
Sale of intangible assets		0	11,137
Acquisition etc of property, plant and equipment		(8,602)	(42,702)
Sale of property, plant and equipment		475	4,505
Acquisition of fixed asset investments		0	(243)
Acquisition of enterprises		(22,050)	0
Cash flows from investing activities		(37,149)	(39,089)
Reduction of lease commitments		(774)	(1,522)
Cash increase of capital		3,969	1,377
Loans raised and repaid		(49,528)	3,975
Lease commitments increase and reduction		4,460	0
Cash flows from financing activities		(41,873)	3,830
Increase/decrease in cash and cash equivalents		28,310	29,935
Cash and cash equivalents beginning of year		49,367	19,432
Cash and cash equivalents end of year		77,677	49,367
Cash and cash equivalents at year-end are composed of:			
Cash		262,319	237,414
Short-term debt to banks		(184,641)	(188,047)
Cash and cash equivalents end of year		77,678	49,367

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
1. Revenue		
Denmark	108,464	41,975
EU	432,056	376,801
Other	1,018,848	1,082,033
	1,559,368	1,500,809
	2016 DKK'000	2015 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	2,450	2,190
Tax services	2,960	102
Other services	2,596	276
	8,006	2,568
	2016 DKK'000	2015 DKK'000
3. Staff costs		
Wages and salaries	381,586	327,844
Pension costs	23,260	20,797
Other social security costs	29,911	17,346
	434,757	365,987
Average number of employees	1,147	1,134
	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Executive Board	9,952	3,526
Board of Directors	565	565
	10,517	4,091

Special incentive programmes

At the Company's Annual General Meeting on 30 March 2012 and 31 May 2013, decisions were made to grant share options. The Board of Directors is authorised to grant share options through one or more allocations. These options give the right to subscribe for A shares up to nominal DKK 585k in the Company. The authorisation is valid until 31 May 2018. The capital increase is performed through cash payments in connection with the exercising of share options.

Notes to consolidated financial statements

	Board of Directors Quantity	Executive Board and other employees in Manage- ment Quantity	Total Quantity
Outstanding share options at 01.01.2016	62,529	717,720	780,249
Expired/Granted during the year	<u>375,189</u>	<u>(318,912)</u>	<u>56,277</u>
Outstanding share options at 31.12.2016	<u>437,718</u>	<u>398,808</u>	<u>836,526</u>

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

	2016 DKK'000	2015 DKK'000
Production costs	305,558	254,262
Distribution costs	57,250	61,298
Administrative costs	<u>71,949</u>	<u>50,427</u>
	<u>434,757</u>	<u>365,987</u>

	2016 DKK'000	2015 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	45,309	22,183
Change in deferred tax for the year	(11,402)	(9,929)
Adjustment concerning previous years	<u>301</u>	<u>(723)</u>
	<u>34,208</u>	<u>11,531</u>

	2016 DKK'000	2015 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	<u>6,445</u>	<u>(12,331)</u>
	<u>6,445</u>	<u>(12,331)</u>

Notes to consolidated financial statements

	Completed develop- ment projects DKK'000	Acquired intangible assets DKK'000	Acquired rights DKK'000	Goodwill DKK'000
6. Intangible assets				
Cost beginning of year	1,745	3,434	35,836	1,389,377
Exchange rate adjustments	(2)	(158)	234	(816)
Transfers	0	0	1,063	0
Additions	0	0	580	6,394
Disposals	0	0	(26)	0
Cost end of year	1,743	3,276	37,687	1,394,955
Amortisation and impairment losses beginning of year	(1,745)	(3,027)	(18,156)	(317,383)
Exchange rate adjustments	2	171	(185)	327
Transfers	0	0	16	(1)
Amortisation for the year	0	(14)	(8,503)	(69,193)
Reversal regarding disposals	0	0	26	0
Amortisation and impairment losses end of year	(1,743)	(2,870)	(26,802)	(386,250)
Carrying amount end of year	0	406	10,885	1,008,705
Recognised assets not owned by entity	-	115	-	-

Notes to consolidated financial statements

	Develop- ment projects in progress DKK'000
6. Intangible assets	
Cost beginning of year	1,163
Exchange rate adjustments	0
Transfers	(1,163)
Additions	0
Disposals	0
Cost end of year	0
Amortisation and impairment losses beginning of year	0
Exchange rate adjustments	0
Transfers	0
Amortisation for the year	0
Reversal regarding disposals	0
Amortisation and impairment losses end of year	0
Carrying amount end of year	0
Recognised assets not owned by entity	-

Notes to consolidated financial statements

6. Intangible assets

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment				
Cost beginning of year	133,886	167,769	79,867	12,826
Exchange rate adjustments	424	(603)	2,095	(81)
Transfers	6,960	2,293	(42)	(9,590)
Additions	974	7,962	3,515	1,933
Disposals	(85)	(2,782)	(1,115)	(4,204)
Cost end of year	142,159	174,639	84,320	884
Depreciation and impairment losses beginning of the year	(61,623)	(113,707)	(50,525)	(5)
Exchange rate adjustments	(197)	603	(1,765)	5
Transfers	(5)	296	88	0
Depreciation for the year	(4,490)	(11,031)	(7,264)	0
Reversal regarding disposals	44	1,187	1,253	0
Depreciation and impairment losses end of the year	(66,271)	(122,652)	(58,213)	0
Carrying amount end of year	75,888	51,987	26,107	884
Recognised assets not owned by entity	-	5,100	478	-

Notes to consolidated financial statements

	Investments in associates DKK'000	Other receivables DKK'000
8. Fixed asset investments		
Cost beginning of year	0	3,134
Additions	22,050	710
Cost end of year	22,050	3,844
Amortisation of goodwill	(803)	0
Share of profit/loss for the year	63	0
Revaluations end of year	(740)	0
Carrying amount end of year	21,310	3,844
Goodwill or negative goodwill recognized during the financial year	19,282	-
	Registered in	Equity inte- rest %
9. Associates		
CORE A/S	Herlev, Denmark	49.0
10. Contract work in progress		
	2015 DKK'000	2014 DKK'000
Selling price of work performed	923,148	1,034,653
Invoicing on account	(895,083)	(1,033,302)
	28,065	1,351
Net value is recognised in the balance sheet as follos:		
Contract work in progress (receivables)	101,657	153,459
Contract work in progress (liabilities)	(73,592)	(152,108)
	28,065	1,351

Notes to consolidated financial statements

	2016	2015
	DKK'000	DKK'000
11. Deferred tax		
Intangible assets	(1,872)	(2,858)
Property, plant and equipment	(4,853)	(2,120)
Receivables	(17,912)	(19,751)
Equity	154	219
Liabilities other than provisions	9,977	4,415
Tax losses carried forward	18,330	13,377
	3,824	(6,718)
Changes during the year		
Beginning of year	(6,718)	
Recognised in the income statement	10,388	
Recognised directly in equity	154	
End of year	3,824	

The net deferred tax position is disclosed as a deferred tax asset of DKK 18,597k and a deferred tax liability of DKK 14,773k.

12. Other provisions

Other provisions comprise warranty commitments and other provisions.

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 53,422k at 31 December 2016.

Other provisions amount to DKK 13,945k at 31 December 2016.

13. Long-term debt to other credit institutions

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

Liabilities fall due for payment as specified below:

Other credit institutions	2016	2015
	DKK'000	DKK'000
Fall due between 1 and 5 years	317,194	208,764
Fall due more than 5 years	185,644	362,088
	502,838	570,852

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
14. Change in working capital		
Increase/decrease in inventories	(2,074)	(24,723)
Increase/decrease in receivables	(35,195)	37,616
Increase/decrease in trade payables etc	20,825	6,812
Other changes	20,460	(8,334)
	4,016	11,371

	2016 DKK'000	2015 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	75,800	83,353

16. Contingent liabilities

As part of the international activity, the Group and the Parent are in dialogue with Danish as well as foreign authorities regarding the proper calculation, declaration and payment of both customs, VAT, and taxes.

Based on a specific risk assessment, these are continuously accounted for when it is likely to result in costs in addition to the initial accounting treatment.

17. Mortgages and securities

A mortgage deed registered to the mortgagor of DKK 30.5m and a letter of indemnity of DKK 4.5m secured on land and buildings with a carrying amount of DKK 38,031k at 31 December 2016 have been provided as security for bank debt in the Parent and Group enterprises amounting net to DKK 692,405k at 31 December 2016.

As part of the Group's ordinary activities the Group's bank and insurance companies have issued guarantees for contracting projects totaling DKK 67,944k.

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Equity inte- rest %</u>	<u>Equity DKK'000</u>
18. Subsidiaries			
Haarslev Inc.	Kansas City, USA	100.0	75,282
Haarslev Industries GmbH	Krefeldt, Germany	100.0	41,061
Stord-Bartz AS	Bryne, Norway	100.0	2,253
Haarslev Industries S.A.C.	Lima, Peru	100.0	6,829
Haarslev Inversiones Internacionales S.L.U.	Barcelona, Spain	100.0	8,825
Haarslev Industries LTDA	Curitiba, Brazil	100.0	57,262
Haarslev Industries S.A.U.	Barcelona, Spain	100.0	103,196
Haarslev Industries PTE LTD	Labuan, F.T., Malaysia	100.0	24,743
Haarslev Industries SDN BHD	Selangor Darul Eshan, Malaysia	100.0	1,015
Haarslev Industries L.L.C	Moscow, Russia	100.0	16,361
Haarslev Xuzhou Machinery Co. Ltd.	Xuzhou City, Jiangsu Province, China	100.0	58,060
HM Xuzhou Trading Co. Ltd.	Xuzhou City, Jiangsu Province, China	100.0	4,466
Haarslev Industries Ltd.	Albany Auckland, New Zealand	100.0	1,006
Haarslev Industries (India) Pvt Ltd	Mumbai, Maharashtra, India	100.0	124
Haarslev Industries Poland Sp. z.o.o.	Warsaw, Poland	100.0	(88)
Haarslev Industries A/S	Søndersø, Denmark	100.0	323,440
Haarslev Group A/S	Søndersø, Denmark	100.0	699,972
Haarslev Industries S.A.S	Lorient, France	100.0	9,238
Haarslev Industries Press Technology GmbH & Co. KG	Remscheid, Germany	100.0	1,440
Haarslev Makine Sanayi A.S.	Bursa, Turkey	100.0	(6,763)
Haarslev Industries Remscheid GmbH	Remscheid, Germany	100.0	153
Haarslev PT (India) Pvt Ltd	Mombai, Maharashtra, India	100.0	(2,217)

Parent income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Administrative costs	1	(1,001)	(874)
Operating profit/loss		(1,001)	(874)
Income from investments in group enterprises		6,378	(12,388)
Other financial income	2	1,098	954
Other financial expenses	3	0	(5)
Profit/loss before tax		6,475	(12,313)
Tax on profit/loss for the year	4	(30)	(18)
Profit/loss for the year	5	6,445	(12,331)

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investments in group enterprises		699,972	679,095
Fixed asset investments	6	<u>699,972</u>	<u>679,095</u>
Fixed assets		<u>699,972</u>	<u>679,095</u>
Receivables from group enterprises		49,384	48,682
Other receivables		2	0
Income tax receivable		7,156	0
Receivables		<u>56,542</u>	<u>48,682</u>
Current assets		<u>56,542</u>	<u>48,682</u>
Assets		<u>756,514</u>	<u>727,777</u>

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital	7	9,102	9,086
Retained earnings		742,850	718,204
Equity		751,952	727,290
Payables to group enterprises		3,933	0
Income tax payable		30	18
Other payables		599	469
Current liabilities other than provisions		4,562	487
Liabilities other than provisions		4,562	487
Equity and liabilities		756,514	727,777
Contingent liabilities	8		
Mortgages and securities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	9,086	718,204	727,290
Increase of capital	16	3,703	3,719
Exchange rate adjustments	0	14,498	14,498
Profit/loss for the year	0	6,445	6,445
Equity end of year	9,102	742,850	751,952

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
1. Staff costs		
Wages and salaries	565	565
	565	565
	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Board of Directors	565	565
	565	565

Special incentive programmes

At the Company's Annual General Meeting on 30 March 2012 and 31 May 2013, decisions were made to grant share options. The Board of Directors is authorised to grant share options through one or more allocations. These options give the right to subscribe for A shares up to nominal DKK 585k in the Company. The authorisation is valid until 31 May 2018. The capital increase is performed through cash payments in connection with the exercising of share options.

	2016 DKK'000	2015 DKK'000
2. Other financial income		
Financial income arising from group enterprises	1,065	954
Other financial income	33	0
	1,098	954
	2016 DKK'000	2015 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	0	5
	0	5
	2016 DKK'000	2015 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	30	18
	30	18

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	6,445	(12,331)
	6,445	(12,331)
		Investment s in group enterprises DKK'000
6. Fixed asset investments		
Cost beginning of year		750,354
Cost end of year		750,354
Impairment losses beginning of year		(71,259)
Share of profit/loss for the year		6,378
Other adjustments		14,499
Impairment losses end of year		(50,382)
Carrying amount end of year		699,972
7. Contributed capital		
Contributed capital consists of 9,102,055 shares of nominal value of DKK 1. The shares are divided into 6,772,596 A shares and 2,329,459 B shares.		
		2015 DKK'000
Movement since formation:		
Share capital 01.01.2012		500
Increase in share capital 01.01.2012 - 31.12.2012		8,535
Increase in share capital 01.01.2013 - 31.12.2013		42
Increase in share capital 01.01.2014 - 31.12.2014		0
Increase in share capital 01.01.2015 - 31.12.2015		9
Increase in share capital 01.01.2016 - 31.12.2016		16
		9,102

Notes to parent financial statements

8. 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.

9. Mortgages and securities

The Company's shares in subsidiaries with a carrying amount of 699,972k. have been provided as security for payables in Group enterprises to banks at 31 December 2016 amount net to DKK 692,405k.

10. Related parties with controlling interest

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

Haarslev Holding S.A.R.L. (principal shareholder), 9 A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

When recognising foreign subsidiaries and associates 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 transactions date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Accounting policies

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, maintenance and depreciation, etc, as well as operation, administration and management of factories.

Production costs also include research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Furthermore, amortisation of goodwill is included to the extent that goodwill relates to production activities. Finally, provisions for losses on contract work are recognised.

Distribution costs

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative costs

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Accounting policies

Income from investments in group enterprises

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

Income from investments in associates

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

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

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

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

Balance sheet

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period is 20 years.

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

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

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

Accounting policies

Direct costs and a portion of the costs that can be related indirectly to intellectual property costs recognised as intangible assets have an amortisation period of 3 – 10 years.

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

Property, plant and equipment

Buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity 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.

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

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

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised positive, goodwill and minus or plus unrealised pro rata internal profits and losses.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Accounting policies

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 over its estimated useful life, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

Receivables

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

Inventories

Inventories are measured at the lower of cost using the FIFO method or net realisable value if this is lower.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. The stage of completion is determined as the ratio of actual to total budgeted consumption of resources. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Accounting policies

Deferred tax

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

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

Income tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, loss on contract work in progress.

Other provisions are recognised 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 realisable 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.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Accounting policies

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Cash flow statement cannot directly be derived from the income statement and the balance sheet.