

Haarslev Group Holding A/S

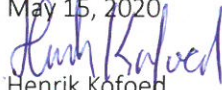
Bogensevej 85, 5471 Soendersoe

CVR.no. 33 96 93 76

Annual report for 2019

Adopted at the annual general meeting on

May 15, 2020



Henrik Kofoed

Chairman

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Group information

The company

Haarslev Group Holding A/S

c/o Haarslev Industries A/S

Bogensevej 85

5471 Soendersoe

Website: www.haarslev.com

E-mail: DK-info@haarslev.com

Registered office: Nordfyns Kommune

CVR no.: 33 96 93 76

Financial year: 01.01 - 31.12

Executive Board

CEO	Herman Hubertus Jacobus Defauwes
CFO	Morten Nicolaj Rose-Nielsen

Board of directors

Chairman	Søren Dan Johansen
	Jan Vestergaard Olsen
	Ola Erics
	Paal Weberg
	Rene Johansen
	Søren Jakob Rasmussen
	Yasemin Celkan

Auditors

DELOITTE STATS-AUTORISERET REVISIONSPARTNERSELSKAB

Parent company

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

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

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of their operations and the Group's cash flows for the financial year 01.01.2019 – 31.12.2019.

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.

Soendersoe, April 29, 2020

Executive Board



Herman Hubertus Jacobus
Defauwes
CEO



Morten Nicolaj Rose-Nielsen
CFO

Board of directors

Søren Dan Johansen

Jan Vestergaard Olsen

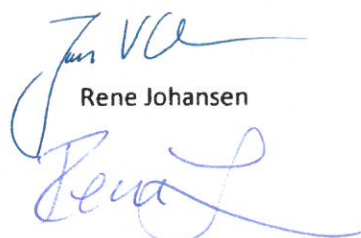


Ola Erics

Chairman



Pål Webberg



Rene Johansen



Søren Jacob Rasmussen



Yasemin Celkan

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 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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, 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, 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.

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, April 29. 2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Lars Siggaard Hansen

State Authorised Public Accountant

Identification No (MNE) mne32208



Eskild Nørregaard Jakobsen

State Authorised Public Accountant

Identification No (MNE) mne11681

Management's review

Who we are

Facts and numbers about us *(approximate numbers)*

No. 1	In protein recycling and world class equipment for drying of sludge, biomass & biofuel
4	Production sites worldwide
17	Sales and service centers globally
43	Agents and distributors
120	Countries sold to
202	EURm revenue
1.011	Employees globally
80.000	M ² production area

Vision and Values

Our vision is:

We want to be: Leader delivering leading performance.

Leading performance defined as on time delivering, the best solution and with our Global Services maximise the customers processing needs.

In partnership with our customers, we want to transform the way food and feed is processed.

Our vision is of a world where the right quality is produced sustainably and affordably.

Our values are:

Customer focused

Committed to the success of our customers

Working together

Teamwork is at the heart of how we operate

Performance oriented

Striving for excellence and delivering above and beyond our commitments

Business model

Haarslev is the world's no. 1 provider of rendering and related processing solutions. From offices around the globe, Haarslev employees take pride in providing the specialist equipment and knowhow it takes to keep

rendering a safe, healthy, and financially viable activity. As the global population continues to rise and the world's supply of vital proteins, minerals, fuel, and other essentials are increasingly constrained, Haarslev seeks to play its part in utilizing resources more efficiently.

Leading processing supplier

We design, manufacture and sell leading-edge equipment, control systems and processing solutions for the rendering, fish and industrial drying industries. We install, commission, monitor and service the solutions to keep them running 24/7.

Leadership through Innovation

We invest significantly in product and process innovation. Our dedicated Innovation and Process departments are working relentlessly to continuously improve the overall efficiency, capacity and quality of our equipment.

Environmental impact

Our products contribute directly to improving the environment and supports our customers' aim for reducing their environmental footprint.

Global reach

The core of our company is our more than 1.000 dedicated employees in 17 countries around the world. We offer a unique service network with 9 service hubs and a Global Services team with more than 150 people dedicated to supporting customers around the world keeping their processing running 24/7. Our local presence is complemented by a network of more than 43 agents and distributors with whom we have strong partnerships to deliver the right solutions to our customers.

Worldwide customer base

With customers located across more than 120 countries across the globe we are a truly global company. We are in business to build long-standing partnerships based on a deeply rooted customer focus and strong co-operation with customers across industries and geographies.

Clear and performance-oriented strategy

Haarslev Industries is growing and expected to grow faster than the market in the coming years, and our strategy is clear – we want to deliver leading performance on all measures. As performance takes precedence over growth, we are continuously reviewing all areas of our business to improve performance.

Four key industry segments

At Haarslev Industries we focus our efforts and dedication on four main industry segments:

- Poultry rendering
- Meat rendering
- Fish processing
- Industrial processing

With deeply rooted industry expertise across all four segments, our team of industry professionals are able to anticipate market developments and changes in the industry, allowing us to adjust our business accordingly and serve our customers to the highest standard.

In all industry segments, our offerings cover the full product life cycle – from design & manufacturing to service & installation and ultimately de-commissioning of the solutions.

Poultry rendering and Meat rendering

For Poultry and Meat rendering, we offer:

Processing of meat, bones and offal

The poultry rendering industry has its own specific needs and requirements when it comes to the processing of meat, bones, offal, feathers and blood.

Haarslev designs, develops and supplies both processes and equipment that help our customers face their challenges. Our solutions focus on efficient utilization of raw materials and energy, as well as on product quality, regulatory conformance and environmental impact.

Feather processing

Feather meal is made from poultry feathers by hydrolyzing under elevated heat and pressure and then drying and grinding. The pressure hydrolysis process is necessary in order to convert the hard, fibrous proteins called keratin, which is the principal component of feathers and hog hair, into feather meal that contains amino acids.

Hydrolyzation of the feathers, prior to drying, breaks down the protein bonds in the raw material and makes the feather meal more digestible. Hydrolyzed feather meal is a good source of natural protein for most animal diets. It can be used to replace a significant portion of other protein sources in livestock and aquaculture diets.

Blood processing

Blood contains 16-18 percent protein solids and dried blood meal is a valuable ingredient in feed for non-ruminant animals because it has a high lysine content. Blood meal is also used as a high-nitrogen fertilizer.

The blood is fed into a blood coagulator. The coagulated blood solids and water are separated in a decanter and the blood solids are dried in either a Continuous Cooker or a Batch Cooker.

This method is very energy efficient, as more than half of the water is removed mechanically before drying.

Fish Processing

Although fish meal processing generally follows the same principles, the process requirements vary from one area to another and from one plant to another. Freshness of the catch, type of fish, requirements for meal and oil quality and environmental issues dictate the need for individual plant solutions. We offer a full delivery program to meet such challenges. Fish meal plants from Haarslev operate all over the world. Our delivery program ranges from small land-based or ship-based units and up to the largest fish meal plants in the world. Our plants are known for maximum energy efficiency, reliability, safety and compliance with local environmental standards.

High-grade fish meal sells at high market prices because this type of meal has shown significant advantages in aquaculture and animal breeding. This is difficult to replace with proteins of other origin. Haarslev develops special cooking and drying equipment, which limits the exposure of the fish to high temperatures. The result is a better preservation of essential amino acids and that digestibility remains as high as possible. Our plant design focuses on optimum utilization of both raw materials and energy.

Global Sales and Service network

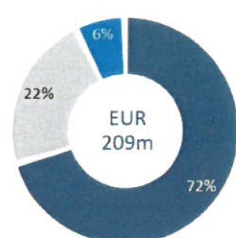
Our physical presence across the globe offers customers a local level of first line of contact, providing a swift response and first-class service from our skilled employees. We are continuously evaluating our network to optimize our skills and service levels and strengthen our connection with customers.

Revenue streams

Our main revenue drivers are turnkey projects, encompassing brownfields, greenfields, modernization and maintenance as well as the production of modular, standardized equipment and processing lines. The standalone, modular portfolio is the building block for larger projects and the entry point for new customers. Our installed base is large and growing, effectively driving our resilient service and parts revenues.

Our order intake in 2019 can be specified as follows:

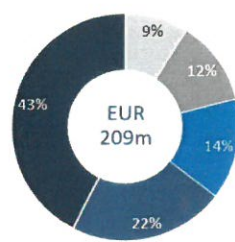
ORDER INTAKE BY INDUSTRY %



FY2019



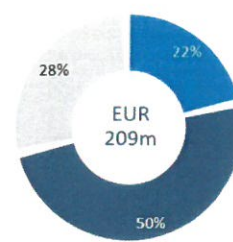
ORDER INTAKE BY GEOGRAPHY %



FY2019



ORDER INTAKE BY BUSINESS MIX %



FY2019



Strategy

For the period 2020-2025 Haarslev Industries has set a target of 3% average annual increase in revenue through organic growth. Our growth plan involves capitalizing on strong innovation investments to drive expansion and market penetration.

Primary activities

Haarslev Group Holding A/S serves as holding company.

Development in activities and financial affairs

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

The revenue increased by 1% to DKK 1.509.728k (2018: DKK 1.492.774k). Gross margin increased from 15% in 2018 to 21% in 2019. These numbers are excluding the Environment division. Following a strategic review in 2019 it was decided to initiate a close-down and restructuring of the Environment division activities, which therefore is recognized in a separate line in the Income Statement. Including the Environment division, the revenue increased by 3,1% to DKK 1.539.794k (2018: DKK 1.492.774k). Including the Environment division, the Gross margin increased from 15% in 2018 to 19% in 2019.

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

The normalized EBITDA for the continued operation has increased by DKK 67.942k or 122% compared to 2018. The improvement is mainly driven by the positive effects of the Group's strategic initiatives.

DKK'000	2019	2018
Loss before net financials cf. Income statement	- 33.962	- 137.416
Depreciation, amortization, impairment losses and write-downs cf. Adjustment to cash flow statement	93.806	98.293
EBITDA	59.844	39.123
Discontinued operation, separate line in 2019 income statement	- 44.960	- 39.710
EBITDA, continued operations	59.844	587
Exceptional items	- 63.824	- 55.139
Normalised EBITDA, continued operations	123.668	55.726

Discontinued operations comprise the company's Environment division. Following a strategic review in 2019 it was decided to initiate a close-down and restructuring of the Environment division activities.

Exceptional items in 2019 comprise consultant expenses and other expenses in connection with the implementation of a new ERP system.

The Group's income statement for 2019 shows a loss after tax of DKK 172.453k (2018: loss after tax DKK 200.750k), which is below the outlook presented in the annual report 2018.

The Group's balance sheet as of 31 December 2019 shows an equity of DKK 313.200 k (2018: DKK 397.922k) and total assets of DKK 1.726.797k (2018: DKK 1.762.125k).

Capital resources and funding

The cash flow is still not satisfactory and cash flow from operating activities was negative by DKK 52.769k (2018: negative DKK 91.766k).

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

In 2019 Haarslev Group Holding A/S received a capital injection of DKK 79.174k (share capital of DKK 1.637k and premium of DKK 77.537k) and EUR 6m in subordinated loan was granted. Both contributions were primarily from the main shareholder Altor Fund III.

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

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

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

Uncertainty relating to recognition and measurement

The main accounting areas where the recognition and measurement can be affected by estimates and subject to uncertainty are:

- 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

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

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

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

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

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

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

Risk Management

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

Intellectual capital resources

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

Customers

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

Technology

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

Processes

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

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

Staff relations

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

The number of employees has developed as follows:

Average number of employees for the Group was 1.011 (2018: 1.091).

Environmental performance

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

Research and development activities

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

Statutory report on corporate social responsibility, diversity and underrepresented gender

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

Corporate governance

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

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

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

Operational risk management

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

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

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

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

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

Shareholder relations

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

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

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

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

Board of Directors

Søren Dan Johansen

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

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

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

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

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

Jan Vestergaard Olsen

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

CEO of TAMI Holding ApS.

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

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

Member of the Board of Hoyer Group A/S.

Chairman of the Board of S/I Ønskeland.

Ola Harald Erics

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

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

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

Paal Kristian Weberg

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

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

Yasemin Merethe Celkan

Elected by employees. Member of the Board of Directors since 2019.

Member of the Board of Haarslev Group A/S, Member of the Board of NSales.

Rene Johansen

Elected by employees. Member of the Board of Directors since 2012.

Søren Jacob Rasmussen

Elected by employees. Member of the Board of Directors since 2018.

Responsibilities of the Board of Directors

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

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

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

Management remuneration

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

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

Dividend policy

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

Stakeholders

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

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

Events after the balance sheet date

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

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

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

Group financial highlights

Figures in DKK '000	2019	2018	2017	2016	2015
<i>Profit/loss</i>					
Revenue	1.509.728	1.492.774	1.440.730	1.559.368	1.500.809
Gross profit	311.041	224.052	272.330	362.341	247.865
Profit/loss before net financials, tax and discontinuing activities	-33.962	-137.416	-58.942	65.640	46.613
Total net financials	-50.934	-43.676	-44.854	-35.193	-47.413
Profit/loss for the year	-172.453	-200.750	-136.098	-290	-12.331
<i>Balance</i>					
Total assets	1.726.797	1.762.125	1.985.582	2.048.979	2.134.877
Investments in property, plant and equipment	9.338	34.193	20.869	14.384	42.701
Equity	313.200	397.922	592.626	743.130	727.290
<i>Cashflow</i>					
Net cash flow:					
Operating activities	-52.769	-91.776	62.132	107.332	65.194
Investing activities	-10.040	-66.054	-18.447	-37.149	-39.089
Financial activities	42.130	-15.336	-53.443	-41.873	3.830
Cash flow for the year	-20.678	-173.166	-9.758	28.310	29.935
Ratios					
<i>Profitability</i>					
Return on equity	-49%	-41%	-20%	0%	-2%
Gross Margin	21%	15%	19%	23%	17%
Profit margin	-2%	-9%	-4%	4%	3%
<i>Equity ratio</i>	18%	23%	30%	36%	34%
<i>Others</i>					
Numbers of employees (average)	1.011	1.091	1.099	1.147	1.141
Return of equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$				
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$				
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$				
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				

Income statement

Note	<i>Figures in DKK '000</i>	Group		Parent	
		2019	2018	2019	2018
1.	Revenue	1.509.728	1.492.774		
	Production costs	-1.198.687	-1.268.722		
	Gross profit	311.041	224.052		
	Other income	3.723			
	Distribution costs	-120.078	-109.558		
	Administration costs	-228.649	-251.910	-1.130	-744
	Profit/loss before net financials	-33.962	-137.416	-1.130	-744
	Result from equity investments in group enterprises			-171.563	-201.185
5.	Result from equity investments in associates	-2.056	-4		
6.	Financial income	4.758	6.981	27	1.298
7.	Financial expenses	-53.636	-50.653	-38	-11
	Profit/loss before tax	-84.897	-181.092	-172.704	-200.642
8.	Tax on profit or loss for the year	-42.596	-19.658	251	-108
	Profit/loss for the year continuing activity	-127.493	-200.750	-172.453	-200.750
9.	Discontinuing activities	-44.960			
10.	Profit/loss for the year	-172.453	-200.750	-172.453	-200.750

Balance sheet

	Group		Parent	
Note	2019	2018	2019	2018
ASSETS				
<i>Figures in DKK '000</i>				
Development project in progress	1.000	-		
Acquired rights	1.325	1.928		
Goodwill	820.812	901.387		
11. Total intangible assets	823.137	903.315	-	-
Land and buildings	76.709	81.171		
Plant and machinery	33.410	42.199		
Other fixtures and fittings, tools and equipment	24.839	25.759		
Property, plant and equipment under construction	1.862	1.262		
12. Total property, plant and equipment	136.820	150.391	-	-
13. Equity investments in group enterprises			310.627	396.846
14. Equity investments in associates	18.334	20.390		
Subordinated receivables group companies			44.850	
15. Other receivables	5.450	3.333		
Total investments	23.785	23.723	355.477	396.846
Total non-current assets	983.742	1.077.429	355.477	396.846
Raw materials and consumables	99.384	93.982		
Work in progress	66.731	76.601		
Manufactured goods and goods for resale	110.766	89.543		
Total inventories	276.881	260.126	-	-
16. Work in progress for third parties	93.712	62.426		
Trade receivables	194.459	170.940		
Receivables from associates	-	129		
18. Deferred tax asset	41.705	29.280	251	
Income tax receivable	4.829	10.341	197	1.941
Prepayments	17.245	17.063		
Other receivables	29.948	41.091		
Total receivables	381.897	331.270	447	1.941
Cash	24.689	93.300	22.978	114
Total current assets	683.466	684.696	23.425	2.055
Discontinued activities	59.588	-		
Total assets	1.726.797	1.762.125	378.903	398.901

Note	EQUITY AND LIABILITIES	Group		Parent	
		2019	2018	2019	2018
	<i>Figures in DKK '000</i>				
	Share capital	10.780	9.143	10.780	9.143
	Profit/loss for the year	302.420	388.779	302.420	388.779
17.	Total equity	313.200	397.922	313.200	397.922
18.	Provisions for deferred tax	8.140	5.263		
19.	Other provisions	37.086	59.061		
	Total provisions	45.227	64.324	-	-
	Payables to other credit institutions	385.687	417.676		
	Subordinated loan from shareholder	44.850	-	44.850	
	Other payables	8.222	-		
	Lease commitments	2.599	3.005		
20.	Total long-term payables	441.358	420.681	44.850	-
20.	Short-term portion of long-term payables	42.741	92.953		
23.	Payables to other credit institutions	150.614	198.546		
16.	Prepayments received from work in progress for third parties	157.030	178.880		
	Prepayments received from customers	131.526	109.895		
	Trade payables	298.060	191.843		
	Payable to group enterprises	-	-	19.698	
	Payables to associates	100	-		
	Income taxes	17.917	6.264		149
	Other payables	75.755	100.817	1.153	830
	Total short-term payables	873.742	879.198	20.852	979
	Total payables	1.315.100	1.299.879	65.702	979
	Discontinued activity	53.269	-		
	Total equity and liabilities	1.726.797	1.762.125	378.903	398.901
21.	Derivative financial instruments				
22.	Contingent liabilities				
23.	Charges and security				
24.	Related parties				

Changes in equity

Group

<i>Figures in DKK '000</i>	Share capital	Retained earnings	Total Equity
Balance as at 01.01.2018	9.143	583.483	592.626
Foreign currency translation adjustment of foreign enterprises		7.441	7.441
Fair value adjustments of hedging instruments		-423	-423
Warrants issued		451	451
Warrants repaid		-134	-134
Purchase of treasury shares		2.070	2.070
Sale of treasury shares		-3.458	-3.458
Other changes in equity		99	99
Net profit/loss for the year		-200.750	-200.750
Balance as at 31.12.2018	9.143	388.779	397.922
Balance as at 01.01.2019	9.143	388.779	397.922
Foreign currency translation adjustment of foreign enterprises		7.783	7.783
New shares issued	1.637	77.537	79.174
Fair value adjustments of hedging instruments		61	61
Purchase of treasury shares		-203	-203
Sale of treasury shares		916	916
Net profit/loss for the year		-172.453	-172.453
Balance as at 31.12.2019	10.780	302.420	313.200

Parent

<i>Figures in DKK '000</i>	Share capital	Retained earnings	Total Equity
Balance as at 01.01.2018	9.143	583.483	592.626
Foreign currency translation adjustment of foreign enterprises		7.441	7.441
Fair value adjustment of hedging instruments		-324	-324
Warrants issued		451	451
Warrants repaid		-134	-134
Purchase of treasury shares		2.070	2.070
Sale of treasury shares		-3.458	-3.458
Net profit/loss for the year		-200.750	-200.750
Balance as at 31.12.2018	9.143	388.779	397.922
	9.143	388.779	397.922
Balance as at 01.01.2019			
Foreign currency translation adjustment of foreign enterprises		7.783	7.783
Fair value adjustment of hedging instruments		61	61
New shares issued	1.637	77.537	79.174
Purchase of treasury shares		-203	-203
Sale of treasury shares		916	916
Net profit/loss for the year		-172.453	-172.453
Balance as at 31.12.2019	10.780	302.420	313.200

Consolidated cash flow

Group	2019	2018
<i>Figures in DKK '000</i>		
Net profit/loss for the year	-172.453	-200.750
Adjustments	187.336	161.627
Change in working capital		
Inventories	-16.755	-45.523
Receivables	-43.714	120.086
Trade payables	114.320	-56.352
Other payables relating to operating activities	-41.347	7.142
Cash flows from operating activities before net financials	27.388	-13.770
Interest income and similar income received	4.758	6.981
Interest expenses and similar expenses paid	-53.636	-50.653
Income tax paid	-31.278	-34.334
Cash flows from operating activities	-52.769	-91.776
Purchase of intangible assets	-1.481	-329
Sale of intangible assets	697	48
Purchase of property, plant, and equipment	-9.338	-27.224
Sale of property, plant, and equipment	145	4.047
Investment in receivables	-62	-81
Acquisition of enterprise		-42.025
Dividend received		-490
Cash flows from investing activities	-10.040	-66.054
New shares issue	79.174	
Purchase of treasury shares and own shares	-203	-3.592
Sale of treasury shares and own shares	916	2.521
Arrangement of credit institutions		40.237
Repayment of credit institutions	-82.201	-53.869
Subordinated loan from shareholder	44.850	
Lease commitments increase and reduction	-406	-633
Cash flows from financing activities	42.130	-15.336
Total cash flows for the year	-20.678	-173.166
Cash beginning of year	93.300	282.695
Short-term payables to credit institutions, beginning of year	-198.546	-214.775
Cash, end of year	-125.924	-105.246
Cash, end of year, comprises:		
Cash	24.689	93.300
Short-term payables to credit institutions	-150.614	-198.546
Total cash	-125.925	-105.246

Adjustments for cash flow statement

<i>Figures in DKK '000</i>	2019	2018
Depreciation, amortisation, impairment losses and write-downs	93.806	98.293
Result from equity investments in associate	2.056	4
Financial income	-4.758	-6.981
Financial expenses	53.636	50.653
Tax on profit or loss for the year	42.596	19.658
Total	187.336	161.627

Notes

1. Revenue	Group		Parent	
	2019	2018	2019	2018
<i>Figures in DKK '000</i>				
Revenue comprises of the following activities				
Goods and services	1.509.728	1.492.774		
Revenue comprises of the following geographical markets:				
Revenue, Denmark	31.990	22.760		
Revenue, other EU countries	383.429	498.676		
Revenue, non-EU countries	1.094.308	971.338		
Total	1.509.728	1.492.774		

2. Personnel costs

2. Personnel costs	Group		Parent	
	2019	2018	2019	2019
<i>Figures in DKK '000</i>				
Personnel costs - type				
Wages and Salaries	403.896	426.078	601	450
Pensions	25.753	28.573		
Other personnel costs	26.161	25.096		
Total	455.811	479.747	601	450
Personnel costs - function				
Production costs	312.468	319.197		
Distribution costs	83.219	82.708		
Administrative costs	60.124	77.842	601	450
Total	455.811	479.747	601	450

Average number of employees during the year, continuing activities	1.011	1.091		
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Salaries, Board of Executives	5.403	7.612		
Total remuneration for the management	5.403	7.612		
Remuneration for the Board of Directors	601	450	601	450
Remuneration for the Executive Board and Board of Directors	6.004	8.062	601	450

2. Personnel costs (continuing)

Management incentives programme:

At the Company's Annual General Meeting on 30. March 2012, 31. May 2013 and 25. 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 841k in the Company. The authorization is valid until 24. May 2023. The capital increase is performed through cash payments in connection with the exercising of share options.

Figures in DKK '000	Executive Board and other	Board of directors	Total
Outstanding share options as at 01.01.2018	804.174	62.529	866.703
Expired during the year	-26.199		-26.199
Outstanding share options as at 31.12.2018	777.975	62.529	840.504
Outstanding share options as at 31.12.2019	777.975	62.529	840.504

Own shares:

	Nom. Value	Trade value kDKK
Own shares as at 01.01.2018	10.421	
Purchased during the year	23.041	3.458
Sold during the year	-14.308	-2.070
Own shares as at 01.01.2019	19.154	1.388
Purchased during the year	4.168	203
Sold during the year	-23.322	-916
Own shares as at 31.12.2019	0	-713

Transactions through the year regarding employee purchase and sale of own shares, is regarding the company's incentive programme for executive board and other managing employees.

3. Fees to auditors

<i>Figures in DKK '000</i>	Group		Parent	
	2019	2018	2019	2018
Statutory audit of the financial statement	3.343	2.826	285	190
Tax advice	1.292	1.103	54	
Other services	5.431	2.089		
Total	10.066	6.018	339	190

4. Result from equity investments in group enterprises

<i>Figures in DKK '000</i>	Parent	
	2019	2018
Result from equity investments in group enterprises, continuing activities	-126.591	-201.185
Result from equity investments in group enterprises, discontinuing activities	-44.972	
Total	-171.563	-201.185

5. Result from equity investments in associates

<i>Figures in DKK '000</i>	Group	
	2019	2018
Result from equity investments in associates	-1.092	960
Amortisation of goodwill	-964	-964
Total	-2.056	-4

6. Financial income

Figures in DKK '000

	Group		Parent	
	2019	2018	2019	2018
Other interest income	4.758	6.981		
Interest group companies			20	1.296
Foreign currency translation adjustments			7	2
Total	4.758	6.981	27	1.298

7. Financial expenses

Figures in DKK '000

	Group		Parent	
	2019	2018	2019	2018
Other interest expenses	41.165	46.797	13	11
Interest group companies			20	
Fair value adjustment of derivative financial instruments		93		
Other financial expenses	12.471	3.763	5	
Total	53.636	50.653	38	11

8. Tax on profit or loss for the year

Figures in DKK '000

	Group		Parent	
	2019	2018	2019	2018
Tax on profit or loss for the year	33.635	12.590		108
Other taxes/revaluations tax assets	10.378	20.906		
Adjustment of deferred tax for the year	-1.194	-21.632	251	
Adjustment of tax in respect to previous years	-223	7.794		
Total	42.596	19.658	251	108

9. Discontinued activities

Group

<i>Figures in DKK '000</i>	2019	Balance	2019
Revenue	38.231		
Production costs	- 65.606	Assets	59.588
Gross profit	- 27.375		
Distribution costs	- 6.443	Liabilities	53.269
Administration costs	- 10.821		
Profit/loss before net financials	- 44.639	Net assets	6.319
Financial expenses	- 1.097		
Profit/loss before tax	- 45.737		
Tax on profit or loss for the year	776		
Profit/loss for the year continuing activity	- 44.960		

Comments:

Discontinued operations comprises the companys Environment division. Following a strategic review in 2019 it was decided to initiate a close down of the Environment division activities.

10. Distribution of net profit	Group		Parent	
<i>Figures in DKK '000</i>	2019	2018	2019	2018
Retained earnings	-172.453	-200.750	-172.453	-200.750
Total	-172.453	-200.750	-172.453	-200.750

11. Intangible assets

Group

<i>Figures in DKK '000</i>	Completed development project	Development project in progress	Acquired intellectual property rights	Goodwill	Total
Cost as of 01.01.2019	1.750		37.398	1.413.417	1.452.565
Foreign currency translation adjustment of foreign enterprises	1		67	193	261
Additions during the year		1.000	481		1.481
Disposals during the year	-1.748		-3.825	-813	-6.386
Cost as of 31.12.2019	3	1.000	34.122	1.412.797	1.447.921
Adjustment to cost 01.01.2019	-1.750		-35.463	-521.580	-558.793
Foreign currency translation adjustment of foreign enterprises	-1		-58	-79	-138
Depreciation during the year			-1.095	-70.325	-71.420
Reversal of impairment losses in respect of previous years			-4	-0	-5
Reversal of amortisation of and impairment losses on disposed assets	1.748		3.823		5.571
Adjustments to cost 31.12.2019	-3		-32.797	-591.985	-624.784
Carrying amount as at 31.12.2019		1.000	1.324	820.812	823.136

12. Buildings, plant, and machinery Group

<i>Figures in DKK '000</i>	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Buildings, plant and machinery in progress	Total
Cost as of 01.01.2019	157.327	140.228	76.694	1.262	375.511
Foreign currency translation adjustment of foreign enterprises	340	209	484	17	1.050
Additions during the year	1.039	2.930	4.492	773	9.233
Disposals during the year	1	-1.577	-6.302	-189	-8.067
Cost as of 31.12.2019	158.707	141.790	75.367	1.862	377.727
Adjustments to cost 01.01.2019	-76.156	-98.328	-51.159		-225.643
Foreign currency translation adjustment of foreign enterprises	-43	-42	-361		-446
Depreciation during the year	-5.722	-11.556	-5.108		-22.387
Reversal of impairment losses in respect of previous years	-78	423	-144		202
Reversal of amortisation of and impairment losses on disposed assets		1.123	6.243		7.366
Adjustments to cost 31.12.2019	-81.999	-108.380	-50.529		-240.907
Carrying amount as at 31.12.2019	76.709	33.411	24.839	1.862	136.820
Carrying amount of assets held under finance leases as of 31.12.2019		4.561			4.561

For further information for Land and buildings and securities, refer to note 23.

13. Equity investments in group enterprises, Parent

<i>Figures in DKK '000</i>	Equity investments in group enterprises
Cost as of 01.01.2019	804.288
Additions during the year	77.494
Cost as of 31.12.2019	881.782
Revaluation to cost per 01.01.2019	-407.442
Foreign currency translation adjustment of foreign enterprises	7.783
Net profit/loss from equity investments	-171.563
Other adjustments relating to equity investments	66
Revaluation to cost, ultimo	-571.156
Carrying amount as of 31.12.2019	310.626
The item comprises goodwill as of 31.12.2019	0

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

13. Equity investments in group enterprises (cont.)

Subsidiaries	Registered in	Equity interest in percent
Group enterprises		
Haarslev Group A/S	Søndersø, Denmark	100
Haarslev industries A/S	Søndersø, Denmark	100
Haarslev Inc.	Kansas City, USA	100
Haarslev Industries GmbH	Mannheim, Germany	100
Stord-Bartz AS	Bryne, Norway	100
Haarslev Industries S.A.C.	Lima, Peru	100
Haarslev Inversiones Internacionales S.L.U.	Barcelona, Spain	100
Haarslev Industries LTDA	Curitiba, Brazil	100
Haarslev Industries S.A.U.	Barcelona, Spain	100
Haarslev Industries PTE LTD	Labuan, F.T., Malaysia	100
Haarslev Industries SDN BHD	Selangor Darul Eshan, Malaysia	100
Haarslev Industries L.L.C	Moscow, Russia	100
Haarslev Xuzhou Machinery Co. Ltd.	Xuzhou City, Jiangsu Province, Chin	100
Haarslev Industries Ltd.	Rosedale Auckland, New Zealand	100
Haarslev Industries (India) Pvt Ltd	Mumbai, Maharashtra, India	100
Haarslev PT (India) Pvt Ltd	Mombai, Maharashtra, India	100
Haarslev Industries Poland Sp. z.o.o.	Kielce, Poland	100
Haarslev Industries S.A.S	Lorient, France	100
Haarslev Industries Press Technology GmbH & Co. K	Wuppertal, Germany	100
Haarslev Industries Remscheid GmbH	Wuppertal, Germany	100
Haarslev Holding UK	Skelmersdale, UK	100
Haarslev Industries UK	Skelmersdale, UK	100
Haarslev Food Processing Equipment UK	Skelmersdale, UK	100

For further information regarding equity investments placed as security, refer to note 20.

14. Equity investments in associates

	Group EQ investments in associates
<i>Figures in DK '000</i>	
Cost as of 01.01.2019	22.050
Cost as of 31.12.2019	22.050
Adjustment to cost per 01.01.2019	-1.660
Net profit/loss from equity investments	-2.056
Adjustments to cost, ultimo	-3.716
Carrying amount as of 31.12.2019	18.334
The item comprises goodwill as of 31.12.2019	15.587

Associates	Registered in	Equity interest in percent
Group enterprises		
Core A/S	Herlev, Denmark	49

15. Other receivables

	Group Other receivables
<i>Figures in DKK '000</i>	
Cost as of 01.01.2019	3.333
Additions during the year	2.299
Disposals during the year	-183
Cost as of 31.12.2019	5.450

16. Work in progress for third parties

	Group	
<i>Figures in DKK '000</i>	2019	2018
	DK '000	DK '000
Work in progress for third parties	698.951	890.552
On-account invoicing	-762.269	-1.007.006
Work in progress for third parties, total	-63.318	-116.454
Work in progress for third parties (receivables)	93.712	62.426
Prepayments received from work in progress for third parties, short-term payables (liabilities)	-157.030	-178.880
Total	-63.318	-116.454

17. Share capital

The share capital consists of:	2019
Shares capital as of 01.01.2015	9.077
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
Increase in share capital 01.01.2018-31.12.2018	
Increase in share capital 01.01.2019-31.12.2019	1.637
Total	10.780

Contributed capital consists of 10.780.083 share of nominal value of DKK 1. The shares are divided into 8.450.624 A shares and 2.329.459 B shares

18. Deferred tax	Group		Parent	
<i>Figures in DKK '000</i>	2019	2018	2019	2018
Deferred tax comprises				
Deferred tax asset	41.705	29.280	251	
Deferred tax liability	-8.140	-5.263		
Total	33.564	24.017	251	
Deferred tax comprises				
Intangible assets	-19	14		
Property, plant, and equipment	-387	-3.114		
Receivables	-19.564	-16.007		
Securities and equity investments	-71	19		
Provisions	9.033	-1.003		
Liabilities	6.439	5.302		
Tax losses	38.133	38.806	251	
Total	33.564	24.017	251	

19. Other provisions

<i>Figures in DKK '000</i>	Group		
	Warranty commitments	Other provisions	Total
Provision as of 01.01.2019	51.053	8.008	59.061
Change in provision in respect of previous year (net)	-16.444	-5.531	-21.975
Provision as at 31.12.2019	34.609	2.477	37.086

Other provision are expected to be distributed as follows:

The company makes provisions for 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.

20. Long-term payables

Group

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1-5 years	Fall due more than 5 years	Total payables at 31.12.2019	Total payables at 31.12.2018
Payables to other credit institutions	41.951	385.687		427.639	510.140
Other long term	284	343	7.879	8.506	
Subordinated loan from shareholder		44.850		44.850	
Lease commitments	505	1.683	915	3.104	3.494
Total	42.741	432.564	8.794	484.099	513.634

After balancesheetdate there have been changes in agreements with creditinstitutions. Payables for creditinstitutions will hereafter fall due 30. June 2021. No repayment first year.

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

20. Long-term payables

Parent

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1-5 years	Fall due more than 5 years	Total payables at 31.12.2019	Total payables at 31.12.2018
Subordinated loan from shareholder		44.850		44.850	
Total		44.850		44.850	

After balancesheetdate there have been changes in agreements with creditinstitutions. Payables for creditinstitutions will hereafter fall due 30. June 2021. No repayment first year.

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

21. Derivative financial instruments

Parent

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 2019 amounts to 0k

DKK (31. December 2018 123k). In relation to the rate at the balance sheet data, the contracts have a negative fair value. The exchange loss is recognized in equity.

22. Contingent liabilities

Group:

Lease commitments

The Group has concluded lease agreements of a total of DKK 51.818k. (2018: DKK 67.739k).

Guarantee commitments

As part of the Group's ordinary activities, the Company's bank and insurance companies have issued guarantees for contracting projects totaling DKK 117.862k. (2018: DKK 160.848k).

Disputes and claims

Haarslev Group is 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.

23. Charges and security

Group:

A mortgage deed to the mortgagor of DKK 30.500k (2018: DKK 30.500k) and a letter of indemnity of DKK 4.500k (2018: DKK 4.500k) secured on land and buildings with carrying amount of DKK 37.124k (2018: DKK 40.309k) at 31.12.2019 have been provided as security for bank debt in the Parent and Group enterprises amounting net to DKK 672.142k (2018: DKK 763.059k) as of 31.12.2019

Shares in 9 material group companies have guaranteed for the engagement with the credit institutions.

The parent company has found joint an unlimited surety for the group's cash pool with credit institutions with a net debt of DKK 150.584k (2018: DKK 171.955k).

Parent:

The company's shares in 8 material subsidiaries with a carrying amount of DKK 310.626k (2018: DKK 266.961k) have been provided as security to credit institutions, at 31.12.2019, amount to net DKK 672.142k (2018: DKK 763.059k). Furthermore, the parent company and 8 material subsidiaries have guaranteed for the engagement with the credit institutions.

The parent company has found joint an unlimited surety for the groups cash pool with credit institutions with a net debt of DKK 150.584k (2018: DKK 171.955k).

24. Related parties

<u>Controlling influence:</u>	<u>Basis of influence</u>
Altor Fund III GP Limited, Seaton Place 11-15 JH4 OQH St Helier Jersey	Principal shareholder
Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg	Shareholder

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

25. Events after the balance sheet date

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

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

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

Accounting policies

Reporting class

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

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

Certain reclassifications have been made in the comparative figures without having effect on profit or equity.

Discontinued operations

Discontinued operations are material business areas or geographical areas planned, or decided, to be disposed of, discontinued or abandoned and which may be separated from the entity's other operations. Results from discontinued operations are presented in the income statement as a separate item consisting of profit/loss after tax of the relevant operation and any gains or losses from fair value adjustments or sale of the assets and liabilities related to the operation.

Assets relating to discontinued operations are presented separately in the balance sheet as assets related to discontinued operations. Liabilities related to the discontinued operations are presented separately in the balance sheet as liabilities related to discontinued operations.

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

Recognition and measurement

Assets are recognized 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 recognized 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, that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized 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 Haarslev Group Holding A/S payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other nonmonetary assets that have been purchased in foreign currencies are translated using historical rates. When recognizing 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 transaction of income statements from average rates to the exchange rates at the balance sheet date are recognized directly in equity.

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 recognized 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 recognized asset or a recognized 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 recognized directly in equity. When the hedged transactions are realized, the accumulated changes are recognized 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 recognized in the income statement when delivery is made, and risk has passed to the buyer. Revenue is recognized 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, rent and lease as Haarslev Group Holding A/S well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Productions cost also include research and development cost 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 costs comprise costs incurred for sale and distribution, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration.

Result from investments in group enterprises

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

Result from investments in associates

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

Financial income

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

Financial expenses

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

Tax on profit or loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized 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

Development projects in progress and acquired rights

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. Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement. Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Goodwill

Goodwill is measured at cost less accumulated amortization and impairment. Goodwill is amortized 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 amortization 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.

Buildings, plant and Machinery, other fixtures and fittings, tools 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 labor 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

Estimated useful lives and residual values are reassessed annually. Haarslev Group Holding A/S Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Equity investments in group enterprises

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

Equity investments in associates

Investments in associates are recognized and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortized positive, goodwill and minus or plus unrealized 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.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and. Useful lives are reassessed annually. The amortisation periods used are up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile. Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables (trade and other receivables)

Receivables are measured at amortized 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 realizable value if this is lower. Cost 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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, 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. Financing costs are not included in cost. The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Work in progress for third parties

Work in progress for third parties 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.

Deferred tax

Deferred tax is recognized 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 recognized in the balance sheet at their estimated realizable 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 recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

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

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 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.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognized 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 amortized cost. The difference between present value and nominal amount of the lease payments is recognized 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 amortized 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.

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