Andritz Feed & Biofuel A/S

Glentevej 5-7, 6705 Esbjerg Ø

Company reg. no. 43 85 44 10

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 15 July 2020.

Stefan Weber
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the executive board have presented the annual report of Andritz Feed & Biofuel A/S for the financial year 1 January - 31 December 2019.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Esbjerg, 15 July 2020

Executive board

Stefan Weber
Giedre Serritslev

Board of directors

Humbert Köfler
Heinz Norbert Nettesheim
Michael Rolf Lierau

Dina Jensen
Winnie Howard Brandt

Independent auditor's report

To the shareholders of Andritz Feed & Biofuel A/S

Opinion

We have audited the financial statements of Andritz Feed & Biofuel A/S for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Kolding, 15 July 2020

KPMG P/S
State Authorized Public Accountant
Company reg. no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised Public Accountant
mne33220

Company information

The company	Andritz Feed & Biofuel A/S Glentevej 5-7 6705 Esbjerg Ø	
	Company reg. no.	43 85 44 10
	Established:	8 September 1964
	Domicile:	Esbjerg
	Financial year:	1 January 2019 - 31 December 2019
Board of directors	Humbert Köfler Heinz Norbert Nettesheim Michael Rolf Lierau Dina Jensen Winnie Howard Brandt	
Executive board	Stefan Weber Giedre Serritslev	
Auditors	KPMG P/S Jupitervej 4, st 6000 Kolding	

Financial highlights

DKK in thousands.	2019	2018	2017	2016	2015
Income statement:					
Revenue	390.141	382.313	437.440	499.087	451.395
Gross profit	75.217	96.075	99.078	108.657	92.437
Operating profit/loss	-31.911	-6.314	-5.979	-46.474	-53.266
Net financials	-3.108	-1.393	-2.890	432	-14.821
Net profit or loss for the year	-32.167	-7.834	-8.939	-54.691	-63.461
Statement of financial position:					
Balance sheet total	257.616	275.974	304.155	320.866	235.945
Investments in property, plant and equipment	4.305	775	469	1.062	3.772
Equity	-17.023	14.780	23.066	32.253	-2.740
Key figures in %:					
Gross margin ratio	19,3	25,1	22,6	21,8	20,5
Net margin	-7,2	-2,0	-2,0	-11,0	-14,1
Equity ratio	-6,6	5,4	7,6	10,1	-1,2
Return on equity	-3.661,6	-41,4	-32,3	-370,6	-829,0

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

The comparative figures for 2015-2018 have not been restated. The comparative figures for these years have been stated in accordance with IAS 17.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Gross margin ratio

$$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Net Margin

$$\frac{\text{Net profit or loss for the year x 100}}{\text{Revenue}}$$

Equity ratio

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity

$$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Management commentary

Primary activities

ANDRITZ Feed & Biofuel A/S develops and builds machines and process systems for the industrial production of animal feed, pet food, fish feed and biofuel industry. This comprises unit equipment for grinding and mixing, expanding, pelleting, extruding, cooling, vacuum coating and drying, as well as complete feed mill and biofuel lines.

Profit/loss for the year in relation to expected developments

The annual revenue amounts to DKK 390,1 million against DKK 382.3 million previous year. The result amounts to a loss of DKK 32,2 million against a loss of DKK 7.8 million previous year.

The result of the year is considered unsatisfactory by management as expectations for the year was a profit of DKK 0-3 million.

In 2019 increased cost awareness has been in focus and actions have been implemented to improve the cost structure a.o resulting in workforce reductions and consequently accruals for restructuring costs. These actions are focused on enhancing profitability in our Capital business going forward. Furthermore, the result of the year has been negatively affected by settlement of a Arbitration ruling with a former Venezuelan customer, high costs to close a project with a UK customer and increased warranty costs.

In August 2019 the former Managing Director Martin O. Hansen left the company and Stefan Weber took over the management responsibilities.

The order backlog at the end of 2019 was DKK 172,4 million against DKK 171.4 million at the end of the previous year.

Uncertainties about recognition or measurement

As mentioned in note 20, the Danish Tax Administration in the beginning of 2019 proposed a significant increase of the company’s taxable income for the years 2013 – 2017 based on a Transfer Pricing Tax Audit. During 2020 the proposed increase was lowered significantly by the Danish Tax Administration, but the basis for an increase of taxable income based on the Transfer Pricing Tax Audit is still unchanged.

Management expects a final ruling before end of 2020. A tax provision, including interest payments, for a part of the currently proposed increase, has been included in the profit/loss for the year, based on managements best estimate of the expected outcome of the Tax Audit claim. There is a risk that the claim can be higher than estimated by Management.

Outlook

In April 2020 Michael Lierau has joined the ANDRITZ Feed & Biofuel Division as Senior Vice President and Divisional Manager. The new management team has started the implementation of a new strategy for the Feed & Biofuel Division with focus on profitable growth and restructuring of loss making business and a clear aim at becoming global leaders in our business segments, offer world class products and services and building long term partnerships with our customers. Consequently, changes to the organization to a global industry Management driven focus is currently being implemented and expected to be completed by the end of 2020. These initiatives also impact the business and organization for ANDRITZ Feed & Biofuel A/S in Denmark.

The company has currently not been significantly affected by the Covid-19 pandemic, but we see a delay in order intake on Capital projects, which is expected to have an impact on the results for 2020 and even into 2021. Due to travel restrictions progress on ongoing projects has been limited and the company has issues Force Majeure notices for all ongoing projects.

Based on the new strategy and organization structure, the order backlog end of 2019, Covid-19 uncertainty and other measures, the company expect to realize a result between 0 - 5 million DKK for 2020.

Capital and cash resources

Because of the negative result for 2019 the company’s equity is negative. Management has proposed to the parent company a conversion of debt to equity in order to reestablish the equity. A decision from the parent company will be made end of August 2020 on the next Supervisory Board Meeting.

Additionally, a long-term loan agreement of DKK 80 million has been entered with the parent company to ensure the cash required to meet the company’s obligations until at minimum December 2021.

Events after the balance sheet date

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

Particular risks

Operations

The key operating risks relate to the time as well as the cost realization of our capital project completion. This is mitigated by means of structured management of all projects to complete all backlog projects within the revised project estimates and schedule.

Market risks

The key market risks relate to continued development of products and services to enable us to meet market requirements in our business segments. This is ensured through continues dialogue with key customers as well as continued improvement and development in relevant technological areas, including through research and development activities.

Currency exposure

The Company primarily invoices in DKK, EUR and USD. In accordance with the Company's monetary policy significant currency risks are covered at entering of forward contracts for the part that are not EUR related.

Interest risks

As the net interest-bearing debt is primarily provided through Group credit facilities, we do not enter into transactions to hedge against interest rate exposure.

Credit risks

According to our policy for assuming credit risks, all customers and business partners are credit rated regularly.

Research and development activities

The research and development activities of 2019 have been concentrated on the increase of our product quality and on cost reduction of the material cost in our existing product program.

The development activities in 2019 amounted to DKK 9,5 million compared to DKK 5.0 million in the previous year. All development costs are taken to the profit and loss account.

Statutory report on corporate social responsibility

This section on corporate social responsibility is included in accordance with the Danish Financial Statements Act, § 99a.

For a description of our business model, please see above under “Primary activities”.

Health, Safety and Environment (HSE)

At ANDRITZ Feed & Biofuel Safety First is our overarching target number one. Our general HSE policy is:

- We will conduct our daily business while observing highest possible health & safety standards for all our employees, customers and other business partners
- We will conduct our daily business with a minimum harm to the environment and
- We will proactively engage all our employees and other key stake holders in identifying, preserving as well as elimination HSE risks.

Our policies are implemented by:

- We identify the hazards created by our activities, such as employee safety and health risks and implement preventive control measures so far as reasonably practicable to minimize such risks.
- effective health and safety management requires communication, co-ordination and supervision including regular safety walks. We coordinate our health and safety activities with our partners and customers.
- our executives set examples for good health and safety practice and promote health and safety awareness to all our employees, in support of this, we provide adequate resource and training.

- all employees and contract personnel have to contribute to health and safety matters, observe health and safety instructions and use the safety equipment provided.
- we contribute to the stability of our business results by acting in compliance with health and safety legislation, minimizing risks to people, plants and products and by being proactive in the prevention of accidents and incidents.

In 2019 our Accident Frequency rate (AFR) was 0,0 compared to a target for 2019 of 2,8. The AFR target for 2020 is set to 2,0.

Recruitment, training and retainment

Our mission is largely based on the sale, execution and servicing of machines based on own technology and as such, there is a continuous requirement for recruiting and retaining qualified staff. This is ensured through policies and procedures for recruitment, Individual Development & Performance (IDP) Dialogue and goal settings etc. The IDP dialogue is an annual process to connect the past, present and future by defining and agreeing on goals, competencies and development plans. The dialogue will be about establishing a common understanding of the expectations and needs for a good performance as well as competencies and development; giving and receiving feedback and discussing employees' career aspirations. Above standing actions are established to mitigate risks for long-term illnesses and to ensure a good work environment for our employees.

In 2019, HR carried out a Strategic Implementation and Leadership Development Program for a number of top and middle managers through-out the Feed & Biofuel Division. From the Danish entity 22 top and middle managers participated. Furthermore, several training activities are carried out. In 2019, a total of 621 training days (were held, which corresponds to approx. 5,6 training days per employee.

In 2020 the HR focus will be on implementing the new organizational structure as mentioned above under "Outlook".

Climate/environment

We are aware of our responsibility and obligation for protecting the environment and our overall policy is to maintain our procedures for Climate/Environment in regards of ISO14001.

We are aware that our business presents a risk to the climate/environment, which we address by continuously having focus on reducing the adverse impact on the environment when selecting materials, energy and other resources, technologies, and working processes.

As example of improvements in 2019 we have changed all fluorescent lamps to LED lamps in our service and refurbishment shop. In line with the cost awareness focus we have implemented software tools for increased efficiency of online meetings with the aim to further reduce travel costs and emissions.

In 2019 we have started establishing an environmental strategy based on requirements of customers and authorities. The strategy will be finalized in 2020 and implementation will commence.

Human rights

We treat each other with respect, dignity and fairness. This includes protecting human rights in our business activities and ensuring healthy working conditions in line with laws and internationally applicable standards. We therefore endeavor to enhance compliance with best practices (such as those set forth by ILO, OECD Guidelines for Multinational Enterprises, UN Global Compact Initiative or the Global Reporting Initiative). The below standing actions have been implemented to mitigate our identified risks within the area of human rights:

- not be complicit in human rights violations within our sphere of influence;
- not practice any form of discrimination in hiring or employment practices on the grounds of race, color, ethnic origin, religion, nationality, gender, sexual orientation, age, physical ability, health condition, political or social opinion, union membership, or marital status or any other basis prohibited by applicable law;
- not engage in or benefit from any form of forced or involuntary labor;
- not engage in or benefit from any form of child labor;
- recognize and respect the employees' right of free association and to collective bargaining;
- ensure that the workplace is safe and contains no health hazards;
- pay all workers at least the minimum wage required by law or applicable industry regulations;
- ensure that employment conditions, including vacation, working time, and leave periods, are consistent with mandatory standard laws or applicable industry regulations.

According to our employee engagement survey conducted late 2019, 90% of our employees agree that people are treated fairly, regardless of their age, race or ethnic origin, sex, sexual orientation or position in the company.

In 2019 we have not seen any violations to our policy.

Anti-corruption and bribery

We are committed to conduct our business with integrity and in compliance with legal requirements by adhering to applicable laws and international standards of business ethics. The below standing actions have been implemented to mitigate our identified risks within the area of anti-corruption and bribery:

- we comply with all applicable laws and regulations in the countries where we conduct business;
- we do not engage in or tolerate any form of corruption, bribery, extortion or embezzlement, in particular, we do not directly or indirectly engage in or tolerate any form of granting a payment or anything of value in favor of government officials and employees of business partners with the purpose of influencing decision-making in violation of the law. In particular, our acts are compliant with the principles set forth by OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and corresponding other local laws prohibiting bribery. This means that our employees, directors and those acting on behalf of ANDRITZ do not offer, promise, give, or authorize any sort of bribe or kickback in order to obtain or retain business or any improper business advantage;
- we comply with antitrust and fair competition laws, in particular our employees, directors and

- those acting on behalf of ANDRITZ do not discuss topics that could violate, or appear to violate, competition laws by price-fixing; terms of sale; bid-rigging; division of markets, territories or customers; tying and bundling products; using deceptive trade practices; or abusing a dominant market position;
- we avoid conflicts of interest, in particular by disclosing any financial interest that an ANDRITZ employee may have in a supplier, and by not accepting or asking for, directly or indirectly, any benefit from a supplier of ANDRITZ with a view to granting business with ANDRITZ. We do not allow third parties and suppliers to influence or attempt to influence ANDRITZ employees or their family members by providing them with gifts, favors, entertainment, personal benefits, or preferential treatment that is beyond a modest and/or reasonable dimension and which cannot clearly be considered a culturally acceptable display of business manners or mere hospitality. Otherwise, no gift or favor shall be accepted that could be interpreted as being intended or is intended to influence the objective decision-making process by our employees, directors or those acting on behalf of ANDRITZ;
- we comply with insider trading rules. ANDRITZ AG is a publicly traded company on the Vienna Stock Exchange. While working with any company of the ANDRITZ GROUP, you may occasionally have access to non-public “inside” information about ANDRITZ and the companies with which we do business. If such non-public information about ANDRITZ or its business partners would be considered by a reasonable investor in deciding whether to buy, sell or hold stock of these companies, it is considered to be material non-public (or “insider”) information. Buying or selling securities, such as stock or options, on the basis of insider information is a violation of the law on securities and is strictly prohibited. Disclosure of insider information is therefore prohibited, unless required by law (usually done in form of public announcements by the Group Management).
- we do not engage in a political activity on behalf of ANDRITZ. We respect the right of each of us to participate in political activities; however, any decision to be involved in such activity is entirely a personal and voluntary one. At all times we must make it clear that our political views are our own personal views and not those of the Company. Strict limits on corporate political activity mean that employees may not make any direct or indirect political contribution on behalf of ANDRITZ or with company funds. In general, as a company, we do not engage in donations or sponsoring. Requests for exceptions for special cases will be directed to the ANDRITZ AG Executive Board for approval and must follow legal regulations.
- we will not be complicit in money laundering schemes. We need to remain alert with regard to payments relating to our business that come from unidentified sources or unrecognized bank accounts, or bank accounts unrelated to the paying party, or that are not aligned with amounts we are expecting to receive in payment.

In 2019 we have not seen any violations to our policy.

More information on the ANDRITZ code of conduct can be found on the group's homepage:
https://www.andritz.com/resource/blob/25030/9c26fdd92880a7a1adda040484a05687/gr-code-of-business-conduct-and-ethics-v01-en-data.pdf

Statutory report on the underrepresented gender

This section on the underrepresented gender is included in accordance with the Danish Financial Statements Act, § 99b.

ANDRITZ Feed & Biofuel policy about diversity is laid out in the Code of Conduct. We offer equal employment opportunities to qualified individuals, regardless of race, religion, national origin, age, sex, or disability, and we work to maintain a diverse workforce where employees are hired, retained, compensated, disciplined, and promoted based on their contribution to our company and their performance.

Our Board of Directors is composed of 5 members of which 3 are elected by the general assembly. We target to have both genders represented in the Board of Directors amongst the general assembly elected members. This was not achieved for 2019, however we will always ensure that, regardless of gender, a board member has the necessary skills, and that election of board members is based on the skills that are needed. The proportion of the underrepresented gender of the board members elected by the general assembly is therefore still 0% at 31.12.2019. We expect our goal of 33% to be achieved within the next 3 years. In 2019 we have been able to influence the election of the employee elected Board members, of which 2 out of 2 are women. However, the general assembly elected Board members are chosen by our Parent company ANDRITZ AG, for which we have no influence of the composition.

The company has 33% (2018: 36%) representation of the underrepresented gender for the other management levels, based on 8 (2018: 9) women out of total 24 (2018: 25) employees. Our policy is that we have at least a 40% representation of the underrepresented gender for the other management levels. The representation has decreased from last year, and our goal is therefore still not reached. To achieve the goal, the company supports and encourages the appointment of women in all management positions and expect to achieve the goal within the next 2 years. A strict equal opportunities policy is considered very important in the recruitment process. In our efforts to promote female employees, the company will however refrain from any measures that would discriminate against male employees. The proportion of woman in the total workforce increased to 28,6% as of December 31, 2019 (2018: 27,5%).

Income statement 1 January - 31 December

DKK thousand.

Note		2019	2018
2	Revenue	390.141	382.313
	Production costs	-314.924	-286.238
	Gross profit	**75.217**	**96.075**
	Distribution costs	-96.955	-86.104
	Administration costs	-13.487	-18.905
	Other operating income	3.314	2.620
	Operating profit/loss	**-31.911**	**-6.314**
	Income from equity investment in group enterprise	-170	-192
5	Other financial income	6.253	7.686
6	Other financial costs	-9.191	-8.887
	Financing, net	-3.108	-1.393
	Pre-tax net profit or loss	**-35.019**	**-7.707**
7	Tax on net profit or loss for the year	2.852	-127
8	**Net profit or loss for the year**	**-32.167**	**-7.834**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2019	2018
	Non-current assets		
9	Property	32.630	33.193
9	Plant and machinery	1.796	477
9	Other Fixtures and fittings, tools and equipment	5.318	582
9	Property, plant and equipment under construction including prepayments for property, plant and equipment	100	0
	Total property, plant and equipment	39.844	34.252
10	Equity investment in group enterprise	0	0
11	Other receivables	25.279	0
	Total investments	25.279	0
	Total non-current assets	**65.123**	**34.252**
	Current assets		
	Raw materials and consumables	84	62
	Work in progress	4.634	2.585
	Manufactured goods and goods for resale	47.005	49.341
	Prepayments for goods	1.804	367
	Total inventories	53.527	52.355
	Trade receivables	43.785	88.370
12	Contract work in progress	7.043	10.714
	Receivables from group enterprises	55.708	69.868
13	Deferred tax assets	7.850	0
14	Other receivables	6.778	4.309
15	Prepayments and accrued income	686	970
	Total receivables	121.850	174.231
	Cash on hand and demand deposits	17.116	15.136
	Total current assets	**192.493**	**241.722**
	Total assets	**257.616**	**275.974**

Balance sheet at 31 December

DKK thousand.

Note	Equity and liabilities	2019	2018
	Equity		
	Contributed capital	11.002	11.002
	Revaluation reserve	21.215	21.971
	Retained earnings	-49.240	-18.193
	Total equity	**-17.023**	**14.780**
	Provisions		
16	Other provisions	29.762	5.678
	Total provisions	**29.762**	**5.678**
	Liabilities other than provisions		
	Lease liabilities	4.634	0
17	Total long term liabilities other than provisions	4.634	0
17	Current portion of long term payables	2.438	0
12	Prepayments received from customers for contract work in progress	48.497	40.713
	Trade payables	26.303	17.082
	Payables to group enterprises	140.341	175.568
18	Other payables	22.406	21.652
19	Accruals and deferred income	258	501
	Total short term liabilities other than provisions	240.243	255.516
	Total liabilities other than provisions	**244.877**	**255.516**
	Total equity and liabilities	**257.616**	**275.974**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

3 Employee issues

4 Fees, auditor

20 Contingencies

21 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Revaluation reserve	Retained earnings	Total
Equity 1 January 2019	11.002	21.971	-18.193	14.780
Reversal of prior revaluations	0	-756	756	0
Retained earnings for the year	0	0	-32.167	-32.167
Other entries on equity	0	0	466	466
Tax on entries on equity	0	0	-102	-102
	11.002	**21.215**	**-49.240**	**-17.023**

Notes

DKK thousand.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

Because of the negative result for 2019 the company’s equity is negative. Management has proposed to the parent company a conversion of debt to equity in order to reestablish the equity. A decision from the parent company will be made end of August 2020 on the next Supervisory Board Meeting.

Additionally, a long-term loan agreement of DKK 80 million has been entered with the parent company to ensure the cash required to meet the company’s obligations until at minimum December 2021.

	2019	2018
2. Revenue		
Europe	250.902	218.732
Other world	139.239	163.581
	390.141	**382.313**

	2019	2018
3. Employee issues		
Salaries and wages	80.825	80.131
Pension costs	4.934	4.962
Other costs for social security	645	937
	86.404	**86.030**
Executive board	5.072	5.363
Board of directors	16	16
	5.088	**5.379**
Average number of employees	110	113

4. Fees, auditor

A statement of auditor's fees has not been elaborated in accordance with the Danish Financial Statements Act section 96(3).

	2019	2018
5. Other financial income		
Other interest income	60	11
Exchange differences	6.193	7.675
	6.253	**7.686**

DKK thousand.

		2019	2018
6.	**Other financial costs**		
	Interest, group enterprises	2.810	2.376
	Other financial expenses	2.573	583
	Exchange differences	1.058	5.928
	Interest related to income taxes	2.750	0
		9.191	**8.887**
7.	**Tax on net profit or loss for the year**		
	Tax on profit or loss for prior year	5.100	0
	Adjustment of deferred tax for the year	-7.952	127
		-2.852	**127**
8.	**Proposed appropriation of net profit**		
	Allocated from retained earnings	-32.167	-7.834
	Total allocations and transfers	**-32.167**	**-7.834**

DKK thousand.

9. Property, plant and equipment

	Property	Plant and machinery	Other Fixtures and fittings, tools and equipment	Property, plant and equipment under construction including prepayments for property, plant and equipment
Cost 1. januar 2019	43.698	33.166	5.292	0
Correction due to changes in accounting policies	1.325	1.836	5.748	0
Additions during the year	119	1.904	2.182	100
Disposals during the year	-247	-2.772	-3.741	0
Transfers	-376	376	0	0
Cost 31. december 2019	**44.519**	**34.510**	**9.481**	**100**
Revaluation 1. januar 2019	31.400	0	0	0
Revaluation 31. december 2019	**31.400**	**0**	**0**	**0**
Depreciation and writedown 1. januar 2019	41.905	32.689	4.710	0
Depreciation for the year	1.993	524	2.665	0
Reversal regarding disposals	-246	-862	-3.212	0
Transfers	-363	363	0	0
Depreciation and writedown 31. december 2019	**43.289**	**32.714**	**4.163**	**0**
Carrying amount 31. december 2019	**32.630**	**1.796**	**5.318**	**100**
Carrying amount without revaluations	4.893			
Carrying amount of leased assets	1.188	1.473	4.638	

DKK thousand.

		31/12 2019	31/12 2018
10.	**Equity investment in group enterprise**		
	Cost 1 January 2019	8.277	7.465
	Additions during the year	0	812
	Cost 31 December 2019	**8.277**	**8.277**
	Revaluations, opening balance 1 January 2019	-8.277	-7.465
	Net profit or loss for the year before amortisation of goodwill	0	-812
	Revaluation 31 December 2019	**-8.277**	**-8.277**
	Carrying amount, 31 December 2019	**0**	**0**

Group enterprise:

	Domicile	Equity interest
ANDRITZ FEED & BIOFUEL DO BRASIL Ltda.	Brazil	100 %

		31/12 2019	31/12 2018
11.	**Other receivables**		
	Additions during the year	25.279	0
	Cost 31 December 2019	**25.279**	**0**
	Carrying amount, 31 December 2019	**25.279**	**0**
	It is specified as follows:		
	Other receivables	25.279	0
		25.279	**0**
12.	**Contract work in progress**		
	Selling price of the production for the period	141.940	206.972
	Payments received on account	-183.394	-236.971
	Contract work in progress, net	**-41.454**	**-29.999**
	The following is recognised:		
	Contract work in progress (current assets)	7.043	10.714
	Contract work in progress (prepayments received on account)	-48.497	-40.713
		-41.454	**-29.999**

DKK thousand.

		31/12 2019	31/12 2018
13.	**Deferred tax assets**		
	Deferred tax of the net profit or loss for the year	7.850	0
		7.850	**0**
14.	**Other receivables**		
	Other receivables	6.471	4.309
	Derivative finansiel instruments	307	0
		6.778	**4.309**

Derivative financial instruments comprise open forward contracts. In order to secure debtors in foreign currencies and future transactions for signed sale agreements the Company has entered into forward contracts. The market value of the forward contracts at the balance sheet date is positive by DKK 307 k, which has been taken to equity and been provided under other receivables.

15. Prepayments and accrued income

Prepayments include advance payments regarding rent, IT-expenses regarding exhibitions, rentals etc.

16. Other provisions

Other provisions comprise expenses for warranty, claim regarding WIP and tax provisions.

17. Liabilities other than provision

	Total payables 31 Dec 2019	Current portion of long term payables	Long term payables 31 Dec 2019	Outstanding payables after 5 years
Lease liabilities	7.072	2.438	4.634	509
	7.072	**2.438**	**4.634**	**509**

DKK thousand.

		31/12 2019	31/12 2018
18.	**Other payables**		
	VAT payable	749	329
	Salaries, wages and bonus	3.659	3.875
	Holiday pay obligations, salaried staff	8.748	7.390
	Derivative financial instruments	0	159
	Other cost payables	9.250	9.899
		22.406	**21.652**

19. Accruals and deferred income

Short-term defferred income include prepaid rentel income and grant from EUDP regarding test plant.

20. Contingencies

Contingent assets

Based on the results in recent years, management has evaluated that it is not possible to produce convincing for utilization of the full deferred tax within the next 3-5 years. Management expect to be profitable in coming years. However, this evidence does not substantiate the position required to maintain the full deferred tax asset from an accounting perspective. Consequently, management has made a valuation allowance for deferred tax assets at year end 2019.

Under the assumption of full utilization with the current tax legislation, the deferred tax asset not recognized amounts to DKK 9,075 k and relates primarily to tax losses and fixed assets.

Contingent liabilities

The Danish Tax Administration proposed in the beginning of 2019 a significant increase of the company's taxable income for the years 2013 – 2017 based on a Transfer Pricing Tax Audit.
During 2020 the proposed increase was lowered significantly by the Danish Tax Administration, but the basis for an increase of taxable income based on the Transfer Pricing Tax Audit is still unchanged.

Management expects a final ruling before end of 2020. A tax provision, including interest payments, for a part of the currently proposed increase, has been included in the profit/loss for the year, based on managements best estimate of the expected outcome of the Tax Audit claim. There is a risk that the claim can be higher than estimated by Management.

DKK thousand.

20. Contingencies (continued)

Contingent liabilities (continued)

The Company is liable for guarantees in connection with projects in progress have been given at a total amount of:
DKK 2,000 k
EUR 4,907 k

In order to secure debtors in foreign currencies and future transactions for signed sale agreements the Company has entered into forward contracts. The market value of the forward contracts at the balance sheet date is positive by DKK 307 k, which has been taken to equity and been provided under other receivables.

21. Related parties

Controlling interest

Andritz AG, Stattegger Strasse 18, A-8045 Graz, Austria	Majority shareholder

Related party transaktions

The Company has had the following transactions with related parties:

	2019
Sale of goods to group entities	81.313
Purchase of goods from group entities	-141.547
Sale of service to group entities	34.274
Purchase of service from group entities	-36.129
Total	**-62.089**

Receivables and payables to related entities are disclosed in the balance sheet, and expensed interest is disclosed in note 6.

DKK thousand.

Consolidated financial statements

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Andritz AG, Austria

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Andritz AG, Austria

The group report for the foreign parent company can be ordered from the following address.

Andritz AG, Stattegger Strasse 18, A-8045 Graz, Austria

Accounting policies

The annual report for Andritz Feed & Biofuel A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

A cash flow statement has not been elaborated in accordance with the Danish Financial Statements Act section 86(4).

Changes in the accounting policies

Profit/loss for the year and the balance sheet total are affected by the fact that the Company has changed its interpretation of leases to which the Company is the lessee from IAS 17 to IFRS 16.

In the income statement, operating profit/loss for 2019 are affected, whereas profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liability be substantially equal the operating lease costs previously recognised in the income statement.

Operating profit/loss was affected by DKK 82 k. In 2019, the Company's assets and liabilities were affected by DKK 8,910 thousand.

Except for the above, the accounting policies remain unchanged from last year.

The comparative figures for 2015 – 2018 have not been restated. The comparative figures for these years have been stated in accordance with IAS 17.

Recognition and measurement in general

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 futureeconomic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. 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 transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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 well as amortisation, depreciation and impairment losses relating to property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to property, plant and equipment attached to the distribution process.

Administration costs

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Financial income and expenses

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

Results from equity investment in group enterprise

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

Tax on net profit or loss for the year

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

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Revaluations of land and buildings are made on the basis of regular independent assesment of the fair value.

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.

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:

	Useful life
Office Buildings	50 years
Factory Buildings	25 years
Building improvements	10 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Leases
At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

Investments in group enterprise
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

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

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

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

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. Finance costs are not included in cost.

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

Receivables

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

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. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

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.

Prepayments and accrued income

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

Cash on hand and demand deposits

Cash comprises cash in hand and bank deposits.

Equity

Revaluation reserve

Revaluations of property less deferred tax are recognised under the revaluation reserve. The reserve is reduced when the value of revalued property is reduced due to depreciation. The reduction represents the difference between depreciation based on the revalued carrying amount of the property and depreciation based on the original cost of the property. The reserve is partly or totally dissolved on the sale of the property and reduced as a result of impairment loss on property.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Other provisions comprise expected expenses for warranty provisions, loss on contract work in progress etc.

Provisions for liabilities are recognized when the Company, as a consequence of a previous event, has legal or actual obligations, and when it is probable that fulfilment of the obligation will result in a usage of the Company's financial resources.

Warranty provisions comprise obligations for improvement of jobs within the warranty period. The provisions for liabilities are measured and recognized with basis in the annual turnover.

Once it is probable 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.

Liabilities other than provisions

Capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accruals and deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.