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Hardi International A/S
Central Business Registration No 55274517
Herthadalvej 10
4840 Nørre Alslev

Annual report 2015/16

The Annual General Meeting adopted the annual report on 10.01.2017

Chairman of the General Meeting

Name: Guerric Ballu

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Entity details

Entity

Hardi International A/S
Herthadalvej 10
4840 Nørre Alslev

Central Business Registration No: 55274517
Registered in: Nørre Alslev
Financial year: 01.09.2015 - 31.08.2016

Phone: 43588300
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Internet: www.hardi-international.com
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Board of Directors

Guerric Ballu, Chairman
Daniel Tragus, Vice Chairman
Sylvain Rousseau
Jan Ole Andersen
John Christian Werneburg

Executive Board

Sten Kjelstrup, CEO and President

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
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Postboks 1600
0900 København C

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Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hardi International A/S for the financial year 01.09.2015 - 31.08.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.08.2016 and of the results of its operations for the financial year 01.09.2015 - 31.08.2016.

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

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

Nørre Alslev, 28.11.2016

Executive Board

Sten Kjelstrup
CEO and President

Board of Directors

Guerric Ballu
Chairman

Daniel Tragus
Vice Chairman

Sylvain Rousseau

Jan Ole Andersen

John Christian Werneburg

Independent auditor's reports

To the owner of Hardi International A/S

Report on the financial statements

We have audited the financial statements of Hardi International A/S for the financial year 01.09.2015 - 31.08.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.08.2016 and of the results of its operations for the financial year 01.09.2015 - 31.08.2016 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Independent auditor's reports

Copenhagen, 28.11.2016

Deloitte
Statsautoriseret Revisionspartnerselskab

Tim Kjær-Hansen
State Authorised Public Accountant

Bjarne Iver Jørgensen
State Authorised Public Accountant

CVR-nr. 33963556

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Management commentary

Financial highlights	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000	2011/12 DKK'000
Key figures					
Revenue	515.635	474.657	546.856	569.698	623.956
Gross profit/loss	92.929	86.460	105.754	95.941	106.874
Earnings before interest, tax, depreciation and amortisation	(3.746)	(9.537)	77.529	17.889	32.724
Operating profit/loss	(14.371)	(23.221)	63.714	4.264	11.860
Net financials	(11.478)	(34.430)	21.799	34.917	21.814
Profit/loss for the year	(22.722)	(55.856)	68.853	39.333	27.625
Total assets	678.399	567.323	613.827	537.354	563.285
Investments in property, plant and equipment	32.557	7.507	9.718	14.557	11.989
Equity	254.456	273.334	385.797	346.110	350.039
Invested capital including goodwill	287.534	256.658	327.962	343.573	320.901
Ratios					
EBITDA margin(%)	(0,7)	(2,0)	14,2	3,1	5,2
Return on invested capital including goodwill (%)	(1,3)	(3,7)	23,6	5,2	10,2

Primary activities

The principal activities of the Company are development, production and sales of sprayers and spraying equipment primarily to the agricultural industry.

Vision and mission

Vision

We will take a leading role worldwide in responsible plant care.

Mission

With the customer in focus, we will - by means of innovation and teamwork – design, produce and market quality products adding value to our stakeholders.

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Management commentary

Development in activities and finances

The commodity prices for almost all agricultural crops have been remaining at a low level during the financial year and are substantially lower than 2 years ago. The low crop prices are primarily driven by the last years' higher yields, no major increase in the consumption, resulting in higher stock levels worldwide. The lower commodity prices have only somewhat been compensated by lower input cost for the farmers. The above factors have resulted in lower income for the farmers on nearly all markets. The lower income resulting in less strong balance sheet for many farm operations has further increased the difficulties in obtaining financing for new investments.

As a result of the continued difficult market conditions for the farming sector, the world market for farm machinery has the past year in general been at a low level. This together with the pressure from the banks on the distribution to decrease their stock of both new and used equipment has resulted in general low demand for new equipment from the manufactures. Despite the market situtation a total increase in sales compared to last year was realised, based on a high demand in the 1st half of the year and a declining demand in the second half of the year.

The Increased demand for the company's products has especially been seen on the big French market due to the effect of the special financial support "Macron Act" helping general investments, some of the East central EU countries, the CIS region and the Australian market. The activities in some of the other markets has remained low especially the market in North America.

It is estimated that the total market for agricultural machines in the world has decreased another 20% this FY. In the US, the decrease has been above 30% while the decrease in Europe been way more modest at 5 to 10%.

Sales and distribution

HARDI started the FY with a higher order book than the year before, and the order intake during the year has been at the same level as the previous year. This has resulted in net revenue for the Danish entity for 2015/16 of DKK 516 million against DKK 475 million in 2014/15. For the main part of the European countries except Germany, the revenue has been at the same level or higher than last year. North America has been at the same level as 2014/15 and the revenue in the CIS region as well as Australia has been higher than last year.

Revenue broken down by product shows a continued change towards larger machines, less lift mounted and smaller trailed sprayers against an increased part of larger trailed sprayers and self-propelled sprayers. The contribution ratio is in line with last year.

The still low commodity prices and continues uncertain market conditions has in general a negative impact on sales in the 2nd half of the year resulting in a lower order book end of the FY than in the beginning of the year.

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Management commentary

Product development and production

The efforts to improve the efficiency and to increase the flexibility in the factory so that seasonal fluctuations can be coped with in a more optimal way are still going and have high priority. The effort to reduce the working capital has been focused during the FY and will have further focus the coming FY. The new ERP-system (AX Dynamics) in the factory last FY has been well integrated and all the HARDI group companies are from this FY all on the same ERP platform. The focus on "delivery as promised" has resulted in much better performance than last year. The work with product improvement and optimizing the internal logistics still continues. To further improve the product quality of the machines leaving the factory, focus has further been on optimizing the final test of the machines. The company's head office in Tåstrup has been moved to Nr. Alslev during the FY. New products has during the year been introduced, including lift mounted sprayers, trailers and Self Propelled sprayers, this together with new boom families and boom performance systems are all supporting the companies strategy as sprayer specialist.

Results and balance sheet

Figures in brackets are for 2014/15

Revenue has increased by 8% compared to last year and amounts to DKK 515.6 million (DKK 474.7 million). EBITDA was DKK -3.7 million (DKK – 9.5 million) corresponding to -0.7% (-1.7%) of the revenue. In 2015/16, depreciation and amortisation of goodwill was DKK 9.8 million (DKK 13.7 million). Subsequently, EBIT was DKK -14.3 million (DKK - 23.2 million) corresponding to an EBIT margin of -2.8% (-4.5%).

Income from investment in group enterprises is negatively affected by the above mentioned market conditions.

Net financials were DKK -1.8 million (DKK 14.6 million) of which DKK -1.8 million is due to exchange rate gains on receivables in foreign currencies. Result before tax was DKK -19.7 million (DKK -55.9 million) which is lower than expected at the beginning of the year.

The balance sheet increased by 19.6% to DKK 678.4 million (DKK 567.3 million) due to an increase in debt to group enterprises, which is due to the negative cash flows in Hardi International A/S and the subsidiaries.

Outlook

The outlook for agriculture in 2016/17 is generally uncertain still due to expected low commodity prices, due to another year with high yields worldwide, however with a big difference in quantities and qualities on the different markets with especially the French yields being record low, but the CIS region, US and Australia look to be over average. With the farmers still making less money, the stock of new and used equipment with the dealers still being high and the constant difficulties in obtaining finance it must be foreseen that the level of investments in the FY 2016/17 in farm machinery still will be low with exceptions of some few markets.

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Management commentary

The company expected revenue for the year to come is at the same level as last year partly because of increased focus on sales of the larger machines and continued growth on new market and product segments. The improved efficiency and decreased capacity costs compared with last year will result in an improved EBIT ratio in 2016/17.

Particular risks

The activities of the Hardi Group are exposed to a number of business and financial risks. To the greatest extent possible, the Group tries to meet and to limit the risks that can be influenced by the Company through own actions.

Commercial risks
Market and competition situations

The Group is affected by climatic conditions and the general supply and demand situation within the agricultural sector is also of great importance. Other risk factors are an increasing tendency towards consolidation in the business as well as introduction of new products and new technology, including bio-technology. Furthermore, the competitive situation may also be affected by changes in the regulatory and environmental approvals of the products and production facilities of the Group.

Insurance

It is Group policy to insure against risks that may threaten the financial position of the Group. Product liability and consequential loss insurances have been taken out whereas properties, machinery and equipment as well as inventories are insured on an all-risk basis at replacement cost.

No production liability suits have been brought against the Company in the financial year that are assumed to affect or have a significant impact on the financial position of the Company.

Financial exposure

HARDI's international activities imply that the performance and equity of the Group are affected by financial exposure, including liquidity, interest rate, currency, credit and debtor risks.

Liquidity risks

It is Group policy to continuously ensure the existence of adequate financial resources. The liquidity risk is monitored by the utilisation of short-term credit facilities combined with long-term, fixed credit facilities with a number of banks and other financial institutions. On 31 August 2016, the Company had an interest-bearing debt of DKK 360.9 million (DKK 186.5 million).

The Company is currently negotiating with our principel bank regarding a renewal of our current credit facilities. The result of these negotiations will not be known until after the approval of the statutory accounts. The Parent, EXEL Industries S.A, will ensure that any needed interim financing is provided for the Group.

Management commentary

Currency risk

HARDI is an internationally-oriented Group with a considerable currency exposure. In 2015/16, approx. 89% of the Group's revenue was settled in other currencies than DKK (mainly EUR) which is in line with 2014/15. Part of the currency risk is reduced to the extent that the Group has assets, equity and liabilities or operating expenses in foreign currencies equivalent to the sales in whole or in part.

Credit risk

The credit risk relating to cash and cash equivalents and ongoing financing is minimised by exclusively co-operating with financial institutions with a high credit rating.

Debtor risk

The Company's trade receivables have – primarily as a result of higher sales to export customers – increased to 52 DKK millon at the end of August 2016 (DKK 40 million). The Company actively uses credit insurance or letters of credit to secure the trade receivables. Traditionally, the Company has experienced few losses and steps are taken to minimise the loss risk through a thorough credit rating and an extensive use of safe terms of payment.

Intellectual capital resources

Knowledge of product and market

HARDI works closely together with the final users of the Company's products in order to build a knowledge of market demands. Together with information about competitors, regulatory initiatives, etc., this knowledge is currently directed to the Company's headquarters in Denmark and contributes to the current product development and marketing.

Knowledge management and knowledge sharing

To ensure coordinated knowledge management and knowledge sharing, intranet and internet as well as the Company's project management systems and manuals are used. Finally, a structured meeting activity across the functional areas and companies ensures that knowledge is currently exchanged.

Staff development

An ongoing development of the staff takes place in the Group based on the individual subsidiaries' vision, mission and values. As part of the employees' competence development, annual appraisal interviews take place with the aim of discussing future career prospects, tasks and training and education.

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Management commentary

Corporate social responsibility

The parent company of Hardi, EXEL Industries, reports on CSR according to the requirement in France for listed companies and also as a reflection of one of the Group´s core values "Acting Responsible"

The outcome is reported in the Annual Group Accounts of EXEL Industries according to the French Corporate Social Responsibilities reporting requirements. With reference to section 99a of the Danish Financial Statement Act, Hardi International A/S makes use of the exemption to refer to EXEL Industries Annual Report. The annual report of EXEL Industries can be required at "52, rue de la Victoire 75009 PARIS FRANCE" or can be downloaded on http://www.exel-industries.com/en/finance_rapport_annuel.php"

Diversity policy

HARDI always tries to attract and develop the best talents from all over the world and offers equal possibilities of career development and a non-discriminating work environment. As HARDI globalises, it is of vital importance to promote diversity at all levels. Today, women are under-represented in the Board of Directors and in the top management teams. It is the objective by 2018 to have achieved a representation of women of 40% in the Board of and Directors and in the top management teams. There has been no development in the representation of women in the Board of Directors since last year. To achieve a 40% representation in the top management teams, the recruitment policy is created with the focus of ensuring a more equal recruitment of women and men in future in the top management teams. Compared to last year, there is no significant development in the representation of women in the top management teams.

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.

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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 (big).

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

The annuel report is presented in Danish currency (DKK).

Consolidated financial statements

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

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Accounting policies

Income statement

Revenue

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

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 intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Research and development costs

Research and development costs include costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

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 intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

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

Other operating expenses

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

Income from investments in group enterprises

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

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Accounting policies

Other financial income

Other financial income comprises dividends etc received on other investments, 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.

Other financial expenses

Other 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 as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

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, but over no more than 10 years.

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

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.

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, subsuppliers and labour costs.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life(the residual value is between 15% and 25% og cost). Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-30 years
Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-5 years

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

Investments in group enterprises

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

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

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

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated useful life which is normally five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

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Accounting policies

Deferred tax

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

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

Inventories

Inventories are measured at the lower of average cost and net realisable cost.

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation and impairment losses on machinery, factory buildings and equipment applied for 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 write-downs for bad and doubtful debts.

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

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

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

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

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

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

Cash flow statement
Refering to section 86(4) of the Danish Financial Statement Act, the Company has not prepared a cash flow statement.

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Accounting policies

Financial highlights

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

Ratios	Calculation formula	Ratios reflect
EBITDA margin(%)	Operating profit/loss excl amortisation of goodwill (EBITDA) x 100 / Revenue	The enterprise´s operating profitability.
Return on invested capital including goodwill (%)	Operating profit/loss excl amortisation of goodwill (EBITDA) x 100 / Average invested capital incl. goodwil	The return generated by the enterprise on the investors´ funds.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as operating profit plus the year's amortisation of goodwill. The year's impairment losses on goodwill are not added.

Invested capital including goodwill is defined as net working capital plus property, plant and equipment and intangible assets as well as accumulated amortisation of goodwill, and less other provisions and other long-term operating liabilities. Accumulated impairment losses on goodwill are not added.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Income statement for 2015/16

	Notes	2015/16 DKK'000	2014/15 DKK'000
Revenue	1	515.635	474.657
Production costs	3, 4	(422.706)	(388.197)
Gross profit/loss		**92.929**	**86.460**
Research and development costs	3, 4	(36.738)	(36.292)
Distribution costs	3, 4	(23.283)	(21.982)
Administrative costs	2, 3, 4	(40.256)	(38.840)
Other operating expenses	5	(7.023)	(12.567)
Operating profit/loss		**(14.371)**	**(23.221)**
Income from investments in group enterprises		(9.715)	(49.040)
Other financial income	6	39.930	26.218
Other financial expenses	7	(41.693)	(11.608)
Profit/loss from ordinary activities before tax		**(25.849)**	**(57.651)**
Tax on profit/loss from ordinary activities	8	3.127	1.795
Profit/loss for the year		**(22.722)**	**(55.856)**

Proposed distribution of profit/loss		
Retained earnings	(22.722)	(55.856)
	(22.722)	**(55.856)**

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Balance sheet at 31.08.2016

	Notes	2015/16 DKK'000	2014/15 DKK'000
Acquired licences		18.229	20.573
Intangible assets	9	**18.229**	**20.573**
Land and buildings		44.128	19.745
Plant and machinery		11.134	13.483
Other fixtures and fittings, tools and equipment		2.406	3.853
Property, plant and equipment in progress		11.982	7.820
Property, plant and equipment	10	**69.650**	**44.901**
Investments in group enterprises		130.030	126.536
Deferred tax	12	6.111	2.414
Fixed asset investments	11	**136.141**	**128.950**
Fixed assets		**224.020**	**194.424**
Raw materials and consumables		24.166	38.456
Work in progress		2.275	3.010
Manufactured goods and goods for resale		44.355	47.676
Inventories		**70.796**	**89.142**
Trade receivables	13	52.424	40.413
Receivables from group enterprises		213.983	200.126
Other short-term receivables		3.532	8.764
Income tax receivable		1.171	0
Prepayments	14	3.622	3.448
Receivables		**274.732**	**252.751**
Cash		**108.851**	**31.006**
Current assets		**454.379**	**372.899**
Assets		**678.399**	**567.323**

Balance sheet at 31.08.2016

	Notes	2015/16 DKK'000	2014/15 DKK'000
Contributed capital		100.000	100.000
Retained earnings		154.456	173.334
Equity		**254.456**	**273.334**
Other provisions	15	8.805	8.346
Provisions		**8.805**	**8.346**
Bank loans		15.499	35.689
Trade payables		18.819	38.669
Debt to group enterprises		345.351	158.973
Income tax payable		0	14.055
Other payables	16	31.258	33.587
Deferred income	17	4.211	4.670
Current liabilities other than provisions		**415.138**	**285.643**
Liabilities other than provisions		**415.138**	**285.643**
Equity and liabilities		**678.399**	**567.323**

	Notes
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Assets charged and collateral	20
Related parties with control	21
Ownership	22
Consolidation	23

Statement of changes in equity for 2015/16

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100.000	173.334	273.334
Exchange rate adjustments	0	3.844	3.844
Profit/loss for the year	0	(22.722)	(22.722)
Equity end of year	**100.000**	**154.456**	**254.456**

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Notes

1. Revenue

	2015/16 DKK'000	2014/15 DKK'000
Europe	414.042	374.121
Countries under the North American Free Trade Agreement(USA, Canada and Mexico)	29.231	27.011
Other countries	72.362	73.525
	515.635	**474.657**

2. Fees to the auditor appointed by the Annual General Meeting

	2015/16 DKK'000	2014/15 DKK'000
Statutory audit services	527	581
Other services	155	127
	682	**708**

3. Staff costs

	2015/16 DKK'000	2014/15 DKK'000
Wages and salaries	145.968	145.155
Pension costs	11.326	11.215
Other social security costs	2.156	3.731
	159.450	**160.101**
Average number of employees	**399**	**401**

	Remuneration of management 2015/16 DKK'000	Remuneration of management 2014/15 DKK'000
Executive Board	3.530	3.393
Board of Directors	40	40
	3.570	**3.433**

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Notes

4. Depreciation, amortisation and impairment losses

	2015/16 DKK'000	2014/15 DKK'000
Amortisation of intangible assets	2.344	2.345
Depreciation on property, plant and equipment	7.412	11.343
Profit/loss from sale of intangible assets and property, plant and equipment	(132)	(1)
	9.624	**13.687**

5. Other operating expenses

Other operating expenses relates to trademark, patents and management fee.

6. Other financial income

	2015/16 DKK'000	2014/15 DKK'000
Financial income arising from group enterprises	5.262	4.333
Interest income	256	0
Exchange rate adjustments	34.348	21.836
Other financial income	64	49
	39.930	**26.218**

7. Other financial expenses

	2015/16 DKK'000	2014/15 DKK'000
Financial expenses from group enterprises	4.249	1.701
Interest expenses	1.223	1.392
Exchange rate adjustments	36.221	8.515
	41.693	**11.608**

8. Tax on ordinary profit/loss for the year

	2015/16 DKK'000	2014/15 DKK'000
Current tax	571	172
Change in deferred tax for the year	(3.698)	(2.132)
Effect of changed tax rates	0	165
	(3.127)	**(1.795)**

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Notes

9. Intangible assets	Acquired licences DKK'000
Cost beginning of year	24.524
Cost end of year	**24.524**
Amortisation and impairment losses beginning of year	(3.951)
Amortisation for the year	(2.344)
Amortisation and impairment losses end of year	**(6.295)**
Carrying amount end of year	**18.229**

10. Property, plant and equipment	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	103.445	209.662	67.241	6.806
Additions	25.927	1.122	332	5.176
Disposals	0	0	(1.432)	0
Cost end of year	**129.372**	**210.784**	**66.141**	**11.982**
Depreciation and impairment losses beginning of the year	(83.647)	(195.527)	(63.079)	0
Depreciation for the year	(1.597)	(4.123)	(1.693)	0
Reversal regarding disposals	0	0	1.037	0
Depreciation and impairment losses end of the year	**(85.244)**	**(199.650)**	**(63.735)**	**0**
Carrying amount end of year	**44.128**	**11.134**	**2.406**	**11.982**

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Notes

11. Fixed asset investments

	Investments in group enterprises DKK'000	Deferred tax DKK'000
Cost beginning of year	264.384	2.413
Additions	11.194	3.698
Cost end of year	**275.578**	**6.111**
Impairment losses beginning of year	(137.851)	0
Exchange rate adjustments	4.659	0
Amortisation of goodwill	(706)	0
Share of profit/loss after tax	(9.715)	0
Dividend	(1.935)	0
Impairment losses end of year	**(145.548)**	**0**
Carrying amount end of year	**130.030**	**6.111**

	Registered in	Corporate form	Equity interest %
Subsidiaries:			
Svenska Hardi AB	Sweden	AB	100,00
Hardi Norge AS	Norway	AS	100,00
Hardi Ltd.	United Kingdom	Ltd.	100,00
Hardi Evrard S.A	France	S.A	100,00
Hardi Service S.A	France	S.A	100,00
Ilemo-Hardi S.A	Spain	S.A	100,00
Hardi North America Inc.	USA	Inc.	100,00
Hardi Australia Pty. Ltd.	Australia	Ltd.	100,00
Hardi GmbH	Germany	GmbH	100,00

12. Deferred tax

	2015/16 DKK'000	2014/15 DKK'000
Property, plant and equipment	(538)	(91)
Provisions	366	333
Tax losses carried forward	6.283	2.172
	6.111	**2.414**

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13. Short-term trade receivables

None of the Company´s receviables at 31 august 2016 are due more than one year after year-end.

14. Prepayments

Prepayments relate to deposit and prepaid expenses.

15. Other provisions

Other provisions relate to guarantee commitments.

16. Other short-term payables

	2015/16 DKK'000	2014/15 DKK'000
Wages and salaries, personal income taxes, social security costs, etc. payable	6.205	11.524
Holiday pay obligation	17.389	17.331
Other costs payable	7.664	4.732
	31.258	**33.587**

17. Short-term deferred income

Short-term deferred income consists of prepayments from customers.

18. Unrecognised rental and lease commitments

	2015/16 DKK'000	2014/15 DKK'000
Commitments under rental agreements or leases until expiry	**1.331**	**2.845**

19. Contingent liabilities

	2015/16 DKK'000	2014/15 DKK'000
Other contingent liabilities towards Parent and fellow subsidiaries	8.413	8.413
Contingent liabilities related to Parent and fellow subsidiaries	**8.413**	**8.413**

20. Assets charged and collateral

The Entity has obtained a credit line at the Entity's bank and may allocate amounts under the credit line to its wholly owned subsidiary secured by suretyship from the Entity. At 31 August 2016, the credit line allocated to the subsidiary amounts to DKK 55.5 million.

The Entity has provided a guarantee of DKK 1.3 million to Tollregion Øst-Norge.

Notes

21. Related parties with control

EXEL INDUSTRIES S.A, 52, rue de la Victoire 75009 PARIS, France, owns all of the shares in the Entity and thus has control over the Entity.

22. Ownership

The Entity has registed the following shareholder to holding more than 5% of the voting share capital or of the nominal value of the share capital:

EXEL INDUSTRIES S.A, 52, rue de la Victoire 75009 PARIS, France – owning 100% of the shares

23. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

EXEL INDUSTRIES S.A., RCS EPERNAY B 095 550 356 (www.exel-industries.com)