Graintec A/S

Enghavevej 40, 7100 Vejle

CVR no. 73 42 22 13

Annual report 2018

Approved at the Company's annual general meeting on 19 March 2019

Chairman:

Kasper ....

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Graintec A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Vejle, 19 March 2019
Executive Board:

Michael Gregers Mortensen	Kasper Holm

Board of Directors:

Per Schak Andreasen Chairman	Samuel Waldorph Andreasen	John Christian Aasted
Søren Milner	Per Strømgaard Sørensen	Morten Bagger Larsen

Independent auditor's report

To the shareholders of Graintec A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Graintec A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act 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.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent 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 as to 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 that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

Aarhus, 19 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Tom B. Lassen
State Authorised Public Accountant
mne24820

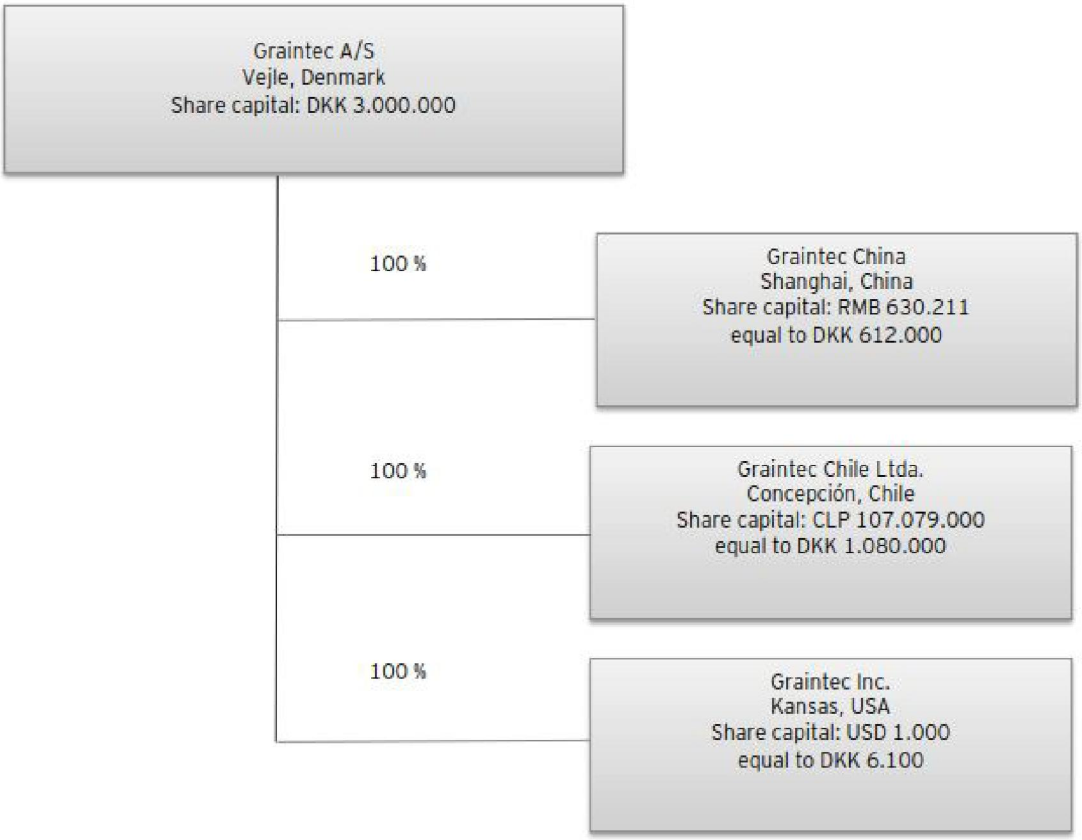
Management's review

Company details

Name	Graintec A/S
Address, Postal code, City	Enghavevej 40, 7100 Vejle
CVR no.	73 42 22 13
Established	30 April 1984
Registered office	Vejle
Financial year	1 January - 31 December
Board of Directors	Per Schak Andreasen, Chairman Samuel Waldorph Andreasen John Christian Aasted Søren Milner Per Strømgaard Sørensen Morten Bagger Larsen
Executive Board	Michael Gregers Mortensen Kasper Holm
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Group chart



Company details - subsidiaries

Graintec Chile Ltda.
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Telefax: +56 412 910 512
Mail: chile@graintec.com

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Kansas City, MO 64111

Phone: +1 816 621 3000
Mail: us@graintec.com

Graintec China Ltd.
Room 402, Tower B
Ming Gu Technology Park, Minhand District
Shanghai 201101, China

Phone: +86 139 18 52 42 39
Mail: china@graintec.com

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	256,722	262,824	246,770	170,201	386,493
Operating profit/loss	-570	-5,372	261	3,199	17,884
Net financials	683	-1,185	1,668	-13	732
Profit/loss for the year	-4,565	-5,202	1,310	1,222	15,496
Total assets	107,726	155,104	112,627	113,349	151,726
Equity	20,306	23,141	28,480	27,101	40,477
Cash flows from operating activities	-27,157	36,588	2,839	-34,982	27,003
Net cash flows from investing activities	-1,931	-32	1,360	-544	-1,520
Investment in property, plant and equipment	-397	-119	-357	-1,439	-1,529
Cash flows from financing activities	-2,099	-660	-1,034	-14,453	-8,992
Total cash flows	-31,187	35,896	3,165	-49,979	16,491
Cash and cash equivalents	42,159	74,472	37,583	34,411	84,391
Financial ratios					
Operating margin	-0.2%	-2.0%	0.1%	1.9 %	4.6 %
Equity ratio	18.8%	14.9%	25.3%	23.9%	26.7%
Return on equity	-21.0%	-20.2%	4.7%	3.6%	41.6%
Average number of employees	90	88	91	93	92

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management commentary

Business review

The Company's main activities focus on engineering, project development, installation and service related to high-efficient production facilities for the aqua feed and pet food industry. The Company undertakes EPC contracts that include feed processing lines, civil works, automation and auxiliaries. The main industry segments served are the aqua feed and pet food manufacturing industries demanding complex extrusion technology. Activities are mainly spread across Europe, Americas and Asia. Further information about the Company can be found on www.graintec.com or by contacting the main office in Denmark on +45 76 436 910 or e-mailing mail@graintec.com

Management's review

Financial review

In 2018, the group's revenue amounted to DKK 256,722 thousand against DKK 262,824 thousand last year. The income statement for 2018 shows a profit before tax of DKK 113 thousand against a loss of DKK 6,557 thousand last year, and the group's balance sheet at 31 December 2018 shows equity of DKK 20,306 thousand.

Management's review

Computed tax for 2018 is affected by a change of the Danish tax method. After Thoraso ApS acquired the majority ownership of Graintec on 30 April, Graintec stepped out of the Danish international joint taxation scheme, leading to reversal of historic tax deductions from subsidiaries affecting computed tax of DKK 4,185 thousand.

Although order intake and EBT for 2018 improved compared to 2017, turnover and EBT of 2018 are below expectations. The low turnover and profit are caused by reduced percentage of completion on some major projects and lower order intake than expected.

As part of a new strategic direction Graintec still realised restructuring costs in 2018 and is investing capital and resources in building new systems and capabilities to enhance future performance.

Shares

The share capital is divided between DKK 2.7 million A-shares and DKK 0.3 million B-shares. During 2018, all A-shares were acquired by Thoraso Aps, and Graintec has bought back 6.33% of own shares amounting to DKK 0.19 million B-shares. Graintec now owns DKK 0.27 million B-shares.

Market development

The Company expects to maintain a position as leading supplier of high quality processing lines to the aqua feed and pet food industry in Europe and Americas. Further, the Company will continue to develop its global market position by adding value through engineering and optimization.

The global aqua feed industry is experiencing growth worldwide. It is the Company's expectation that the industry continues to grow at rates of 3-5%. In the salmon farming segment, the global growth rate is expected to be 2-3% in 2019 driven by the high price level on Salmon. As the industry matures it is expected that increased focus will be on product quality and value chain optimization.

As the Company is at the fore front of technology development, we expect a steady growing demand for our services.

The pet food industry continues to grow on a global scale with the highest growth being in Asia and South America. The industry is expected to continue developing increasingly specialized food with high standards of hygiene and traceability. This is expected to result in investments in new equipment and plant upgrades, as well as new line to cover an increased demand for capacity.

Quality

The Company works according to the principles of the ISO 9001:2008 standards. The Company develops and maintains internal processes and procedures across all departments to ensure consistent high quality and customer satisfaction.

Liquidity

The liquidity position together with unused credit facilities amount to DKK 50 million in the Parent Company and DKK 55 million in the Group. The liquidity is at a comfortable level.

Management's review

Risk management

Due to the highly international activities as regards customers as well as vendors, the Company is exposed to exchange rate fluctuations. The Company invoices mainly in EUR, GBP and USD while purchases are in CLP, DKK, EUR, GBP, NOK and USD. In accordance with company procedures, all significant operational exchange exposures are hedged by forward exchange contracts at the time of project signing. EUR/DKK transferences are not considered an exchange risk. Risk of potential customer default is managed through down payments, cash flow management as well as bank guaranties.

Outlook

Following a change of managing director in 2017 and new board of directors appointed in 2018, Graintec has sharpened its 2021 strategy that will guide the direction of the Company in the coming years. The Company will focus on serving customers with value-adding technologies and turn-key solutions providing highly efficient and reliable feed processing lines. The company is investing in developing new products and technologies to further enhance competitiveness. Engineering excellence will be driven through investments in new engineering systems and through focus on employee development and training. Creating a motivating and innovative working environment for employees that subsequently support the development and delivery of value-creating services and solutions to customer, is a key focus area of the Company.

In 2019 and 2020, the Company is expecting to generate increased turnover and profit compared to 2018.

Financial statements

It is our opinion that the presented financial statements give a true and fair view of the Companies assets, liabilities and financial position, and describe all significant risks and opportunities of the Company. Since the closing of the accounts no events have occurred that change our view of the information provided in the financial statements for 2018 or in our expectations for 2019.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
	Revenue	256,722	262,824	193,647	231,493
	Cost of sales	-196,028	-207,175	-150,263	-186,067
	Other external expenses	-14,265	-16,115	-7,353	-8,380
	Gross margin	46,429	39,534	36,031	37,046
2	Staff costs	-46,031	-43,978	-36,827	-36,657
	Amortisation/depreciation of intangible assets and property, plant and equipment	-968	-848	-741	-716
	Other operating expenses	0	-80	0	-80
	Profit/loss before net financials	-570	-5,372	-1,537	-407
	Income from investments in group enterprises	0	0	0	-5,298
3	Financial income	1,338	996	1,746	1,138
4	Financial expenses	-655	-2,181	-523	-1,966
	Profit/loss before tax	113	-6,557	-314	-6,533
5	Tax for the year	-4,678	1,355	-4,251	1,331
	Profit/loss for the year	-4,565	-5,202	-4,565	-5,202

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
	ASSETS				
	Fixed assets				
6	Intangible assets				
	Acquired intangible assets	1,533	37	1,388	0
		1,533	37	1,388	0
7	Property, plant and equipment				
	Land and buildings	29,400	25,100	29,400	25,100
	Fixtures and fittings, other plant and equipment	177	370	79	86
		29,577	25,470	29,479	25,186
8	Investments				
	Investments in group entities	0	0	7,189	6,508
		0	0	7,189	6,508
	Total fixed assets	31,110	25,507	38,056	31,694
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	16	652	0	324
		16	652	0	324
	Receivables				
	Trade receivables	24,716	42,002	4,850	32,553
10	Construction contracts	1,407	3,187	1,383	1,662
	Receivables from group enterprises	0	0	5,167	3,112
9,14	Deferred tax assets	825	381	0	0
	Corporation tax receivable	982	1,691	762	1,524
	Other receivables	3,890	4,390	468	870
11	Prepayments	1,012	1,139	1,012	955
		32,832	52,790	13,642	40,676
	Securities and investments	7,319	7,610	7,319	7,610
	Cash	36,449	68,545	29,274	64,988
	Total non-fixed assets	76,616	129,597	50,235	113,598
	TOTAL ASSETS	107,726	155,104	88,291	145,292

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
	EQUITY AND LIABILITIES				
	Equity				
12	Share capital	3,000	3,000	3,000	3,000
	Revaluation reserve	10,796	7,330	10,796	7,330
	Net revaluation reserve according to the equity method	0	0	0	4,810
	Retained earnings	6,510	12,811	6,510	8,001
	Total equity	20,306	23,141	20,306	23,141
	Provisions				
14	Deferred tax	5,866	393	5,866	393
	Other provisions	1,245	1,407	1,053	1,301
16	Total provisions	7,111	1,800	6,919	1,694
	Liabilities other than provisions				
15	Non-current liabilities other than provisions				
	Mortgage debt	8,027	8,439	8,027	8,439
		8,027	8,439	8,027	8,439
	Current liabilities other than provisions				
15	Short-term part of long-term liabilities other than provisions	439	329	439	329
	Bank debt	1,609	1,683	0	0
10	Construction contracts	36,915	77,234	28,612	74,121
	Trade payables	16,999	20,926	10,887	18,116
	Corporation tax payable	473	24	0	24
	Other payables	15,847	21,528	13,101	19,428
		72,282	121,724	53,039	112,018
	Total liabilities other than provisions	80,309	130,163	61,066	120,457
	TOTAL EQUITY AND LIABILITIES	107,726	155,104	88,291	145,292

1 Accounting policies
17 Contractual obligations and contingencies, etc.
18 Collateral
19 Related parties

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group: Share capital	Group: Revaluation reserve	Group: Retained earnings	Group: Total
	Equity at 1 January 2018	3,000	7,330	12,811	23,141
	Transfer through appropriation of loss	0	0	-4,565	-4,565
	Adjustment of investments through forreign exchange adjustments	0	0	-1,158	-1,158
	Adjustment of hedging instruments at fair value	0	0	766	766
	Reversed revaluations for the year	0	-162	162	0
	Revaluations for the year	0	3,628	0	3,628
	Purchase of treasury shares	0	0	-1,506	-1,506
	Equity at 31 December 2018	3,000	10,796	6,510	20,306

Note	DKK'000	Parent company: Share capital	Parent company: Revaluation reserve	Parent company: Net revaluation reserve according to the equity method	Parent company: Retained earnings	Parent company: Total
	Equity at 1 January 2018	3,000	7,330	4,810	8,001	23,141
20	Transfer, see "Appropriation of profit/loss"	0	0	0	-4,565	-4,565
	Adjustment of investments through forreign exchange adjustments	0	0	0	-1,158	-1,158
	Other value adjustments of equity	0	0	-4,810	4,810	0
	Adjustment of hedging instruments at fair value	0	0	0	766	766
	Reversed revaluations for the year	0	-162	0	162	0
	Revaluations for the year	0	3,628	0	0	3,628
	Purchase of treasury shares	0	0	0	-1,506	-1,506
	Equity at 31 December 2018	3,000	10,796	0	6,510	20,306

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2018	Group 2017
	Profit/loss for the year	-4,565	-5,202
21	Adjustments	4,963	662
	Cash generated from operations (operating activities)	398	-4,540
22	Changes in working capital	-28,813	38,798
	Cash generated from operations (operating activities)	-28,415	34,258
	Interest received, etc.	1,338	909
	Interest paid, etc.	-364	-2,181
	Income taxes paid	284	3,602
	Cash flows from operating activities	-27,157	36,588
	Additions of intangible assets	-1,534	0
	Additions of property, plant and equipment	-397	-119
	Disposals of property, plant and equipment	0	87
	Cash flows to investing activities	-1,931	-32
	Repayments, long-term liabilities	-302	12
	Acquisition of treasury shares	-1,506	-759
	Other cash flows from financing activities	-291	87
	Cash flows from financing activities	-2,099	-660
	Net cash flow	-31,187	35,896
	Cash and cash equivalents at 1 January	74,472	37,583
	Foreign exchange adjustments	-1,126	993
23	Cash and cash equivalents at 31 December	42,159	74,472

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Graintec A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes in accounting policies

The Company has changed its presentation format of the income statement, which was classified by function. Now the format of the income statement is based on expenditure classified by type to better reflect the Parent Company's accounting policies.

The change in classification solely implied a reclassification of the Company's costs in accordance with the format requirements in the Danish Financial Statements Act. The comparative figures have also been restated. The change has not had any impact on profit/loss after tax, total assets or equity.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5 years
Buildings	55-60 years
Fixtures and fittings, other plant and equipment	3-5 years
Installations	15 years

The residual value for acquired intangible assets, buildings, installations, fixtures and fittings, tools andequipment are expected to be DKK 0.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Land and buildings are revalued at fair value. Revaluations and reversals hereof, less deferred tax, are taken directly to equity. The fair value is calculated on the basis of an external assessment, which is based on similar assets.

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Securities and investments

Securities and investments consisting in listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

Cash

Cash comprises bank deposits.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Revaluation reserve

The reserve comprises revaluations of property, plant and equipment/investments in subsidiaries and associates relative to cost net of deferred tax.

The revaluation reserve is reduced by the depreciation charges relating to the revaluation.

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Warranties comprise obligations to make good any defects within the liability for defect-period. Provisions for warranties are measured at net realisable value and recognised based on past experience.

If it is likely that total costs will exceed total income from a construction contract, a provision is made for the total loss anticipated on the contract. The provision is recognised in production costs.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
2	Staff costs				
	Wages/salaries	41,641	39,990	33,853	33,582
	Pensions	3,256	2,869	2,491	2,514
	Other social security costs	1,134	1,119	483	561
		46,031	43,978	36,827	36,657
	Average number of full-time employees	90	88	50	52

Remuneration of the Board of Directors totals DKK 450 thousand and remuneration of Management totals DKK 3,055 thousand. (2017: Remuneration of the Board of Directors totalled DKK 425 thousand and remuneration of Management totalled DKK 2,620 thousand).

	DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
3	Financial income				
	Interest receivable, group entities	0	0	529	382
	Other financial income	1,338	996	1,217	756
		1,338	996	1,746	1,138
4	Financial expenses				
	Other financial expenses	655	2,181	523	1,966
		655	2,181	523	1,966
5	Tax for the year				
	Estimated tax charge for the year	903	7	0	0
	Deferred tax adjustments in the year	-397	-1,417	89	-1,413
	Tax adjustments, prior years	4,172	55	4,162	82
		4,678	-1,355	4,251	-1,331

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Group Acquired intangible assets
Cost at 1 January 2018	3,722
Foreign exchange adjustments	-11
Additions	1,533
Cost at 31 December 2018	5,244
Impairment losses and amortisation at 1 January 2018	3,685
Foreign exchange adjustments	-10
Amortisation for the year	36
Impairment losses and amortisation at 31 December 2018	3,711
Carrying amount at 31 December 2018	1,533

DKK'000	Parent company Acquired intangible assets
Cost at 1 January 2018	3,560
Additions	1,388
Cost at 31 December 2018	4,948
Impairment losses and amortisation at 1 January 2018	3,560
Impairment losses and amortisation at 31 December 2018	3,560
Carrying amount at 31 December 2018	1,388

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

	Group		
DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2018	24,973	1,558	26,531
Foreign exchange adjustments	0	-54	-54
Additions	296	101	397
Cost at 31 December 2018	25,269	1,605	26,874
Revaluations at 1 January 2018	11,139	0	11,139
Value adjustments for the year	4,651	0	4,651
Revaluations at 31 December 2018	15,790	0	15,790
Impairment losses and depreciation at 1 January 2018	11,012	1,188	12,200
Foreign exchange adjustments	0	-45	-45
Depreciation	647	285	932
Impairment losses and depreciation at 31 December 2018	11,659	1,428	13,087
Carrying amount at 31 December 2018	29,400	177	29,577
Carrying amount at 31 December 2018, if no revaluation had been made	14,655	0	

	Parent company		
DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2018	24,973	657	25,630
Additions	296	87	383
Cost at 31 December 2018	25,269	744	26,013
Revaluations at 1 January 2018	11,139	0	11,139
Value adjustments for the year	4,651	0	4,651
Revaluations at 31 December 2018	15,790	0	15,790
Impairment losses and depreciation at 1 January 2018	11,012	571	11,583
Depreciation	647	94	741
Impairment losses and depreciation at 31 December 2018	11,659	665	12,324
Carrying amount at 31 December 2018	29,400	79	29,479
Carrying amount at 31 December 2018, if no revaluation had been made	14,655	0	

Note 18 provides more details on security for loans, etc. as regards property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

8 Investments

DKK'000	Parent company Investments in group entities
Cost at 1 January 2018	1,698
Cost at 31 December 2018	1,698
Value adjustments at 1 January 2018	4,810
Foreign exchange adjustments	-1,158
Offset in receivables	1,839
Value adjustments at 31 December 2018	5,491
Carrying amount at 31 December 2018	7,189

Parent company

Name	Legal form	Domicile	Interest
Subsidiaries			
Graintec Inc.	Inc.	USA	100.00%
Graintec Chile Ltda.	Ltda.	Chile	100.00%
Graintec China Ltd.	Ltd.	China	100.00%

9 Deferred tax assets

Deferred tax assets relate to provisions and prepaid expenses.

	Group		Parent company	
DKK'000	2018	2017	2018	2017
10 Construction contracts				
Selling price of work performed	293,012	184,218	256,069	174,516
Progress billings	-328,520	-258,265	-283,298	-246,975
	-35,508	-74,047	-27,229	-72,459
recognised as follows:				
Construction contracts (assets)	1,407	3,187	1,383	1,662
Construction contracts (liabilities)	-36,915	-77,234	-28,612	-74,121
	-35,508	-74,047	-27,229	-72,459

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance policies.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Parent company 2018	Parent company 2017
12 Share capital		
Analysis of the share capital:		
2,700 A shares of DKK 1,000.00 nominal value each	2,700	2,700
300 B shares of DKK 1,000.00 nominal value each	300	300
	3,000	3,000

The parent's share capital has remained DKK 3,000 thousand over the past 5 years.

13 Treasury shares

Parent company

	Number	Nominal value	Share of capital	Purchase/ sales sum
		DKK'000		DKK'000
Balance at 1 January 2018	80,000	80	2.67%	
Purchased in the year	190,000	190	6.33%	1,506
Balance at 31 December 2018	270,000	270	9.00%	

Treasury shares i.a. to manage when shareholders join or retire form the Company.

The shares acquired are B Shares.

	Group		Parent company	
DKK'000	2018	2017	2018	2017
14 Deferred tax				
Deferred tax at 1 January	12	1,535	393	1,911
Adjustment of the deferred tax charge for the year	-397	-1,417	89	-1,413
Tax on equity transactions	1,239	-105	1,239	-105
Tax adjustment, prior years	4,145	0	4,145	0
Foreign exchange adjustments	42	0	0	0
Other deferred tax	0	-1	0	0
Deferred tax at 31 December	5,041	12	5,866	393
Analysis of the deferred tax				
Deferred tax assets	-825	-381	0	0
Deferred tax liabililties	5,866	393	5,866	393
	5,041	12	5,866	393

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

15 Non-current liabilities other than provisions

	Group			
DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	8,466	439	8,027	6,269
	8,466	439	8,027	6,269

	Parent company			
DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	8,466	439	8,027	6,269
	8,466	439	8,027	6,269

16 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets, property, plant and equipment and tax losses.

Other provisions comprise provisions for liabilities for defect commitments. Liabilities for defect commitments relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods and services. The obligation is expected to be settled over the liability for defect-period.

17 Contractual obligations and contingencies, etc.

Other financial obligations

Group

Rent and lease liabilities include a rent obligation totalling DKK 535 thousand in interminable rent agreements with remaining contract terms of 0-2 years. Furthermore, the Company has liabilities under operating leases for cars, totalling DKK 1,386 thousand, with remaining contract terms of 1-3 years.

Parent company

The Company is jointly taxed with its parent, THORASO ApS, which acts as management company, and other Danish group entities. Together with other jointly taxed group entities, the Company has joint and several liability for payment of income taxes and withholding taxes falling due for payment in the group of jointly taxed entities.

Rent and lease liabilities include a rent obligation totalling DKK 42 thousand in interminable rent agreements with remaining contract terms of 0-1 years. Furthermore, the Company has liabilities under operating leases for cars, totalling DKK 1,386 thousand, with remaining contract terms of 1-3years.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

18 Collateral

Land and buildings at a carrying amount of DKK 24,600 thousand at 31 December 2018 have been put up as security for debt to mortgage credit institutions, totalling DKK 8,466 thousand.

Land and buildings in the amount of DKK 4,400 thousand (2017: DKK 4,400 thousand) have been provided as security for the Company's credit facilities. Furthermore, EUR 449 thousand has been deposited in cash.

Guarantees for a total of DKK 9,260 thousand (2017: DKK 2,905 thousand) have been provided as collateral for contracts and supplies.

19 Related parties

Group

Graintec A/S' related parties comprise the following:

Significant influence

Related party	Domicile	Basis for significant influence
THORASO ApS	Frederikshavn	Share ownership

.

		Parent company	
	DKK'000	2018	2017
20	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Net revaluation reserve according to the equity method	0	-1,993
	Retained earnings/accumulated loss	-4,565	-3,209
		-4,565	-5,202

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Notes to the financial statements

		Group	
	DKK'000	2018	2017
21	Adjustments		
	Amortisation/depreciation and impairment losses	968	846
	Gain/loss on the sale of non-current assets	0	-35
	Financial income	-1,338	-996
	Financial expenses	655	2,181
	Tax for the year	4,678	-1,355
	Other adjustments	0	21
		4,963	662
22	Changes in working capital		
	Change in inventories	636	0
	Change in receivables	17,143	-9,366
	Change in trade and other payables	-8,662	12,060
	Other changes in working capital	-37,930	36,104
		-28,813	38,798
23	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	36,449	68,545
	Short-term debt to banks	-1,609	-1,683
	Securities included as cash and cash equivalents	7,319	7,610
		42,159	74,472