Graintec A/S

Enghavevej 40, 7100 Vejle

CVR no. 73 42 22 13

Annual report 2017

Approved at the Company's annual general meeting on 20 March 2018

Chairman:

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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 2017.

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 2017 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 2017.

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, 20 March 2018
Executive Board:

Michael Gregers Mortensen	Kasper Holm

Board of Directors:

Henrik Hougaard Chairman	Erik Nielsen	Jens Frode Rasmussen
John Christian Aasted	Morten Bagger Larsen	Per Strømgaard Sørensen

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 2017, 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 2017, 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 2017 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, 20 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Tom B. Lassen
State Authorised Public Accountant
MNE no.: mne24820

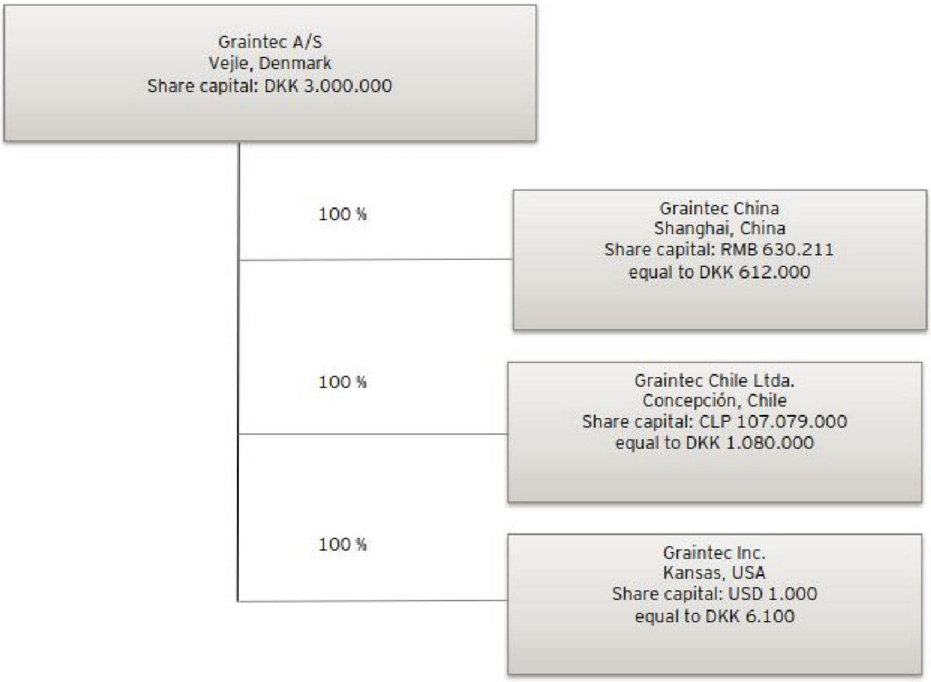
Management's review

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
Website	www.graintec.com
E-mail	mail@graintec.com
Board of Directors	Henrik Hougaard, Chairman Erik Nielsen Jens Frode Rasmussen John Christian Aasted Morten Bagger Larsen Per Strømgaard Sørensen
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.
Lincoyan 282 Piso 6.
Concepción, Chile

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

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7200 NW 86th Street, Suite B
Kansas City, Missouri 64153

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	2017	2016	2015	2014	2013
Key figures					
Revenue	262,824	246,770	170,201	386,493	306,651
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-5,993	1,503	4,988	19,314	18,286
Operating profit/loss	-6,838	261	3,199	17,884	16,763
Net financials	281	1,668	-13	732	1,240
Profit/loss for the year	-5,202	1,310	1,222	15,496	12,042
Total assets	155,103	112,627	113,349	151,726	169,175
Equity	23,140	28,480	27,101	40,477	33,975
Cash flows from operating activities	36,674	2,839	-34,982	27,003	83,705
Net cash flows from investing activities	-32	1,360	-544	-1,520	-1,042
Investment in property, plant and equipment	-119	-357	-1,439	-1,529	-1,267
Cash flows from financing activities	-747	-1,034	-14,453	-8,992	0
Total cash flows	35,895	3,165	-49,979	16,491	82,663
Cash and cash equivalents	74,471	37,583	34,411	84,391	67,899
Financial ratios					
Operating margin	-2.6%	0.1%	1.9%	4.6 %	5.5 %
Solvency ratio	14.9%	25.3%	23.9%	26.7%	20.1%
Return on equity	-20.2%	4.7%	3.6%	41.6%	41.6%
Return on investment	-18.4%	1.3%	6.4%	11.8%	9.9%
Average number of employees	88	91	93	92	83

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 is available at www.graintec.com or can be obtained by contacting the main office in Denmark at +45 76 436 910 or by e-mail mail@graintec.com

Financial review

In 2017, the group's revenue amounted to DKK 262,824 thousand against DKK 246,770 thousand last year. The income statement for 2017 shows a loss of DKK 5,202 thousand against a profit of DKK 1,310 thousand last year, and the group's balance sheet at 31 December 2017 shows equity of DKK 23,140 thousand. The EBT result of 2017 is not satisfactory. Turnover is below expectations caused by lower order intake as well as postponement on a couple of important customer projects resulting in a lower percentage of completion at year-end. As part of a new strategic direction, Graintec has realised significant restructuring costs in 2017 further lowering the results. The negative profit was not expected, and the results for 2017 are therefore below the forecasted budget.

Management's review

Shares

Share capital is divided into A shares of DKK 2,7 million and B shares of DKK 0,3 million. During 2017, Graintec bought back 2,7% of own shares amounting to B shares of DKK 0,08 million. The purchase price amounts to DKK 759 thousand. Treasury shares are acquired i.a. to manage when shareholders join or retire form the company.

Market development

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

The Company continues to leverage on local representations currently established in Chile, China and the USA, and expects further growth from these entities in the coming years.

The global aqua feed industry is experiencing growth worldwide and is expected to continue with growth rates in average of 4-6%. In the salmon farming segment, the global growth rate is expected to be 2-3% in 2018. Despite high salmon prices, the lower growth rate in the Salmon industry is affected by slow growth in new farming licenses. In Chile, the aqua feed development is expected to grow 3-5% following years with challenging biological conditions.

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 implementing new food safety standards and this is expected to result in investments in new equipment and plant upgrades. Depending on the region, the yearly growth rates are expected to be in the range of 2–10%. Further investments are foreseen to mainly to relate to compliances to meet new standards and legislation as well as capacity expansions.

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 forefront of technology development, we expect a steady growing demand for our services.

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 risk

The liquidity position together with unused credit facilities amounts to DKK 76 million in the parent company and DKK 80 million in Group total. The liquidity is at a comfortable level.

Risk management

A significant part of the Company’s group activities takes place in foreign countries, and a risk for the Company is therefore foreign exchange fluctuations. The Company invoices mainly in DKK, EUR and GBP while purchases are in CLP, DKK, EUR, GBP, NOK, RMB 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.

Statutory CSR report

The Company continually works towards a safe working environment for employees and suppliers. The Company has no written policies on CSR around climate, environmental impact and human rights; however, environmentally friendly technologies have been developed to help our customers reduce environmental footprint. Together with key customers and the Danish Ministry of Energy, the company has developed new technologies on energy waste and odor reduction in drying processes and expects increased activity in this area.

Management's review

Account of the gender composition of Management

It is the Company's goal that each gender shall be represented on the board with at least 25% within a 4-year horizon. Currently all six members are males, and the board members appointed at the annual general meeting were not subject to any changes. It is the Company's goal that the organisation as a total as well as at management level reflects the surrounding society. To increase the level of female employees, it is a company objective that both genders shall be represented in the recruitment process amongst the three final candidates. The global management team consists of thirteen employees of which one is female. For the Group, 23% of all employees are females.The company employs many different nationalities, and the employees reflect the international footprint of the company.

Outlook

Following a change in the managing director position, Graintec has developed a new 2020 strategy that will guide the direction of the Company in the coming years. The Company will focus on serving clients with value-adding technologies and solutions providing highly efficient and reliable feed processing lines. Engineering excellence will be driven through a constant focus on employee development and training. Creating a motivating and innovative working environment for its employees that subsequently supports the development and delivery of value-creating services and solutions to its customer, is a key focus area of the Company.

Order book at the end of 2017 is at a comfortable level, and outlook for 2018 is promising. In 2018 and 2019, the Company is therefore expected to see positive profit and increased turnover compared to the previous years.

Financial statements

It is our opinion that the presented financial statements give a true and fair view of the Company's assets, liabilities and financial position, and describes all the significant risks and opportunities of the Company. Since the closing of the accounts, no events have occurred that changes our view on the information in the financial statements for 2017 or in our expectations for 2018.

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

Income statement

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
2	Revenue	262,824	246,770	231,493	205,749
16	Production costs	-237,487	-209,738	-211,313	-178,542
	Gross margin	25,337	37,032	20,180	27,207
16	Distribution costs	-14,564	-14,618	-11,143	-11,475
16	Administrative expenses	-17,611	-22,153	-10,910	-13,567
	Operating profit/loss	-6,838	261	-1,873	2,165
	Other operating income	0	403	0	403
	Other operating expenses	0	-158	0	-158
	Profit/loss before net financials	-6,838	506	-1,873	2,410
	Income from investments in group enterprises	0	0	-5,298	-2,549
3	Financial income	732	1,831	874	1,703
4	Financial expenses	-451	-163	-236	-107
	Profit/loss before tax	-6,557	2,174	-6,533	1,457
5	Tax for the year	1,355	-864	1,331	-147
	Profit/loss for the year	-5,202	1,310	-5,202	1,310

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
	ASSETS				
	Fixed assets				
6	Intangible assets				
	Acquired intangible assets	36	58	0	0
		36	58	0	0
7	Property, plant and equipment				
	Land and buildings	25,100	25,100	25,100	25,100
	Fixtures and fittings, other plant and equipment	371	513	87	161
		25,471	25,613	25,187	25,261
8	Investments				
	Investments in group enterprises	0	0	6,508	7,509
		0	0	6,508	7,509
	Total fixed assets	25,507	25,671	31,695	32,770
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	652	0	324	0
		652	0	324	0
	Receivables				
	Trade receivables	42,002	32,354	32,553	24,658
9	Construction contracts	3,187	4,349	1,662	2,209
	Receivables from group enterprises	0	0	3,112	3,590
14	Deferred tax assets	381	376	0	0
	Corporation tax receivable	1,691	5,809	1,524	4,914
	Other receivables	4,390	4,248	870	168
10	Prepayments	1,139	1,268	955	1,268
		52,790	48,404	40,676	36,807
	Securities and investments	7,610	14,289	7,610	14,289
	Cash	68,544	24,263	64,988	20,816
	Total non-fixed assets	129,596	86,956	113,598	71,912
	TOTAL ASSETS	155,103	112,627	145,293	104,682

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

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	EQUITY AND LIABILITIES				
	Equity				
11	Share capital	3,000	3,000	3,000	3,000
	Revaluation reserve	7,329	6,979	7,329	6,979
	Net revaluation reserve according to the equity method	0	0	4,810	5,811
	Retained earnings	12,811	18,501	8,001	12,690
	Total equity	23,140	28,480	23,140	28,480
	Provisions				
14	Deferred tax	393	1,911	393	1,911
	Other provisions	1,407	1,869	1,301	1,490
15	Total provisions	1,800	3,780	1,694	3,401
	Liabilities other than provisions				
13	Non-current liabilities other than provisions				
	Mortgage debt	8,439	8,756	8,439	8,756
		8,439	8,756	8,439	8,756
	Current liabilities other than provisions				
13	Short-term part of long-term liabilities other than provisions	329	0	329	0
	Bank debt	1,683	969	0	0
9	Construction contracts	77,234	40,211	74,121	39,217
	Trade payables	20,925	17,049	18,118	13,521
	Corporation tax payable	24	498	24	29
	Other payables	21,529	12,884	19,428	11,278
		121,724	71,611	112,020	64,045
	Total liabilities other than provisions	130,163	80,367	120,459	72,801
	TOTAL EQUITY AND LIABILITIES	155,103	112,627	145,293	104,682

1 Accounting policies
17 Contractual obligations and contingencies, etc.
18 Collateral
19 Currency and interest rate risks and use of derivative financial instruments
20 Fee to the auditors appointed by the Company in general meeting

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

Statement of changes in equity

DKK'000	Group			
	Share capital	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2017	3,000	6,979	18,501	28,480
Transfer through appropriation of loss	0	0	-5,202	-5,202
Adjustment of investments through forreign exchange adjustments	0	0	992	992
Adjustment of hedging instruments at fair value	0	0	-871	-871
Reversed revaluations for the year	0	-150	150	0
Revaluations for the year	0	500	0	500
Purchase of treasury shares	0	0	-759	-759
Equity at 31 December 2017	3,000	7,329	12,811	23,140

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

Statement of changes in equity (continued)

		Parent company				
Note	DKK'000	Share capital	Revaluation reserve	Net revaluation reserve according to the equity method	Retained earnings	Total
	Equity at 1 January 2017	3,000	6,979	5,811	12,690	28,480
21	Transfer, see "Appropriation of profit/loss"	0	0	-1,993	-3,209	-5,202
	Adjustment of investments through forreign exchange adjustments	0	0	992	0	992
	Adjustment of hedging instruments at fair value	0	0	0	-871	-871
	Reversed revaluations for the year	0	-150	0	150	0
	Revaluations for the year	0	500	0	0	500
	Purchase of treasury shares	0	0	0	-759	-759
	Equity at 31 December 2017	3,000	7,329	4,810	8,001	23,140

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

Cash flow statement

Note	DKK'000	Group 2017	Group 2016
	Profit/loss for the year	-5,202	1,310
22	Adjustments	-534	1,617
	Cash generated from operations (operating activities)	-5,736	2,927
23	Changes in working capital	38,808	6,578
	Cash generated from operations (operating activities)	33,072	9,505
	Income taxes paid	3,602	-6,666
	Cash flows from operating activities	36,674	2,839
	Additions of property, plant and equipment	-119	-357
	Disposals of property, plant and equipment	87	1,717
	Cash flows to investing activities	-32	1,360
	Dividends paid	0	-1,000
	Repayments, long-term liabilities	12	-34
	Acquisition of treasury shares	-759	0
	Cash flows from financing activities	-747	-1,034
	Net cash flow	35,895	3,165
	Cash and cash equivalents at 1 January	37,583	34,411
	Foreign exchange adjustments	993	7
24	Cash and cash equivalents at 31 December	74,471	37,583

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 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 year, 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.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

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".

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income and operating expenses

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

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/depreciation, which is calculated as cost less any residual value, is amortised/depreciated 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

Residual value for acquired intangible assets, buildings, installations, fixtures and fittings, tools and equipment are expected to be DKK 0.

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

Land is not depreciated.

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Notes to the financial statements

1 Accounting policies (continued)

Income 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.

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights, including patents and licences.

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

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

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.

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 made up based on recognised valuation methods and reasonable estimates or the value in an active market for similar assets.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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Notes to the financial statements

1 Accounting policies (continued)

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.

Construction contracts are measured at 97% of the selling price of the work performed.

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 comprise of bank deposits.

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

Notes to the financial statements

1 Accounting policies (continued)

Equity

Treasury shares

Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

Revaluation reserve

The reserve comprises revaluations of property, plant and equipment/investments in subsidiaries 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 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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Return on investment $$\frac{\text{Operating profit/loss (EBIT) x 100}}{\text{Average invested capital}}$$

		Group		Parent company	
	DKK'000	2017	2016	2017	2016
2	Segment information				
	Scandinavia	114,094	150,358	114,094	150,358
	Rest of the world	148,730	96,412	117,399	55,391
		262,824	246,770	231,493	205,749
3	Financial income				
	Interest receivable, group entities	0	0	382	268
	Other financial income	732	1,831	492	1,435
		732	1,831	874	1,703
4	Financial expenses				
	Other financial expenses	451	163	236	107
		451	163	236	107
5	Tax for the year				
	Estimated tax charge for the year	7	487	0	4
	Deferred tax adjustments in the year	-1,417	295	-1,413	179
	Tax adjustments, prior years	55	82	82	-36
		-1,355	864	-1,331	147

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Notes to the financial statements

6 Intangible assets

DKK'000	Group Acquired intangible assets
Cost at 1 January 2017	3,728
Forreign exchange adjustments	-7
Cost at 31 December 2017	3,721
Impairment losses and amortisation at 1 January 2017	3,670
Foreign exchange adjustments	-4
Amortisation for the year	19
Impairment losses and amortisation at 31 December 2017	3,685
Carrying amount at 31 December 2017	36
Amortised over	5 years

DKK'000	Parent company Acquired intangible assets
Cost at 1 January 2017	3,560
Cost at 31 December 2017	3,560
Impairment losses and amortisation at 1 January 2017	3,560
Impairment losses and amortisation at 31 December 2017	3,560
Carrying amount at 31 December 2017	0
Amortised over	5 years

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 2017	24,973	1,712	26,685
Foreign exchange adjustments	0	-67	-67
Additions	0	119	119
Disposals	0	-205	-205
Cost at 31 December 2017	24,973	1,559	26,532
Revaluations at 1 January 2017	10,497	0	10,497
Value adjustments for the year	642	0	642
Revaluations at 31 December 2017	11,139	0	11,139
Impairment losses and depreciation at 1 January 2017	10,370	1,199	11,569
Foreign exchange adjustments	0	-42	-42
Depreciation	642	184	826
Reversal of accumulated depreciation and impairment of assets disposed	0	-153	-153
Impairment losses and depreciation at 31 December 2017	11,012	1,188	12,200
Carrying amount at 31 December 2017	25,100	371	25,471
Carrying amount at 31 December 2017, if no revaluation had been made	14,965	0	

	Parent company		
DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2017	24,973	657	25,630
Cost at 31 December 2017	24,973	657	25,630
Value adjustments at 1 January 2017	10,497	0	10,497
Value adjustments for the year	642	0	642
Value adjustments at 31 December 2017	11,139	0	11,139
Impairment losses and depreciation at 1 January 2017	10,370	496	10,866
Depreciation	642	74	716
Impairment losses and depreciation at 31 December 2017	11,012	570	11,582
Carrying amount at 31 December 2017	25,100	87	25,187
Carrying amount at 31 December 2017, if no revaluation had been made	14,965	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 enterprises
Cost at 1 January 2017	1,698
Cost at 31 December 2017	1,698
Value adjustments at 1 January 2017	5,811
Foreign exchange adjustments	992
Profit/loss for the year	-5,298
Offset in receivables	3,305
Value adjustments at 31 December 2017	4,810
Carrying amount at 31 December 2017	6,508

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%

	Group		Parent company	
DKK'000	2017	2016	2017	2016
9 Construction contracts				
Selling price of work performed	176,041	122,200	174,516	118,082
Progress billings	-250,088	-158,062	-246,975	-155,090
	-74,047	-35,862	-72,459	-37,008
recognised as follows:				
Construction contracts (assets)	3,187	4,349	1,662	2,209
Construction contracts (liabilities)	-77,234	-40,211	-74,121	-39,217
	-74,047	-35,862	-72,459	-37,008

10 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 2017	Parent company 2016
11 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 share capital has remained unchanged for the past five years.

12 Treasury shares

	Number	Nominal value	Share of capital	Purchase/ sales sum
		DKK'000		DKK'000
Purchased in the year	80,000	80	2.67%	759
Balance at 31 December 2017	80,000	80	2.67%	

Treasury shares are acquired i.a. to manage when shareholders join or retire form the company.

The shares acquired are B shares.

13 Non-current liabilities other than provisions

	Group			
DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	8,768	329	8,439	6,686
	8,768	329	8,439	6,686

	Parent company			
DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	8,768	329	8,439	6,686
	8,768	329	8,439	6,686

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Notes to the financial statements

		Group		Parent company	
	DKK'000	2017	2016	2017	2016
14	**Deferred tax**				
	Deferred tax at 1 January	1,535	972	1,911	1,439
	Adjustment of the deferred tax charge for the year	-1,417	295	-1,413	179
	Tax on equity transactions	-105	304	-105	304
	Additions on merger	0	0	0	-11
	Other deferred tax	-1	-36	0	0
	Deferred tax at 31 December	12	1,535	393	1,911
	Analysis of the deferred tax				
	Deferred tax assets	-381	-376	0	0
	Deferred tax liabililties	393	1,911	393	1,911
		12	1,535	393	1,911

15 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.

		Group		Parent company	
	DKK'000	2017	2016	2017	2016
16	**Staff costs**				
	Wages/salaries	41,968	46,523	35,607	37,118
	Pensions	3,212	3,051	2,857	2,518
	Other social security costs	1,131	1,383	573	429
		46,311	50,957	39,037	40,065
	Average number of full-time employees	88	91	53	57

Remuneration of the Board of Directors totals DKK 425 thousand and remuneration of Management totals DKK 2,620 thousand. (2016: Remuneration of the Board of Directors totalled DKK 438 thousand and remuneration of Management totalled DKK 1,960 thousand).

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

Notes to the financial statements

17 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 132 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 1,044 thousand, with remaining contract terms of 1-3 years.

18 Collateral

Land and buildings at a carrying amount of DKK 21,500 thousand at 31 December 2017 have been put up as security for debt to mortgage credit institutions, totalling DKK 8,768 thousand.

Securities and investments at a carrying amount of DKK 7,610 thousand at 31 December 2017 have been put up as security for debt to banks.

Land and buildings in the amount of DKK 4,400 thousand (2016: DKK 4,400 thousand) have been provided as security for the Company's credit facilities. Furthermore, EUR 399 thousand and DKK 2,715 thousand has been deposited in cash.

Guarantees for a total of DKK 2,905 thousand (2016: DKK 2,046 thousand) have been provided as collateral for contracts and supplies

19 Currency and interest rate risks and use of derivative financial instruments

The Group uses forward exchange contracts to hedge expected currency risks relating to purchase of goods and services in the coming year. Contractual value at 31 December 2017 totalled a negative DKK 982 thousand.

	Group		Parent company	
DKK'000	2017	2016	2017	2016
20 Fee to the auditors appointed by the Company in general meeting				
Total fees to EY	330	462	222	304
Statutory audit	182	181	103	102
Assurance engagements	14	13	14	13
Tax assistance	89	79	84	57
Other assistance	45	189	21	132
	330	462	222	304

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Notes to the financial statements

	DKK'000	Parent company 2017	Parent company 2016
21	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Extraordinary dividend distributed in the year	0	1,000
	Net revaluation reserve according to the equity method	-1,993	1,931
	Retained earnings/accumulated loss	-3,209	-1,621
		-5,202	1,310

	DKK'000	Group 2017	Group 2016
22	Adjustments		
	Amortisation/depreciation and impairment losses	846	998
	Gain/loss on the sale of non-current assets	-35	-245
	Tax for the year	-1,355	864
	Other adjustments	10	0
		-534	1,617
23	Changes in working capital		
	Change in receivables	-8,697	8,853
	Change in trade and other payables	47,967	-1,542
	Changes in other provisions	-462	-733
		38,808	6,578
24	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	68,544	24,263
	Short-term debt to banks	-1,683	-969
	Securities included as cash and cash equivalents	7,610	14,289
		74,471	37,583