

Haarslev Industries A/S

Bogensevej 85, 5471 Søndersø
CVR no. 89 52 38 18

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 12.06.19

Morten Nicolaj Rose-Nielsen
Dirigent

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The company

Haarslev Industries A/S
Bogensevej 85
5471 Søndersø

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Website: www.haarslev.com
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Registered office: Nordfyns Kommune
CVR no.: 89 52 38 18
Financial year: 01.01 - 31.12

Executive Board

CEO Herman Hubertus Jacobus Defauwes
CFO Morten Nicolaj Rose-Nielsen
Henning Haugaard

Board Of Directors

Søren Dan Johansen
Jan Vestergaard Olsen
Ola Harald Erics
Thomas Stegeager Kvorning

Auditors

DELOITTE STATS AUTORISERET REVISIONSPARTNERSELSKAB

Parent company

Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg

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

We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for Haarslev Industries A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.18 and of the results of the company's activities for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Søndersø, May 28, 2019

Executive Board

Herman Hubertus Jacobus
Defauwes
CEO

Morten Nicolaj Rose-
Nielsen
CFO

Henning Haugaard

Board Of Directors

Søren Dan Johansen
Chairman

Jan Vestergaard Olsen

Ola Harald Erics

Thomas Stegeager Kvorning

To the Shareholder of Haarslev Industries A/S**Opinion**

We have audited the financial statements of Haarslev Industries A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven)

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.18 and of the results of the company's operations for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section of our report. We are independent of the company 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the extended review of the financial statements

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

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the

planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act (Årsregnskabsloven).

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

Copenhagen, May 28, 2019

**DELOITTE STATS-AUTORISERET
REVISIONSPARTNERSELSKAB**

CVR no. 33963556

Lars Siggaard Hansen
State Authorized Public Accountant
MNE-no. mne32208

Tim Kjær-Hansen
State Authorized Public Accountant
MNE-no. mne23295

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2018	2017	2016	2015	2014
<i>Profit/loss</i>					
Revenue	681,251	803,948	763,300	748,026	573,037
Gross profit	40,443	113,815	131,295	132,625	90,859
Operating profit/loss	-72,293	5,253	40,277	39,815	17,433
Total net financials	-35,248	-61,082	41,312	24,290	21,544
Profit/loss for the year	-94,024	-56,351	70,098	54,145	34,435
<i>Balance</i>					
Total assets	1,033,928	768,777	885,927	965,567	862,702
Investments in property, plant and equipment	20,497	11,502	5,944	22,127	9,711
Equity	183,921	180,048	314,618	283,231	264,046

Ratios

	2018	2017	2016	2015	2014
<i>Profitability</i>					
Return on equity	-51,7%	-22,8%	23,5%	19,8%	12,5%
Gross margin	5,9%	14,2%	17,2%	17,7%	15,9%
Profit margin	-10,6%	0,7%	5,3%	5,3%	3,0%
<i>Equity ratio</i>					
Equity interest	17,8%	23,4%	35,5%	29,3%	30,6%

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

Haarslev is a globally leading provider of process solutions and equipment for the drying, dehydrating and processing of fish-based and animal by-products and by-products from the brewing and distilling industries. The Group also offers its process solutions, drying and dehydrating equipment for the municipal and industrial environmental sectors.

Development in activities and finances

2018 was for the Group characterized by high activity level in our core rendering markets in Europe and North America with strong growth in order intake, whereas our South American and Asia Pacific markets were more challenged. Overall the year the company ended with total revenue of DKK 681,251k equaling a decrease of 15%.

The company's income statement for 2018 shows a loss after tax of DKK 94,024k, which is not as expected and not in accordance with the outlook presented in the annual report 2017. The negative result is a combination of several factors; including: a lower than expected activity level, significant losses incurred in certain troublesome projects, primarily within the Environment division and South America. Inventory write-downs and the realization of projects sold in prior years have also had an adverse impact on the Company's result. Exceptional costs relating to restructuring projects and IT investments have also had a negative impact.

The Company has initiated several restructurings and improvement activities with significant potential to improve results for the Group in 2019.

First of April 2018 the Company acquired its UK agent; 3 companies, KMG UK Ltd, Haarslev UK Ltd and Food Processing Equipment UK Ltd.

The Company's balance sheet as of 31 December 2018 shows an equity of DKK 183,921k.

Capital resources and funding

At 31. December 2018, The Group's interest-bearing debt totals a net amount of DKK 626,706k compared to DKK 471 million at 31 December 2017.

As part of the financial agreement with the Group's lenders, the Group must comply with certain financial covenants. As a consequence of the negative financial performance in 2018 some of the financial covenants were breached. The Group's lenders provided a waiver on the covenants, the Group's credit lines and financing agreements were amended, and new financial covenants were implemented. For Q1 2019 the Group is in compliance with the financial covenants.

In February 2019 the capital resources were improved through a capital injection of DKK 40,232k and a further strengthening of the capital resources of approx. DKK 37,000k is planned end of May 2019. Based hereon and the budget for 2019 Group Management

considers that the Group's capital resources and funding is on an acceptable level throughout 2019. The Group's guidelines and procedures for control and management of the capital structure remained unchanged in 2018.

Uncertainty relating to recognition and measurement

Revenue related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized based on the stage of completion of work performed.

Goodwill is measured at cost less accumulated amortisation and impairment. Management has assessed indication of impairment of goodwill based on expected earnings.

Deferred tax assets, including the tax base of tax losses carried forward, are measured at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. The estimated realisable value is based on expected earnings.

The stage of completion and expected earnings is based on estimates as well as expected future events and is thus subject to uncertainty.

Outlook

Following the implementation of a new ERP system in the Company's Danish entities, a strong order intake in the first quarter of 2019 and the positive effects of the Company's restructuring activities, it is expected that 2019 will show a significant increase in earnings. The Group's organic Revenue is expected to increase with 3% but with a considerably improvement in earnings resulting in a positive EBIT.

Particular risks

Because of its operations, investments and financing, the Group is exposed to volatility in terms of raw material prices, exchange rates and the level of interest. The fiscal policy pursued by the Group involves operating with a low risk profile, so that risks concerning exchange rates, interest rates and credit only arise, should commercial conditions occur. On an ongoing basis, the Group enters into currency contracts for hedging of currency risks.

Intellectual capital resources

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

Customers

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

customers.

Technology

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

Processes

The critical business processes relate to the development of individual solutions, quality and service. In order to make sure that the customer receives the agreed service, the individual methods and procedures shall be documented. Compliance with time of delivery and the scope of warranty expenses are important indicators of the functionality of business processes. The Group constantly makes great efforts to ensure that the goals, set up for the business processes, are complied with. Furthermore, the Group's internal development activities are constantly focused on improving products and processes, often in cooperation with the customer.

Staff relations

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

The number of employees has developed as follows:

Denmark

Number and employees, beginning of year	395
Change	26
Number and employees, end of year	421

Environmental performance

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

Research and development activities

The Group is not engaged in research but is developing its business and competencies on

an ongoing basis

Statutory report on corporate social responsibility

Haarslev has decided to publish the statutory CSR and Diversity statements on the Company's website, see the Danish Financial Statements Act, § 99a and § 99b. The CSR and Diversity statements are developed for Haarslev.

To read the statements please visit [http:// haarslev.com/CSR- performance](http://haarslev.com/CSR-performance) .

Statutory report on underrepresented gender

Haarslev has decided to publish the statutory CSR and Diversity statements on the Company 's website, see the Danish Financial Statements Act, § 99a and § 99b. The CSR and Diversity statements are developed for Haarslev.

To read the statements please visit [http:// haarslev.com/CSR- performance](http://haarslev.com/CSR-performance) .

Corporate governance

The Board of Directors and Executive Board of Haarslev Industries A/ S constantly seek to ensure that the management structure and control systems of the Group are appropriate and satisfactory. On an ongoing basis, Management assesses whether this remains the case. The tasks and responsibilities of Management are, among others, based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association and generally accepted practice for enterprises of the same size and with the same international reach as Haarslev Industries. In this connection and because the Group 's principal shareholder is Altor Fund III, who is a member of Danish Venture Capital and Private Equity Association (www.dvca.dk), then the Haarslev Group in all material respects complies with the guidelines for responsible ownership and corporate governance of DVCA.

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

Operational risk management

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

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

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

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

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

Shareholder relations

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

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

The Haarslev Group's principal shareholder is Altor Fund III who possesses c. 71% of the Company's shares. Group Management holds a minority share of 2% of the Company's shares.

Board of Directors

Søren Dan Johansen

Elected by Altor Fund 1/I

Chairman of the Board of Directors. Member of the Board since 2012.

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

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

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

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

Jan Vestergaard Olsen

Elected by Altor Fund 1/I

Vice-chairman of the Board of Directors since 2012.

CEO of TAMI Holding ApS

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

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

Member of the Board of Hoyer Group A/ S, KK– Group A/S, Stormgade II ApS, and Bygge- og udviklingsfonden Aalborg Zoologiske Have.

Ola Harald Erici

Elected by Altor Fund 1/I

Member of the Board of Directors since 2012.

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

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

Thomas Stegeager Kvorning

Elected by Altor Fund 1/I

Member of the Board of Directors since 2012.

CEO of Klean Holding Aps, Tsk 2019 ApS, Ask 2019 ApS, Ksk 2019 ApS, Lsk 2019 ApS, and TK Holding 2019 ApS.

Member of the Board of Haarslev Group A/S, Haarslev Industries A/S, Haarslev Group Holding A/S, Tresu A/S, Tresu Investment Holding A/S, Tresu Group Holding A/S

Responsibilities of the Board of Directors

The Board of Directors as a whole has monitored the preparation of the financial reporting, the internal controls and the audit of the financial statements. The Board of Directors are considering to set up a separate audit committee.

The Board of Directors ensures that the Executive Board complies with the objectives, strategies and procedures laid down by the Board of Directors. The reporting from the

Executive Boards of the respective companies takes place systematically, both at meetings and through written and verbal reporting on an ongoing basis.

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

Management remuneration

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

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

Dividend policy

Payment of dividend takes place in due consideration of the necessary consolidation of equity as a basis for the Group's continued expansion. No dividend is proposed for 2018.

Stakeholders

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

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

Events after the balance sheet date

In February 2019 the Group's equity was increased by DKK 40.232k and end of May 2019 an increase of approx. DKK 37,000k is planned in order to strengthen the capital structure of the Group.

After the balance sheet date an extraordinary distribution of dividend of DKK 120,000k was decided, to optimize the Group's financing structure.

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

Income statement

Note		2018 DKK '000	2017 DKK '000
1	Revenue	681,251	803,948
	Production costs	-640,808	-690,133
	Gross profit	40,443	113,815
	Distribution costs	-20,125	-18,243
	Administrative expenses	-92,611	-90,319
	Profit/loss before net financials	-72,293	5,253
3	Income from equity investments in group enterprises	-44,423	-55,900
4	Income from equity investments in associates	-4	-426
5	Financial income	26,846	6,019
	Financial expenses	-17,667	-10,775
	Profit/loss before tax	-107,541	-55,829
6	Tax on profit or loss for the year	13,517	-522
	Profit/loss for the year	-94,024	-56,351

Proposed appropriation account

Reserve for net revaluation according to the equity method	0	-90,913
Retained earnings	-94,024	34,562
Total	-94,024	-56,351

Balance sheet

ASSETS		31.12.18 DKK '000	31.12.17 DKK '000
Note			
	Acquired rights	132	2,775
	Goodwill	21,849	24,933
7	Total intangible assets	21,981	27,708
	Land and buildings	40,301	37,385
	Plant and machinery	17,546	13,031
	Other fixtures and fittings, tools and equipment	15,238	12,971
	Property, plant and equipment under construction	64	2,602
8	Total property, plant and equipment	73,149	65,989
9	Equity investments in group enterprises	356,369	279,471
11	Receivables from group enterprises	0	7,299
9	Equity investments in associates	20,390	20,884
11	Other receivables	1,697	1,503
	Total investments	378,456	309,157
	Total non-current assets	473,586	402,854
	Raw materials and consumables	50,648	38,958
	Work in progress	20,900	14,811
	Manufactured goods and goods for resale	4,184	1,656
	Total inventories	75,732	55,425
10	Work in progress for third parties	51,904	53,874
	Trade receivables	52,220	63,161
	Receivables from group enterprises	365,967	158,822
	Income tax receivable	0	1,407
	Other receivables	11,997	32,342
	Total receivables	482,088	309,606
	Cash	2,522	892
	Total current assets	560,342	365,923
	Total assets	1,033,928	768,777

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.18 DKK '000	31.12.17 DKK '000
13	Share capital	500	500
	Retained earnings	63,421	179,548
	Proposed dividend	120,000	0
	Total equity	183,921	180,048
14	Provisions for deferred tax	1,059	16,257
15	Other provisions	17,339	22,562
	Total provisions	18,398	38,819
16	Payables to other credit institutions	12,760	35,271
	Total long-term payables	12,760	35,271
16	Short-term portion of long-term payables	65,657	352
	Payables to other credit institutions	522,717	242,640
10	Prepayments received from work in progress for third parties	33,807	32,692
	Prepayments received from customers	39,099	45,223
	Trade payables	66,756	111,083
	Payables to group enterprises	44,104	35,765
	Other payables	46,709	46,884
	Total short-term payables	818,849	514,639
	Total payables	831,609	549,910
	Total equity and liabilities	1,033,928	768,777
18	Contingent liabilities		
19	Charges and security		
20	Related parties		

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend	Total equity
Statement of changes in equity for 01.01.17 - 31.12.17					
Balance as at 01.01.17	500	73,290	189,650	60,000	323,440
Net effect of correction of material errors	0	-8,822	0	0	-8,822
Balance as at 01.01.17	500	64,468	189,650	60,000	314,618
Foreign currency translation adjustment of foreign enterprises	0	-19,487	0	0	-19,487
Dissolution of revaluations in respect of previous years	0	0	-15,930	0	-15,930
Dividend paid	0	0	0	-60,000	-60,000
Other changes in equity	0	17,592	-394	0	17,198
Transfers to/from other reserves	0	28,340	-28,340	0	0
Net profit/loss for the year	0	-90,913	34,562	0	-56,351
Balance as at 31.12.17	500	0	179,548	0	180,048
Statement of changes in equity for 01.01.18 - 31.12.18					
Balance pr. 01.01.18	500	0	179,548	0	180,048
Foreign currency translation adjustment of foreign enterprises	0	7,441	0	0	7,441
Group contribution	0	0	90,792	0	90,792
Fair value adjustment of hedging instruments	0	9,803	-10,225	0	-422
Extraordinary dividend proposed	0	0	-120,000	120,000	0
Other changes in equity	0	0	99	0	99
Transfers to/from other reserves	0	-17,244	17,231	0	-13
Net profit/loss for the year	0	0	-94,024	0	-94,024
Balance as at 31.12.18	500	0	63,421	120,000	183,921

	2018	2017
	DKK '000	DKK '000

1. Revenue

Revenue comprises the following activities:

Revenue	681,251	803,948
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Revenue comprises the following geographical markets:

Revenue, Denmark	22,461	49,584
Revenue, other EU-countries	289,985	361,530
Revenue, other countries	368,805	392,834
Total	681,251	803,948

2. Employee aspects

Wages and salaries	223,043	212,715
Pensions	17,690	16,034
Other social security costs	3,707	3,388

Total	244,440	232,137
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Total staff costs comprise:

Production costs	206,765	194,482
Distribution costs	18,248	13,568
Administrative expenses	19,427	24,087

Total	244,440	232,137
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Average number of employees during the year	421	395
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	2018	2017
	DKK '000	DKK '000

2. Employee aspects - continued -

Remuneration for the management:

Salaries, Board of Executives	3,968	4,202
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Total remuneration for the management	3,968	4,202
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Remuneration for the Board of Directors	450	525
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Remuneration for the Executive Board and Board of Directors	4,418	4,727
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3. Income from equity investments in group enterprises

Income from equity investments in group enterprises	-41,350	-54,149
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Amortisation of goodwill	-3,073	-1,751
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Total	-44,423	-55,900
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4. Income from equity investments in associates

Income from equity investments in associates	960	538
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Amortisation of goodwill	-964	-964
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Total	-4	-426
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5. Financial income

Interest, group enterprises	26,846	4,789
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Other interest income	0	1,230
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Total	26,846	6,019
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	2018 DKK '000	2017 DKK '000
6. Tax on profit or loss for the year		
Tax on profit or loss for the year	0	-1,213
Adjustment of deferred tax for the year	-14,218	0
Deferred tax, change in tax rate	0	4,022
Adjustment of tax in respect of previous years	701	-2,287
Total	-13,517	522

7. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill	Total
Cost pr. 01.01.18	24,127	70,015	94,142
Cost as at 31.12.18	24,127	70,015	94,142
Amortisation and impairment losses pr. 01.01.18	-21,352	-45,081	-66,433
Amortisation during the year	-2,643	-3,085	-5,728
Amortisation and impairment losses as at 31.12.18	-23,995	-48,166	-72,161
Carrying amount as at 31.12.18	132	21,849	21,981

8. Property, plant and equipment

Figures in DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost pr. 01.01.18	93,560	76,340	30,843	2,602
Additions during the year	6,538	10,301	3,594	64
Disposals during the year	0	-12,416	-4,689	-2,602
Cost as at 31.12.18	100,098	74,225	29,748	64
Depreciation and impairment losses pr. 01.01.18	-56,175	-63,309	-17,873	0
Depreciation during the year	-3,622	-5,863	-1,304	0
Reversal of depreciation of and impairment losses on disposed assets	0	12,493	4,667	0
Depreciation and impairment losses as at 31.12.18	-59,797	-56,679	-14,510	0
Carrying amount as at 31.12.18	40,301	17,546	15,238	64
Carrying amount of assets held under finance leases as at 31.12.18	0	95	0	0

9. Equity investments

Figures in DKK '000	Equity invest- ments in group enterprises	Equity invest- ments in asso- ciates
Cost pr. 01.01.18	306,644	22,050
Additions relating to mergers and acquisition of enterprises	51,321	0
Additions during the year	52,272	0
Cost as at 31.12.18	410,237	22,050
Depreciation and impairment losses pr. 01.01.18	-27,175	-1,166
Foreign currency translation adjustment of foreign enterprises	7,441	0
Amortisation of goodwill	-3,073	-964
Net profit/loss from equity investments	-41,350	960
Dividend relating to equity investments	0	-490
Other adjustments relating to equity investments	10,289	0
Depreciation and impairment losses as at 31.12.18	-53,868	-1,660
Carrying amount as at 31.12.18	356,369	20,390
The item comprises goodwill as at 31.12.18 of	61,166	16,551

9. Equity investments - continued -

Name and Registered office:	Ownership interest	Equity
Group enterprises:		
Haarslev Inc., Kansas City, USA	100%	122,112
Haarslev Industries GmbH., Krefeldt , Germany	100%	21,536
Stord Bartz AS, Bryne, Norge	100%	720
Haarslev Industries S.A.C., Lima, Peru	100%	-12,250
Haarslev Inversiones Internacionales S.L.U., Barcelona, Spain	100%	-12,203
Haarslev Industries LTDA, Curitiba, Brazil	100%	1,208
Haarslev Industries S.A.U., Barcelona, Spain	100%	108,188
Haarslev Industries PTE LTD, Labuan, F.T., Malaysia	100%	7,074
Haarslev Industries SDN BHD, Selangor Darul Eshan, Malaysia	100%	2,435
Haarslev Industries L.L.C., Moscow, Russia	100%	14,145
Haarslev Xuzhou Machinery Co. LTD, Xuzhou City, Jiangsu Province, China	100%	62,242
Haarslev Industries Ltd, Rosedale, Auckland, New Zealand	100%	8,470
Haarslev Industries (India) Pvt Ltd, Mumbai, Maharashtra, India	100%	-731
Haarslev PT (India) Pvt Ltd, Mumbai, Maharashtra	100%	-5,045
Haarslev Industries Poland Sp. z.o.o., Kielce, Poland	100%	-1,532
Haarslev Industries S.A.S., Lorient, France	100%	7,109
Haarslev Industries Press Technology GmbH & Co., Wuppertal, Germany	100%	11,249
Haarslev Industries Remscheid GmbH, Mannheim, Germany	100%	165
Haarslev Makine Sanayi A.S., Bursa, Turkey	100%	-17,926
Haarslev Holding UK, Skelmersdale, Lancashire, UK	100%	2,709

Haarslev Industries UK, Skelmersdale, Lancashire UK	100%	10,853
Haarslev Food Processing Equipment UK, Skelmersdale, Lancashire UK	100%	4,304
Associates		
Core A/S, Herlev, Denmark	49%	7,835

	31.12.18	31.12.17
	DKK '000	DKK '000

10. Work in progress for third parties

Work in progress for third parties	442,237	517,737
On-account invoicing	-424,140	-496,555
Work in progress for third parties	18,097	21,182
Work in progress for third parties (receivables)	51,904	53,874
Prepayments received from work in progress for third parties, short-term payables (liabilities)	-33,807	-32,692
Total	18,097	21,182

11. Receivables from group enterprises

Figures in DKK '000	Receivables from group enterprises	Other receivables
Cost pr. 01.01.18	27,708	1,503
Foreign currency translation adjustment of foreign enterprises	-1,208	0
Additions during the year	4,631	194
Transfers during the year to/from other items	1,069	0
Cost as at 31.12.18	32,200	1,697
Revaluations pr. 01.01.18	2,657	0
Foreign currency translation adjustment of foreign enterprises	-75	0
Revaluations during the year	-206	0
Revaluations as at 31.12.18	2,376	0
Impairment losses pr. 01.01.18	-23,063	0
Impairment losses during the year	-11,513	0
Impairment losses as at 31.12.18	-34,576	0
Carrying amount as at 31.12.18	0	1,697

	2018	2017
	DKK '000	DKK '000

12. Distribution of net profit

Reserve for net revaluation according to the equity method	0	-90,913
Retained earnings	-94,024	34,562
Total	-94,024	-56,351

13. Share capital

The share capital consists of:

Contributed capital consist of 500 shares of a value of DKK 1.000. The shares have not have been divided into categories and no shares carry any special rights.	500	500
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14. Deferred tax

Deffered tax comprises:

Intangible assets	29	611
Property, plant and equipment	859	3,033
Receivables	13,789	16,828
Liabilities	-3,596	-4,215
Tax losses	-10,022	0
Total	1,059	16,257

15. Other provisions

Figures in DKK '000	Warranty commitments	Provisions for subsidiaries
Provisions pr. 01.01.18	19,325	3,237
Reversed provision in respect of previous years	-2,981	-2,242
Provisions as at 31.12.18	16,344	995

Other provisions are expected to be distributed as follows:

Other provisions comprise warranty commitments. The company makes provisions for commitments relating to both projects in progress and completed projects. The provisions for warranty commitments are calculated as an estimated percentage of revenue on a project-by-project basis. Warranty commitments amount to DKK 16.344k at 31 december 2018.

16. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.18	Total payables at 31.12.17
Payables to other credit institutions	65,560	0	78,320	35,271
Lease commitments	97	0	97	352
Total	65,657	0	78,417	35,623

17. Derivative financial instruments

The company has entered into forward exchange contracts to hedge future sales and purchase in USD, EUR, CHN and PLN. The contract value at 31. December 2018 amounts to DKK -123k (31. December 2017 DKK 388k). In relation to the rate at the balance sheet data, the contracts have a negative fair value. The exchange loss is recognized in equity.

18. Contingent liabilities

Lease commitments

The company has concluded lease agreements of a total of DKK 2.308k.

Guarantee commitments

As part of the Company's ordinary activities, the Company's bank and insurance companies have issued guarantees for contracting projects totaling DKK 74.152k.

Other contingent liabilities

The company is taxed jointly with Haarslev Group Holding A/S in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed entities total known net liability under joint taxation arrangement is disclosed in the administration company's financial statement.

Disputes and claims

By nature, Haarslev Group is always involved in disputes and claims with customers and employees in certain regions. The outcome of ongoing disputes and claims is not expected to have significant impact on the financial position.

19. Charges and security

The company's shares in subsidiaries DKK 266.961k have been provided as security for payables in group enterprises to banks, at 31 december 2018, amount to net 763.059 DKK k.

A mortgage deed to the mortgagor of DKK 30.500k and a letter of indemnity of DKK 4.500k secured on land and buildings with carrying amount of DKK 40.309k at 31 December 2018 have been provided as security for bank debt in the Parent and Group enterprises amounting net to DKK 763.059k.

20. Related parties

Controlling influence:	Basis of influence
Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg	principal shareholder
Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Søndersø	shareholder
Haarslev Group A/S, Bogensevej 85, Haarslev, 5471 Søndersø	shareholder

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

Remuneration for the management is specified in note 2. Employee aspects.

The company is included in the consolidated financial statements of the parent Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Søndersø.

21. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for large enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Søndersø, CVR no. 33 96 93 76, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Uncertainty relating to recognition and measurement

Revenue related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized based on the stage of completion of work performed.

Goodwill is measured at cost less accumulated amortisation and impairment. Management has assessed indication of impairment of goodwill based on expected earnings.

Deferred tax assets, including the tax base of tax losses carried forward, are measured at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. The estimated realisable value is based on expected earnings.

The stage of completion and expected earnings is based on estimates as well as expected future events and is thus subject to uncertainty.

21. Accounting policies - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

21. Accounting policies - continued -**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

INCOME STATEMENT**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the delivery of services is recognised as delivery takes place, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

21. Accounting policies - continued -**Distribution costs**

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	1-20	0
Goodwill	20	0
Buildings	25	0
Plant and machinery	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

Intellectual property right etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

Patents are amortised over their remaining duration, and licenses are amortised over the term of agreement.

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

21. Accounting policies - continued -

carrying amount.

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

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

Haarslevs investments in businesses are of a strategic significance in order to further increase Haarslevs revenue and profits. The acquired businesses include technologies, segments and products closely linked to Haarslevs core business. The earnings profile, underpins an economic life of 20 years.

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

Land is not depreciated.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises and associates

For equity investments in subsidiaries and associates, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses. For associates, only the proportionate share of intercompany gains and losses is eliminated.

Income from equity investments in subsidiaries and associates also comprises gains and losses on the sale of equity investments.

21. Accounting policies - continued -**Other net financials**

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference

21. Accounting policies - continued -

between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises and associates

Equity investments in subsidiaries and associates are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between

21. Accounting policies - continued -

the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Gains or losses on the divestment of subsidiaries and associates are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

The proportionate share of the equity value of subsidiaries and associates is determined according to the accounting policies of the enterprise which are stated in the other sections..

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are

21. Accounting policies - continued -

written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

Indirect production costs comprise indirect materials and labour costs, cost of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in manufacturing process as well as costs of factory administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

21. Accounting policies - continued -

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments in subsidiaries and associates is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation

21. Accounting policies - continued -

rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.