

Haarslev Industries A/S

Bogensevej 85

5471 Søndersø

Business Registration No

89523818

Annual report 2017

The Annual General Meeting adopted the annual report on 25.05.2018

Chairman of the General Meeting

Name: Morten Rose-Nielsen

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Entity details

Entity

Haarslev Industries A/S
Bogensevej 85
5471 Sønderød

Central Business Registration No (CVR): 89523818

Registered in: Nordfyns

Financial year: 01.01.2017 - 31.12.2017

Website: www.haarslev.com

E-mail: DK-info@haarslev.com

Board of Directors

Søren Dan Johansen, Chairman
Jan Vestergaard Olsen, Vice-chairman
Bengt Maunsbach
Ola Harald Eriç
Peter Christopher Vestermark Bason
Thomas Stegeager Kvorning

Executive Board

Herman Hubertus Jacobus Defauwes, CEO
Michael Kaalund, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Haarslev Industries A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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

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

Søndersø, 26.04.2018

Executive Board

Herman Hubertus Jacobus
Defauwes
CEO

Michael Kaalund

CFO

Board of Directors

Søren Dan Johansen
Chairman

Jan Vestergaard Olsen
Vice-chairman

Bengt Maunsbach

Ola Harald Eriç

Peter Christopher Vestermark
Bason

Thomas Stegeager Kvorning

Independent auditor's report

To the shareholders of Haarslev Industries A/S

Opinion

We have audited the financial statements of Haarslev Industries A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 these 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary 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 commentary 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 commentary.

Copenhagen, 26.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Lars Siggaard Hansen

State Authorised Public Accountant

Identification No (MNE) mne32208

Tim Kjær-Hansen

State Authorised Public Accountant

Identification No (MNE) mne23295

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	803.948	763.300	748.026	573.037	657.602
Gross profit/loss	113.815	131.295	132.625	90.859	113.236
Operating profit/loss	5.253	40.277	39.815	17.433	44.849
Net financials	(61.082)	41.312	24.290	21.544	50.606
Profit/loss for the year	(56.351)	70.098	54.145	34.435	86.140
Total assets	768.777	885.927	965.567	862.702	776.088
Investments in property, plant and equipment	11.502	5.944	22.127	9.711	22.786
Equity	180.048	314.618	283.231	264.046	285.312
Ratios					
Gross margin (%)	14,2	17,2	17,7	15,9	17,2
Net margin (%)	(7,0)	9,2	7,2	6,0	13,1
Return on equity (%)	(22,8)	23,5	19,8	12,5	32,8
Equity ratio (%)	24,7	36,1	29,3	30,6	36,8

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strenght of the Entity.

Management commentary

Primary activities

Haarslev Industries A/S is a global provider of 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 Company also offers its process solutions, drying and dehydrating equipment for the municipal and industrial environmental sectors.

Development in activities and finances

The company's income statement for 2017 shows a revenue increase of DKK 40,648k. The main driver is a combination of increased activity and a negative one off impact from change in accounting estimates.

The company has realized a loss after tax of DKK 56,351k, which is not as expected and not in accordance with outlook presented in the annual report 2016. The negative results primarily relates to a one-off accounting impact from a change in revenue measurement principles (as described below) as well as an increase in fixed costs and project related costs resulting from the significant increase in activity level and resulting pressure on the supply chain. Finally, the 2017 results are impacted by exceptional costs relating to the implementation of a number of internal projects aimed at securing a stronger platform as the company continues to grow.

The Company's balance sheet at 31 December 2017 shows equity of DKK 180,048k.

Uncertainty relating to recognition and measurement

Revenue related to contract work in progress (project), which are measured at the selling price of work performed, are recognized on the basis of the stage of completion of work performed. The stage of completion is based on estimates as well as expected future events and is thus subject to uncertainty.

Unusual circumstances affecting recognition and measurement

As a result of an analysis of the project portfolio the Company refined the classification of the project portfolio in relation to the timing of revenue recognition with effect from 1 January 2017. This change resulted in a one-off accounting impact as more customer contracts are recognized as income at transfer of risk instead of as work in progress. Management estimates that revenue has been negatively influenced by approximately DKK 60-77 million. This change had no impact on the underlying profit or liquidity of Haarslev.

The Company's financial position at 1 January 2017 has been affected by a misstatement related to the lack of recognition of costs in a 100% owned subsidiary in the years 2015 and 2016. The misstatement has been corrected as of 1 January 2017 and has been applied for the comparative figures for 2016. The change results in a reduction of the profit for 2016 with DKK 6,7 million, and the liabilities and equity has been reduced with DKK 8,8 million.

Outlook

In 2018 it is expected that the market will continue to be positive and increasing in key markets and segments. It is expected that 2018 will end at a higher level than 2017 with an estimated organic growth in revenue in the range 15-25% and a significant rebound in earnings.

Management commentary

Particular risks

As a consequence of its operations, investments and financing, the Company is exposed to volatility in terms of raw material prices, exchange rates and the level of interest. The fiscal policy pursued by the Company 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 Company enters into currency contracts for hedging of currency risks.

At 31 December 2017, Haarslev Industries A/S' external interest-bearing debt totals a net amount of DKK 277,935k which Management consider a reasonable and acceptable level. The Company's guidelines and procedures for control and management of the capital structure remained unchanged in 2017.

Intellectual capital resources

The Company aspires to lead the technological development in the industry. The Company 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 Company 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 Company – in both the short and the 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 are documented. Compliance with time of delivery and the scope of warranty expenses are important indicators of the functionality of the business processes. The Company constantly makes great efforts to ensure that the goals set for the business processes are complied with. Furthermore, the Company'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 Company is capable of recruiting and retaining highly qualified employees.

Management commentary

The number of employees has developed as follows:

	<u>Denmark</u>
Number of employees, beginning of the year	374
Change	<u>21</u>
Number of employees, end of year	<u>395</u>

Environmental performance

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

Research and development activities

The Company is not engaged in research but is developing its business and competencies on an ongoing basis.

Statutory report on corporate social responsibility

Haarslev Industries A/S 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 the legal entity Haarslev Industries A/S only, and do therefore not include any subsidiaries. To read the statements please visit <http://haarslev.com/CSR-performance>.

Statutory report on the underrepresented gender

Haarslev Industries A/S 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 the legal entity Haarslev Industries A/S only, and do therefore not include any subsidiaries. To read the statements please visit <http://haarslev.com/CSR-performance>.

Statutory report on corporate governance

The Board of Directors and Executive Board of Haarslev Industries constantly seek to ensure that the management structure and control systems of the Company are appropriate and satisfactory. Management assesses on an ongoing basis 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 Company'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 Company. This includes a further strengthening of the Finance function, an

Management commentary

increased number of financial control reviews and controlling visits at subsidiaries and an updated "Code of Conduct" across the Group.

Operational risk management

The main operational risks in the Company relates to the execution of large complex customer projects. The Company's extensive know-how and many years of experience within project management are the main components in mitigating this risk. Bid reviews and project support from central knowledge centres 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 annual 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.

Board of Directors

Søren Dan Johansen 1

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

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

Chairman of the Board of Haarslev Group A/S, Haarslev Industries A/S, Wrist Ship Supply Holding A/S, W.S.S. Holding A/S, Wrist Ship Supply A/S, Norican Global 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, Leith Society ApS and Roenholtmedia.com ApS.

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

Jan Vestergaard Olsen 1

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.

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

Management commentary

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

Thomas Stegeager Kvorning ¹

Member of the Board of Directors since 2012.

Director at Altor Equity Partners A/S.

CEO of Ejendomsselskabet Sydmarken 5 A/S.

Member of the Board of Haarslev Group A/S, Norican Global A/S, Ejendomsselskabet Sydmarken 5 A/S, Tresu A/S, Tresu Investment A/S, Tresu Investment Holding A/S, Tresu Group Holding A/S, Ålö AB, Ålö Group AB and Ålö Intressenter AB.

Ola Harald Eriç ¹

Member of the Board of Directors since 2012.

Chairman of the Board of Midsona AB, Ecobrånslé AB, Geveko AB and Arendalis AB.

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

Peter Christopher Vestermark Bason ¹

Member of the Board of Directors since 2012.

Director at Altor Equity Partners A/S.

Member of the Board of Haarslev Group A/S and Ålö Holding AB.

Bengt Maunsbach ¹

Member of the Board of Directors since 2012.

Partner at Altor Equity Partners A/S.

Chairman of the Board of Realia Group Oy.

Member of the Board of Haarslev Group A/S, Ålö Holding AB, Ålö Group AB, OptiGroup AB and Altor Equity Partners AB.

¹ Elected by Altor Fund III

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 has chosen not to set up a separate audit committee.

The Board of Directors ensures that the Executive Board comply 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 oral reporting on an ongoing basis.

Among other things, this reporting includes a description of the development in key markets, as well as the Company'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 commentary

Management remuneration

In order to attract and retain the Company'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 programme 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 Company's continued expansion. No dividend is proposed for 2017.

Stakeholders

The Company 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 Company's development. On this basis, Haarslev Industries A/S 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

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

Income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	803.948	763.300
Production costs	2	<u>(690.133)</u>	<u>(632.005)</u>
Gross profit/loss		113.815	131.295
Distribution costs	2	(18.243)	(18.927)
Administrative expenses	2	<u>(90.319)</u>	<u>(72.091)</u>
Operating profit/loss		5.253	40.277
Income from investments in group enterprises		(55.900)	47.694
Income from investments in associates		(426)	(739)
Other financial income	3	6.019	6.559
Other financial expenses		<u>(10.775)</u>	<u>(12.202)</u>
Profit/loss before tax		(55.829)	81.589
Tax on profit/loss for the year	4	<u>(522)</u>	<u>(11.491)</u>
Profit/loss for the year	5	<u>(56.351)</u>	<u>70.098</u>

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Acquired rights		2.775	7.422
Goodwill		24.933	28.018
Intangible assets	6	27.708	35.440
Land and buildings		37.385	38.050
Plant and machinery		13.031	12.257
Other fixtures and fittings, tools and equipment		12.971	12.599
Property, plant and equipment in progress		2.602	820
Property, plant and equipment	7	65.989	63.726
Investments in group enterprises		279.471	355.693
Receivables from group enterprises		7.299	1.904
Investments in associates		20.884	21.310
Other receivables		1.503	1.503
Fixed asset investments	8	309.157	380.410
Fixed assets		402.854	479.576
Raw materials and consumables		38.958	26.597
Work in progress		14.811	0
Manufactured goods and goods for resale		1.656	0
Inventories		55.425	26.597
Trade receivables		63.161	67.316
Contract work in progress	9	53.874	82.835
Receivables from group enterprises		158.822	219.546
Other receivables		32.342	8.555
Income tax receivable		1.407	0
Receivables		309.606	378.252
Cash		892	1.502
Current assets		365.923	406.351
Assets		768.777	885.927

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital	10	500	500
Reserve for net revaluation according to the equity method		0	64.468
Retained earnings		179.548	189.650
Proposed dividend		0	60.000
Equity		180.048	314.618
Deferred tax	11	16.257	12.235
Other provisions	12	19.325	22.295
Provisions for investments in group enterprises	13	3.237	0
Provisions		38.819	34.530
Debt to other credit institutions	14	35.271	52.959
Other payables		0	1.007
Non-current liabilities other than provisions		35.271	53.966
Finance lease liabilities		352	659
Payables to other credit institutions		242.639	219.946
Prepayments received from customers		45.223	34.532
Contract work in progress	9	32.693	31.734
Trade payables		111.083	90.021
Payables to group enterprises		35.765	33.700
Income tax payable		0	15.383
Other payables		46.884	56.838
Current liabilities other than provisions		514.639	482.813
Liabilities other than provisions		549.910	536.779
Equity and liabilities		768.777	885.927
Financial instruments	15		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		
Group relations	21		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	500	73.290	189.650	60.000
Corrections of material errors	0	(8.822)	0	0
Adjusted equity, beginning of year	500	64.468	189.650	60.000
Ordinary dividend paid	0	0	0	(60.000)
Exchange rate adjustments	0	(19.487)	0	0
Value adjustments	0	17.592	(15.930)	0
Other entries on equity	0	0	(394)	0
Transfer to reserves	0	28.340	(28.340)	0
Profit/loss for the year	0	(90.913)	34.562	0
Equity end of year	500	0	179.548	0

Statement of changes in equity for 2017

	Total DKK'000
Equity beginning of year	323.440
Corrections of material errors	<u>(8.822)</u>
Adjusted equity, beginning of year	314.618
Ordinary dividend paid	(60.000)
Exchange rate adjustments	(19.487)
Value adjustments	1.662
Other entries on equity	(394)
Transfer to reserves	0
Profit/loss for the year	<u>(56.351)</u>
Equity end of year	<u>180.048</u>

Notes

	2017 DKK'000	2016 DKK'000
1. Revenue		
Denmark	49.584	108.368
Other EU-countries	361.530	233.437
Other	392.834	421.495
	803.948	763.300
	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	212.715	182.390
Pension costs	16.034	13.837
Other social security costs	3.388	3.241
	232.137	199.468
Average number of employees	395	358
	Remunera- tion of manage- ment 2017 DKK'000	Remunera- tion of manage- ment 2016 DKK'000
Executive Board	4.202	3.203
Board of Directors	525	565
	4.727	3.768
	2017 DKK'000	2016 DKK'000
3. Other financial income		
Financial income arising from group enterprises	4.789	5.055
Other financial income	1.230	1.504
	6.019	6.559

Notes

	2017	2016
	DKK'000	DKK'000
4. Tax on profit/loss for the year		
Current tax	(1.213)	16.976
Change in deferred tax	4.022	(5.561)
Adjustment concerning previous years	(2.287)	76
	522	11.491
	2017	2016
	DKK'000	DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	60.000
Transferred to reserve for net revaluation according to the equity method	(90.913)	(40.269)
Retained earnings	34.562	50.367
	(56.351)	70.098
	Acquired rights	Goodwill
	DKK'000	DKK'000
6. Intangible assets		
Cost beginning of year	24.127	70.015
Cost end of year	24.127	70.015
Amortisation and impairment losses beginning of year	(16.705)	(41.997)
Amortisation for the year	(4.647)	(3.085)
Amortisation and impairment losses end of year	(21.352)	(45.082)
Carrying amount end of year	2.775	24.933

Notes

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment				
Cost beginning of year	90.779	101.466	30.642	820
Additions	2.781	5.244	1.695	11.529
Disposals	0	(30.370)	(1.494)	(9.747)
Cost end of year	93.560	76.340	30.843	2.602
Depreciation and impairment losses beginning of year	(52.729)	(89.209)	(18.043)	0
Depreciation for the year	(3.446)	(4.373)	(1.323)	0
Reversal regarding disposals	0	30.273	1.494	0
Depreciation and impairment losses end of year	(56.175)	(63.309)	(17.872)	0
Carrying amount end of year	37.385	13.031	12.971	2.602
Recognised assets not owned by entity	-	575	173	-

Notes

Notes

	Invest- ments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000	Other receivables DKK'000
8. Fixed asset investments				
Cost beginning of year	290.486	10.455	22.050	1.503
Exchange rate adjustments	0	(143)	0	0
Transfers	0	14.862	0	0
Additions	20.091	7.560	0	12
Disposals	(3.933)	(5.028)	0	(12)
Cost end of year	306.644	27.706	22.050	1.503
Revaluations beginning of year	65.207	517	0	0
Exchange rate adjustments	(19.487)	15	0	0
Amortisation of goodwill	(1.751)	0	0	0
Share of profit/loss for the year	(54.150)	0	0	0
Dividend	(34.586)	0	0	0
Revaluations for the year	0	2.125	0	0
Investments with negative equity value depreciated over receivables	14.891	0	0	0
Investments with negative equity value transferred to provisions	3.237	0	0	0
Other adjustments	(534)	0	0	0
Revaluations end of year	(27.173)	2.657	0	0
Impairment losses beginning of year	0	(9.068)	(740)	0
Amortisation of goodwill	0	0	(964)	0
Share of profit/loss for the year	0	0	538	0
Impairment losses for the year	0	(14.891)	0	0
Other adjustments	0	895	0	0
Impairment losses end of year	0	(23.064)	(1.166)	0

Notes

Carrying amount end of year	279.471	7.299	20.884	1.503
			Equity inte- rest %	Equity DKK'000
	Registered in			
Investments in group enterprises comprise:				
Haarslev Inc.	Kansas City, USA	100,0		91.725
Haarslev Industries GmbH	Krefeldt, Germany	100,0		21.549
Stord Bartz AS	Bryne, Norway	100,0		654
Haarslev Industries S.A.C.	Lima, Peru	100,0		(3.159)
Haarslev Inversiones Internacionales S.L.U.	Barcelona, Spain	100,0		4.560
Haarslev Industries LTDA	Curitiba, Brazil	100,0		30.739
Haarslev Industries S.A.U.	Barcelona, Spain	100,0		63.939
Haarslev Industries PTE LTD	Labuan, F.T., Malaysia	100,0		20.185
Haarslev Industries SDN BHD	Selangor Darul Eshan, Malaysia	100,0		2.021
Haarslev Industries L.L.C.	Moscow, Russia	100,0		14.030
Haarslev Xuzhou Machinery Co. Ltd	Xuzhou City, Jiangsu Province, China	100,0		54.058
Haarslev Industries Ltd	Rosedale, Auckland, New Zealand	100,0		4.954
Haarslev Industries (India) Pvt Ltd	Mumbai, Maharashtra, India	100,0		61
Haarslev PT (India) Pvt Ltd	Mumbai, Maharashtra, India	100,0		(3.562)
Haarslev Industries Poland Sp. z.o.o.	Kielce, Poland	100,0		(1.231)
Haarslev Industries S.A.S	Lorient, France	100,0		12.472
Haarslev Industries Press Technology GmbH & Co. KG	Wuppertal, Germany	100,0		6.518
Haarslev Industries Remscheid GmbH	Mannheim, Germany	100,0		154
Haarslev Makine Sanayi A.Ş.	Bursa, Turkey	100,0		(19.243)
			Equity inte- rest %	Equity DKK'000
Investments in associates comprise:				
Core A/S	Herlev, Danmark	49,0		6.876

Notes

9. Contract work in progress

	2017	2016
	DKK'000	DKK'000
Selling price of work performed	517,737	412,072
Invoicing on account	(496,555)	(360,971)
	21,182	51,101

Net value is recognised in the balance sheet as follows:

Contract work in progress (receivables)	53,545	82,835
Contract work in progress (liabilities)	(32,363)	(31,734)
	21,182	51,101

10. Contributed capital

Contributed capital consists of 500 shares of a value of DKK 1,000. The shares have not been divided into categories and no shares carry any special rights.

The contributed capital has not been changed in the past 5 years.

	2017	2016
	DKK'000	DKK'000
11. Deferred tax		
Intangible assets	611	1.633
Property, plant and equipment	3.033	2.336
Receivables	16.828	12.706
Equity	0	(191)
Liabilities other than provisions	(4.215)	(4.249)
	16.257	12.235

Changes during the year

Beginning of year	12.235
Recognised in the income statement	4.022
End of year	16.257

12. Other provisions

Other provisions comprise warranty commitments.

Notes

The Company currently makes provisions for warranty 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 19,325k at 31 December 2017.

13. Provisions for investments in group enterprises

Provisions for investments in group enterprises comprise negative equity in group enterprises.

14. Long-term debt to other credit institutions

Payments due within 1 year are recognised under current liabilities other than provisions. Other liabilities are recognised under non-current liabilities other than provisions.

Liabilities fall due for payment as specified below:

	2017 DKK'000	2016 DKK'000
Other credit institutions		
Fall due between 1 and 5 years	35,271	52,959
Fall due more than 5 years	<u>0</u>	<u>0</u>
	<u>35,271</u>	<u>52,959</u>

15. 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 2017 amounts to DKK 388k (31. December 2016 DKK 1,345k). In relation to the rate at the balance sheet data, the contracts have a negative fair value. The exchange loss is recognized in equity.

	2017 DKK'000	2016 DKK'000
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>7.412</u>	<u>5.464</u>

17. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Haarslev Group Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial state-ments.

As a part of the international activity, the Group is in dialogue with Danish as well as foreign authorities regarding the proper calculation, declaration and payment of customs, VAT and taxes.

Notes

Based on a specific risk assessment, these are continuously accounted for when it is likely to result in costs in addition to the initial accounting treatment.

18. Assets charged and collateral

The Company's shares in subsidiaries with a carrying amount of DKK 174,044k. have been provided as security for payables in group enterprises to banks and, at 31 December 2017, amount net to DKK 706,109k. A mortgage deed registered to the mortgagor of DKK 30.5m and a letter of indemnity of DKK 4.5m secured on land and buildings with a carrying amount of DKK 37,394k at 31 December 2017 have been provided as security for bank debt in the Parent and group enterprises amounting net to DKK 706,109k at 31 December 2017.

As part of the Company's ordinary activities, the Company's bank and insurance companies have issued guarantees for contracting projects totaling DKK 140,603k.

19. Related parties with controlling interest

The following parties have a controlling interest:

- Haarslev Holding S.A.R.L. (principal shareholder), 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg.
- Haarslev Group Holding A/S (shareholder), Bogensevej 85, Haarslev, 5471 Sønderød.
- Haarslev Group A/S (shareholder), Bogensevej 85, Haarslev, 5471 Sønderød.

20. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm's length basis in addition to the above transactions.

21. Group relations

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

- Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Sønderød, Danmark.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

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

Referring to 96(3) of the Danish Financial Statements Act, no specification of Audit Fee has been prepared.

Consolidated financial statements

Referring to 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material errors in previous years

The Company's financial position at 1 January 2017 has been affected by a misstatement related to the lack of recognition of costs in a 100% owned subsidiary in the years 2015 and 2016. The misstatement have been corrected as of 1 January 2017 and have been applied for the comparative figures for 2016. The change results in a reduction of the profit for 2016 with DKK 6,7 million, and the liabilities and equity have been reduced with DKK 8,8 million.

Changes in accounting estimates

Simultaneously with the implementation of an internal regrouping of new projects as of 1 January 2017 a larger analysis was performed related to the timing of revenue recognition. The outcome was that more customer contracts are recognized as income at transfer of risk instead of as Work in Progress. Management estimates that revenue has been negatively influenced by approximately DKK 60-77 million.

Recognition and measurement

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

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

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

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

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

Accounting policies

Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

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

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as

Accounting policies

amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Productions cost also include research and development cost that do not qualify for capitalisation as well as amortisation of capitalised development costs. Furthermore, amortisation of goodwill is included to the extent that goodwill relates to production activities. Finally provisions for losses on contract work are recognised.

Distribution costs

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

Administrative costs

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

Income from investments in group enterprises

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

Income from investments in associates

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

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

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

The Entity is jointly taxed with its Parent and all of the Parent's Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period is 20 years - Haarslev's investments in businesses are of strategic significance in order to further increase Haarslev's revenue and profits. The acquired businesses include technologies, segments and products closely linked to Haarslev's core business. The earnings profile, underpins an economic life of 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights 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 licences are amortised over the term of the agreement.

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

Property, plant and equipment

Buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	3-10 years

Accounting policies

Other fixtures and fittings, tools and equipment

3-10 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

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

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

Goodwill is calculated as the difference between cost of the investments 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 enterprises with a strong market position and a long-term earnings profile and. Useful lives are reassessed annually. The amortisation periods used are up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile.

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

Investments in associates

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

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

Goodwill is calculated as the difference between cost of the investments and fair value of the 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 enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources

Accounting policies

of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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

Receivables

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

Inventories

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. The stage of completion is determined as the ratio of actual to total budgeted consumption of resources. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and securing of contracts as well as financing costs are recognised in the income statement as incurred.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Accounting policies

Income tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

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

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

Other provisions

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

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

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Accounting policies

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, no cash flow statements has been prepared.