



HAARSLEV™

HAARSLEV INDUSTRIES A/S

Bogensevej 85, 5471 Soendersoe

CVR.no. 89 52 38 18

Annual report for 2021

Haarslev Industries A/S

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Adopted at the annual general meeting on
Soendersoe, 7 July, 2022

Henrik Kofoed Petersen
Chairman at the general meeting

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Company information

The Company

Haarslev Industries A/S
Bogensevej 85
5471 Soendersoe
Website: www.haarslev.com
E-mail: DK-info@haarslev.com
Registered office: Nordfyns Kommune
CVR no.: 89 52 38 18
Financial year: 01.01 - 31.12

Executive Board

CEO	Kim Kirk Christensen
CFO	Henrik Kofoed Petersen
CCO	Henning Haugaard

Board of directors

Chairman	Jørn Mørkeberg Nielsen
	Paal Kristian Weberg
	David Hess
	Torben Axelsen

Auditors

DELOITTE STATS AUTORISERET REVISIONSPARTNERSELSKAB

Parent Company

Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg which is owned by Altor Fund III GP Limited.

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 01.01.21-31.12.21 for Haarslev Industries A/S.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities, and financial positions on 31.12.2021 and of the results of the Company's activities for the financial year 01.01.2021 - 31.12.2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

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

Soendersoe, 7 July, 2022

Executive Board

Kim Kirk Christensen

Henrik Kofoed Petersen

Henning Haugaard

CEO

CFO

CCO

Board of directors

Jørn Mørkeberg Nielsen

Paal Kristian Weberg

David Hess

Chairman

Torben Axelsen

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 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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:

- 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.

Copenhagen, 7 July, 2022

Deloitte Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Eskild Nørregaard Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne11681

Thomas Aamand Lund

State Authorised Public Accountant
Identification No (MNE) mne47764

Management's review

Who we are

Facts and numbers about us (*approximate numbers*)

No. 1	In protein recycling and world class equipment for drying of sludge, biomass & biofuel
4	Production sites worldwide
15	Sales and service centers globally
48	Agents and distributors
120	Countries sold to
190	EURm revenue
932	Employees globally
80.000	M ² production area

Vision and Values

Vision

It's our vision to be the undisputed leader in creating solutions for sustainable feed & food processing.

Undisputed - in the eyes of our customers.

Leader - in Technology, Innovation, and Service.

Creating solutions - that make our customers successful.

Sustainable - contributing to a sustainable planet.

Our values are:

Customer-focused

Committed to the success of our customers

Working together

Teamwork is at the heart of how we operate

Performance-oriented

Striving for excellence and delivering above and beyond our commitments

Business model and strategy

Haarslev is the world's no. 1 provider of rendering and related (fish) processing solutions. From offices around the globe, Haarslev employees take pride in providing the specialist equipment and knowhow it takes to keep rendering a safe, healthy, and financially viable activity. As the global population continues to grow and the world's supply of vital proteins, minerals, fuel, and other essentials are increasingly constrained, Haarslev seeks to play its part in utilizing resources more efficiently.

Leading processing supplier

We design, manufacture, and sell leading-edge equipment, control systems and processing solutions for the rendering, fish, and industrial drying industries. We install, commission, monitor, and service the solutions to keep them running 24/7.

Leadership through Innovation

We invest significantly in product and process innovation. Our dedicated Innovation and Process departments are working relentlessly to continuously improve the overall efficiency, capacity, and quality of our equipment. In the coming years we plan to step up our investments in innovation.

Environmental impact

Our products contribute directly to improving the environment and supports our customers' aim for reducing their environmental footprint.

Global reach

The heart of the Company is our more than 900 dedicated employees in 17 countries around the world. We offer a unique service network with 9 service hubs and a Global Services team with more than 150 people dedicated to supporting customers around the world keeping their processing running 24/7. Our local presence is complemented by a network of more than 48 agents and distributors with whom we have a strong partnership to deliver on time the right solutions to our customers.

Worldwide customer base

With customers located in more than 120 countries across the globe, we are a truly global Company. We are in business to build long-standing partnerships, based on a deeply rooted customer focus and strong co-operation with customers across industries and geographies.

Clear and performance-oriented strategy

Haarslev Industries is expected to grow faster than the market in the coming years, and our strategy is clear: we want to deliver leading performance on all measures. As performance takes precedence over growth, we are continuously reviewing all areas of our business to improve performance.

Three key industry segments

At Haarslev Industries we focus our efforts and dedication on three main industry segments:

- Meat rendering
- Fish processing
- Industrial processing

With deeply rooted industry expertise across all segments, our team of industry professionals are able to anticipate market developments and changes in the industry, allowing us to adjust our business accordingly and serve our customers to the highest standard.

In all industry segments, our offerings cover the full product life cycle – from design & manufacturing to service & installation and, ultimately, de-commissioning of the solutions.

Meat rendering

Within Meat rendering, we offer various solutions adjusted to the exact meat product's needs:

Processing of meat, bones, and offal

The poultry rendering industry has its own specific needs and requirements when it comes to the processing of meat, bones, offal, feathers, and blood.

Haarslev designs, develops, and supplies both processes and equipment that help our customers face their challenges. Our solutions focus on efficient utilization of raw materials and energy, as well as on product quality, regulatory conformance, and environmental impact.

Feather processing

Feather meal is made from poultry feathers by hydrolyzing under elevated heat and pressure and then drying and grinding. The pressure hydrolysis process is necessary to convert the hard, fibrous proteins called keratin, which is the principal component of feathers and hog hair, into feather meal that contains amino acids.

Hydrolyzation of the feathers, prior to drying, breaks down the protein bonds in the raw material and makes the feather meal more digestible. Hydrolyzed feather meal is a good source of natural protein for most animal diets. It can be used to replace a significant portion of other protein sources in livestock and aquaculture diets.

Blood processing

Blood contains 16-18 percent protein solids and dried blood meal is a valuable ingredient in feed for non-ruminant animals because it has a high lysine content. Blood meal is also used as a high-nitrogen fertilizer.

The blood is fed into a blood coagulator. The coagulated blood solids and water are separated in a decanter and the blood solids are dried in either a Continuous Cooker or a Batch Cooker.

This method is very energy efficient, as more than half of the water is removed mechanically before drying.

Fish Processing

Although fish meal processing generally follows the same principles, the process requirements vary from one area to another and from one plant to another. Freshness of the catch, type of fish, requirements for meal and oil quality and environmental issues dictate the need for individual plant solutions. We offer a full delivery program to meet such challenges. Fish meal plants from Haarslev operate all over the world. Our product range goes from small land-based or ship-based units and up to the largest fish meal plants in the world. Our plants are known for maximum energy efficiency, reliability, safety, and compliance with local environmental standards.

High-grade fish meal sells at high market prices because this type of meal has shown significant advantages in aquaculture and animal breeding. This is difficult to replace with proteins of other origin. Haarslev develops special cooking and drying equipment, which limits the exposure of the fish to high temperatures. The result is a better preservation of essential amino acids, and that digestibility remains as high as possible. Our plant design focuses on optimum utilization of both raw materials and energy.

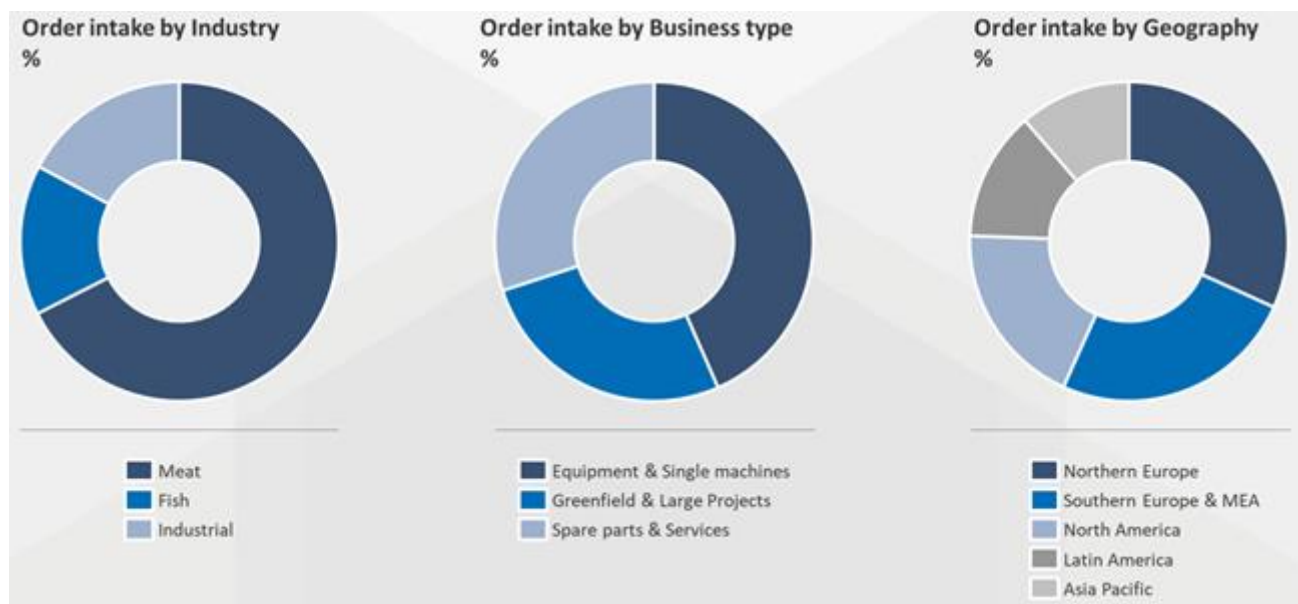
Global Sales and Service network

Our physical presence across the globe offers customers a local level of first line of contact, providing a swift response and first-class service from our skilled employees. We are continuously evaluating our network to optimize our skills and service levels and strengthen our connection with customers.

Revenue streams

Our main revenue drivers are turnkey projects, encompassing brownfields, greenfields, modernization, and maintenance as well as the production of modular, standardized equipment and processing lines. The standalone, modular portfolio is the building block for larger projects and the entry point for new customers. Our installed base is large and growing, effectively driving our resilient service and parts revenues.

FY 2021



Revenue strategy

For the period 2021-2025 Haarslev Industries has set a target of annual increase in revenue through organic growth. Our growth plan involves capitalizing on strong innovation investments to drive expansion and market penetration.

Primary activities

Haarslev Group Holding A/S serves as holding company. Haarslev is a global 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 financial affairs

The outlook for 2021 was uncertain and was depending on different scenarios of the Covid-19 impact. The management decided in Q1 2021 to take several initiatives to improve the execution in the whole value chain of our business. The cash flow improved due to high focus on inventory management, customer payment terms, and supplier credit terms.

Though our operating margins were impacted of the Covid-19, we have been navigating relatively well through the pandemic and its aftermath of challenges relating to material availability, substantial price increases in steel and logistics.

Our focus has been on continued innovation, strengthening and scaling our operating model while ensuring customer deliveries. In the fourth quarter we finalized the acquisition of CORE, the leading supplier of process optimization for the rendering industry. This strategic investment will allow us to help customers overcome

some of the most prevailing challenges in the industry while simultaneously strengthening our capacity and capability in the digital space.

The revenue decreased by 3% to DKK 732.023k (2020: DKK 758.327k). Gross margin increased from 12% in 2020 to 15% in 2021. Comparing 21 results to the Outlook for 2021 (made in November 2020) revenue decreased in the level of 5%. Gross margin also decreased, all due to new wave of Covid-19 and increased steel and component prices.

After a good Order Intake (OI) in Q1-Q2, the Group had a slow OI level in Q3, driven by Covid-19's impact on customer demand due to uncertainty, higher steel- and component prices and energy prices. The slow OI in Q3 was fully compensated by a strong OI in Q4.

We are entering 2022 on a strong note, especially in North America where investment appetite is clearly stepping up as we received several greenfield orders through the year and expect more to come in 2022. Overall, our pipeline is solid with a healthy distribution across segment and geographies, and we are targeting a step-up in volume in 2022.

IFRS conversion

Beginning in 2021, Haarslev began presenting its annual financial statements in accordance with the International Financial Reporting Standards (IFRS). The transition date to IFRS was 1 January 2020 for application of the standards that apply to 2021. In accordance with IFRS, comparative figures are restated.

The impacts are shown in the overview below:

kDKK	1 January 2020		
In accordance with the Danish Financial Statements Act	Assets	Liabilities	Equity
<i>Adjustments to IFRS</i>			
Leasing	7.448	7.448	
<i>Total Adjustments to IFRS</i>	7.448	7.448	

kDKK	31. December 2020			
In accordance with the Danish Financial Statements Act	Result	Assets	Liabilities	Equity
<i>Adjustments to IFRS</i>				
Investment in Group enterprises	3.475	3.475		-3.475
Leasing	-459	6.529	6.956	459
<i>Total Adjustments to IFRS</i>	3.016	10.004	6.956	-3.016

EBTDA (Earnings Before Interest, Tax, Depreciation and Amortization)

Haarslev industries A/S is owned by Haarslev Group A/S, which is owned by Haarslev Group Holding A/S. The two holding companies have only the activity to be holding companies. In the following the EBITDA development in Haarslev Group Holding A/S as well as in Haarslev Industries A/S (excluding subsidiaries) is illustrated:

The Haarslev Group Holding A/S EBITDA including exceptional items in 2021 (DKK 131.781k) has improved by 60% compared to 2020 (DKK 82.205k). The normalized EBITDA (excluding exceptional items) for the continued operation has increased by DKK 47.721k or 32% compared to 2020. The increase is mainly driven by increased revenue and contribution margins. The increase would have been even higher if Haarslev had not experience increased steel- and component prices, which negatively impacted the margins on projects sold at a fixed price.

DKK'000	2020	2021
Loss before net financials cf. Income statement	42.295	90.180
Depreciation, amortisation, impairment losses and write-downs cf. Adjustment to cash flow statement	39.910	41.601
EBITDA	82.205	131.781
Exceptional items	- 19.087	- 17.232
Normalised EBITDA, continued operations	101.292	149.013

Exceptional items comprise consultant expenses, other expenses in connection with the finalization of the new ERP system implementation, restructuring costs from several business units as well as IP protections.

The Haarslev Industries A/S EBITDA including exceptional items was **positive** in 2021 by DKK 46.099k (2020: **positive** DKK 26.769k). The normalized EBITDA (excluding exceptional items) for the continued operation has increased by DKK 16.603k (33%) to DKK 50.368k. The increase is mainly driven by improvement of processes in the entity.

Below is a specification of the development in EBITDA from 2020 to 2021 for Haarslev Industries A/S (excluding subsidiaries)

DKK'000	2020	2021
Profit before net financials cf. Income statement	10.928	31.146
Depreciation, amortisation, impairment losses and write-downs cf. Adjustment to cash flow statement	15.841	14.953
EBITDA	26.769	46.099
Exceptional items	- 6.996	- 4.269
Normalised EBITDA, continued operations	33.765	50.368

The entity's income statement for 2021 shows a **profit** after tax of DKK 33.575k (2020: **loss** after tax DKK – 52.891k).

The entity's balance sheet as of 31 December 2021 shows an equity of DKK 123.529k (2020: DKK 86.781k) and total assets of DKK 1.263.751k (2020: DKK 1.198.986k).

Capital resources and funding

Cash flow is now satisfactory and cash flow from operating activities was positive by DKK 99.347k (2020: negative DKK 64.637k).

The impact from several initiatives on Net Working Capital management implemented in 2021 to improve the cash flow was fruitful.

A new bank agreement covering the period to 30 June 2023 was signed in June 2022. As part of the agreement with the Group's lenders, the Group must comply with certain financial covenants. For 2021 the Group has been in compliance with the new financial covenants. The outlook for 2022 is also in compliance with the

financial covenants based on the key assumptions that the Group will not experience any significant operational issues throughout 2022.

Based hereon and the budget for 2022, Group Management considers that the Group's capital resources and funding will be on an acceptable level throughout 2022.

Uncertainty relating to recognition and measurement

In the opinion of Management, the following accounting estimates and assessments are significant in the preparation of the Consolidated Financial Statements:

Key accounting estimate	Note	Estimation risk
Work in progress (and thereby revenue and production costs)	18	Medium
Inventory (and thereby production costs)	17	Medium

Outlook

The outlook for 2022 depends on several assumptions. In general end-market food producers/renderers expect to be less affected by Covid19 and we expect Haarslev's main markets to have a strong recovery.

The Danish and Chinese manufacturing sites have been running close to full capacity in Q1 2022. Due to our strong order backlog, the production continues, and the order intake is in line with budget.

The impact from projects affected by the Ukraine-Russian crises is expected to be offset by the strong order intake in other markets.

For 2022, we expect a revenue in the range of DKK 750-800mln and a positive result before impact from contracts with customers in the Russian region.

Risk Management

Because of its operations, investments, and financing, the entity is exposed to volatility in terms of raw material prices, exchange rates, and the level of interest. The risk of changes in raw material prices is to a degree contractually transferred to our customers. The Group does not enter financial instruments for hedging.

Resources

The Group has considerable resources within its field of activity, which may be divided into four categories: Customers, Technology, Processes, and Staff relations.

Customers

The entity 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 customers.

Technology

It is important for the entity - 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 are documented. Compliance with time of delivery and the scope of warranty expenses are important indicators of the functionality of business processes. The Entity constantly makes great efforts to ensure that the goals set up for the business processes are complied with.

Furthermore, the Entity's internal development activities are constantly focused on improving products and processes, often in cooperation with the customer.

Staff relations

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

The number of employees has developed as follows:

Average number of employees for the entity was 343 (2020: 394). Total employees end of 2021 was 376, compared to 418 employees in the beginning of the year.

Environmental performance

The Entity cares about the environment and is currently working on reducing the environmental impact from the Entity's operation, the processes, and products offered. In order to reduce the environmental impact even further, a data-gathering exercise will be started in 2021 in order to get a baseline of the CO2 footprint. This will help prioritizing and targeting areas with the highest impact in relation to reducing the CO2 impact.

In addition to the above, the Covid-19 pandemic has forced new ways of working, especially more virtually. This has had an impact on the amount of work-related travel, with a significant decrease in flight travel. It is the Haarslev's ambition to reduce the travel activity in general compared to the period prior to Covid-19. We strive to make environmentally friendly decisions when looking at our office and production site. Latest Haarslev decided to invest in a software tool that enables real-time tracking of energy usage in selected production hall in the Danish factory, enabling future decisions regarding energy improvement to be based on data, and thereby ensuring focus on highest impact areas.

Haarslev decided to shift the lights in the Danish production site to LED resulting in a significant reduction in energy consumption.

The entity possesses all the relevant environmental approvals, and the entity's activities do not involve harmful or extraordinary impacts to the environment.

Research and development activities

The entity is not engaged in research, but is developing its technologies, processes, and competencies on an ongoing basis. One part of the development is related to updating and improving existing technologies, both equipment and software solutions, while the other is related to the development of new equipment.

Statutory report on corporate social responsibility, diversity and 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 Industries A/S and subsidiaries. To read the statements please visit <http://www.haarslev.com/esg>

In addition to the CSR report, Haarslev has initiated the work to prepare an annual ESG (Environmental, Social, Governance) report. This report will be publicly available and will be made in accordance to the "Responsible Investment and ownership policy" outlined by Altor Equity Partners. The report will include specific

measurements and actions for each of the 3 areas outlined in ESG. The report will also contain specific SDG (Sustainable Development Goals) that Haarslev actively will work on. The plan is to deliver the first report during 2022.

Corporate governance

The Board of Directors and Executive Board of Haarslev Group Holding A/S constantly seek to ensure that the management structure and control systems of the entity 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 Group Holding. In this connection and because the entity's principal shareholder is Altor Fund III, who is a member of Danish Venture Capital and Private Equity Association (www.dvca.dk), the Haarslev Group in all material respects also complies with the guidelines for responsible ownership and corporate governance of Aktive Ejere (previous DVCA) including the codex for tax policy.

On this basis, Management has developed several internal procedures to ensure an active, secure and profitable management of the entity. 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 entity.

Operational risk management

The main operational risks in the entity relates to the execution of large complex customer projects. The entity'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, several 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 is reported to the Board of Directors on a monthly basis.

In relation to the preparation of the financial statements, Management has a 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 approx. 76% of the Company's shares. Group Management holds a minority share of approx. 2% of the Company's shares.

By the year end of 2021 Haarslev Group Holding A/S owns none of its own shares. The Company will from time to time hold limited part of own shares, when changes in Group Management take place.

Board of Directors

Jørn Mørkeberg Nielsen (chairman)

Elected by the General Assembly. Member of the Board of Directors in 2020.

Chairman of the Board of Haarslev Group Holding A/S and Haarslev Group A/S. Chairman of the Board of Cembrit Holding A/S, Member of the Board of Cembrit A/S, Member of the Board of Skiold A/S, Member of the Board of Skiold Group A/S, Member of the Board of Viet-Jacobsen Fonden

David Hess

Elected by the General Assembly. Member of the Board of Directors in 2020.

Member of the Board of Haarslev Group Holding A/S, Haarslev Group A/S

Paal Kristian Weberg

Elected by the General Assembly. Member of the Board of Directors in 2019.

Member of the Board of KonfiDents Altordent Holding AB, Haarslev Group A/S, Haarslev Group Holding A/S.

Torben Axelsen

Elected by the General Assembly. Member of the Board of Directors in 2020.

Member of the Board of Haarslev Group A/S, Haarslev Group Holding A/S, Cembrit Holding A/S, Cembrit 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 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 entity'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, if required.

Management remuneration

In order to attract and retain the entity'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 entity's continued expansion. Dividend is proposed for 2021 amounts to DKK 24.000k. (2020; DKK 19.000k).

Stakeholders

The entity 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 entity'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 entity.

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.

New Group entity; Core A/S

Haarslev acquired the remaining 51% of shares in the associated Company Core A/S on 1 January 2022. The purpose for the acquisition is to further integrate the digital products from Core into the Groups products.

Ukraine situation

We are deeply concerned by the situation taking place in Ukraine and our thoughts are with all the people who must live through this disaster. We took immediate action to ensure the safety of all our employees in the region.

Haarslev is complying with all applicable sanctions and is engaging with our customers about the right next steps.

Haarslev has taken the decision to suspend the acceptance of new orders for projects in Russia and Belarus.

Haarslev has on a case-by-case basis assessed whether our current contracts with customers in the Russian region are expected to continue or to be terminated. This resulted in a write off in April of approx. DKK 30 mln of the balance sheet value regarding current contracts with customers in the Russian region. The negative financial impact from suspending acceptance of new orders for projects in Russia and Belarus is expected to be offset by orders from other markets.

We operate in Russia from 2 offices for sales and service and employ a team of 14 people. The team will be maintained, while assessing the longer-term implications of the conflict. We will continue to monitor the situation closely and take appropriate actions as it evolves.

We join the calls for an end to this conflict and hope that peace, human rights, and the international rule of law will prevail.

Financial highlights

Figures in DKK '000	IFRS 2021	IFRS 2020	DK GAAP 2019	DK GAAP 2018	DK GAAP 2017
<i>Profit/loss</i>					
Revenue	732.023	758.327	698.108	681.251	803.948
Gross profit	111.263	91.572	35.924	40.443	113.815
Profit/loss before net financials, tax and discontinued activities	31.146	10.928	-42.699	-72.293	5.253
Total net financials	9.960	-43.492	-4.756	-35.248	-61.082
Discontinued activities		-11.161	970		
Profit/loss for the year	33.575	-52.891	-42.805	-94.024	-56.351
Total comprehensive income	55.748	-64.708			
<i>Balance</i>					
Total assets	1.263.751	1.198.986	1.308.137	1.033.928	768.777
Investments during the year in property, plant and equipment	14.159	3.829	2.535	20.497	11.502
Equity	123.529	86.781	132.472	183.921	180.048
<i>Cashflow</i>					
Net cash flow:					
Operating activities	99.347	-64.637			
Investing activities	-10.494	-98.446			
Financial activities	-84.007	155.136			
Cashflow for the year	4.846	-7.948			
Employee	343	394	396	421	395
Ratios					
<i>Profitability</i>					
Return on equity	29%	-42%	-27%	-52%	-23%
Gross Margin	15%	12%	5%	6%	14%
<i>Equity ratio</i>					
Equity ratio	10%	7%	10%	18%	23%
Equity and subordinated loan ratio	10%	16%	18%	18%	23%
Return of equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$				
Gross margin:	$\frac{\text{Profit/loss before net financials and discontinued activities} \times 100}{\text{Revenue}}$				
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				
Equity and shareholder loan ratio:	$\frac{(\text{Equity, end of year} + \text{subordinated loan}) \times 100}{\text{Total assets}}$				

2020-2021 are according to IFRS principles. 2017-2019 are according to Danish Financial Statement Act (DK GAAP)

Separate statement of comprehensive income

Notes

	<i>Figures in DKK '000</i>	2021	2020
5	Revenue	732.023	758.327
	Production costs	-620.760	-666.755
	Gross profit	111.263	91.572
	Distribution costs	-24.148	-28.225
	Administration costs	-55.969	-52.419
	Profit/loss before net financials	31.146	10.928
16	Result from equity investments in Group enterprises	30.491	-42.867
14	Result from equity investments in associates	-482	-851
8	Financial income	15.039	20.473
8	Financial expenses	-35.089	-20.247
	Profit/loss before tax	41.106	-32.564
9	Tax on profit or loss for the year	-7.530	-9.166
	Profit/loss for the year	33.575	-41.730
10	Discontinued activities		-11.161
	Profit/loss for the year	33.575	-52.891
	Other comprehensive income		
	Exchange rate adjustments of investments in Group enterprises	22.173	-11.817
	Other comprehensive income, net of tax	22.173	-11.817
	Total comprehensive income	55.748	-64.708

Balance sheet 31 December

ASSETS				
Notes	<i>Figures in DKK '000</i>	2021	2020	1 January 2020
	Software	738	198	
	Knowhow	12.596	15.681	18.766
11	Total intangible assets	13.334	15.878	18.766
13	Leases	5.056	6.529	7.448
	Land and buildings	32.230	33.593	37.125
	Machinery and equipment	6.469	10.366	13.955
	Other fixtures and fittings, tools and equipment	12.319	12.928	13.789
	Property, plant and equipment under construction	5.307		210
12	Total tangible assets	61.381	63.416	72.527
16	Equity investments in Group enterprises	437.681	442.631	407.208
20	Receivables from Group enterprises	394.189	277.463	269.297
14	Equity investments in associates	16.011	17.483	18.334
20	Other receivables	1.330	1.609	1.697
21	Deferred tax asset	2.746	5.188	6.661
	Total investments	851.957	744.374	703.197
	Total non-current assets	926.672	823.669	794.490
	Raw materials and consumables	57.743	58.391	58.329
	Product in progress	35.028	22.621	30.065
	Manufactured goods and goods for resale	35.155	29.036	27.466
17	Total inventories	127.926	110.048	115.860
18	Work in progress for third parties	93.536	133.506	108.049
19	Trade receivables	46.073	40.162	76.897
20	Trade receivable from Group enterprises	43.287	59.219	180.179
20	Other receivables	4.722		627
	Prepayments	7.364	9.935	10.924
	Total receivables	194.982	242.822	376.676
	Cash	14.172	9.326	17.273
10	Asset classified as held for sale		13.121	11.287
	Total current assets	337.079	375.317	521.096
	Total assets	1.263.751	1.198.986	1.315.586

Balance sheet 31 December (continued)

EQUITY AND LIABILITIES				
Notes	<i>Figures in DKK '000</i>	2021	2020	1 January 2020
22	Share capital	500	500	500
	Retained earnings	99.029	67.281	131.972
	Proposed dividend	24.000	19.000	
	Total equity	123.529	86.781	132.472
	Payables to other credit institutions	3.099	8.619	7.230
	Subordinated loan from Group enterprises	110.051	105.853	44.850
	Leases	4.377	5.510	7.351
	Other payables	19.194	19.281	6.880
24	Total non-current liabilities	136.721	139.263	66.311
24	Leases	1.925	1.998	97
24	Payables to other credit institutions	276.915	272.077	225.393
	Prepayment received from work in progress for third parties	51.007	57.281	106.734
18	Prepayments received from customers	17.091	35.482	49.876
	Trade payables	128.592	121.607	144.868
	Tax payables	2.699	10.531	7.521
	Payables to Group enterprises	452.306	425.289	515.702
	Payables to associated		584	533
23	Other provisions	14.461	8.041	15.610
	Other payables	58.506	40.053	49.260
	Total current liabilities	1.003.501	972.943	1.115.594
	Liabilities related to assets classified as held for sale	-	-	1.209
	Total payables	1.140.222	1.112.206	1.183.114
	Total equity and liabilities	1.263.751	1.198.986	1.315.586
25	Financial instruments			
26	Contingent liabilities			
27	Securities			
28	Related parties			

Separate cash flow statement

Note	Figures in DKK '000	2021	2020
	Net profit/loss for the year	33.575	-52.891
29	Adjustments	26.460	50.263
	Change in working capital		
	Inventories	22.092	-19.645
	Receivables and payable from related parties	42.949	30.547
	Receivables	-10.633	37.362
	Trade payables	6.985	-23.261
	Other receivable relating to operating activities	2.850	1.078
	Other payables relating to operating activities	208	-80.623
	Discontinued activities	13.121	-3.043
	Cash flows from operating activities before net financial	124.485	-57.170
	Interest income and similar income received	15.039	20.473
	Interest expenses and similar expenses paid	-35.089	-20.247
	Income tax paid	-5.088	-7.693
	Cash flows from operating activities	99.347	-64.637
	Purchase of intangible assets	-660	-245
	Sale of intangible assets	0	
	Purchase of property, plant, and equipment	-12.718	-2.019
	Sale of property, plant, and equipment	4.459	499
	Capital reduction of equity in associate	-991	
	Dividend received		19.771
	Equity investments in Group enterprises	-1	-116.503
	Change in payable to associate	-584	51
	Cash flows from investing activities	-10.494	-98.446
	Dividend paid	-19.000	
	Group Contribution		19.000
	Receivables from related parties	-54.358	26.249
	Payment to credit institutions	-7.682	-2.019
	Payment from credit institutions		43.074
	Other payable	-376	11.662
	Payment of lease commitments	-2.591	-2.270
	Subordinated loan from Group enterprises		59.440
	Cash flows from financing activities	-84.007	155.136
	Total cash flows for the year	4.846	-7.948
	Cash beginning of year	9.326	17.273
	Total cash	14.172	9.326

Statement of changes in Equity

<i>Figures in DKK '000</i>	Share capital	Reserve for exchange rate adjustments	Retained earnings	Proposed dividend	Total Equity
Statement of changes in equity for 01.01.2020 -31.12.2020					
Balance as of 01.01.2020	500		131.972		132.472
Net profit/loss for the year			-71.890	19.000	-52.890
<i>Other comprehensive income</i>					
Foreign currency translation adjustment of foreign enterprises		-11.801			-11.801
<i>Total other comprehensive income</i>		-11.801			-11.801
<i>Total comprehensive income</i>		-11.801	-71.890	19.000	-64.691
Group contribution			19.000		19.000
<i>Transactions with owners</i>			19.000		19.000
Balance as of 31.12.2020	500	-11.801	79.082	19.000	86.781
Statement of changes in equity for 01.01.2021 -31.12.2021					
Balance as of 01.01.2020	500	-11.801	79.082	19.000	86.781
Net profit/loss for the year			9.575	24.000	33.575
<i>Other comprehensive income</i>					
Foreign currency translation adjustment of foreign enterprises		22.173			22.173
<i>Total other comprehensive income</i>		22.173			22.173
<i>Total comprehensive income</i>		22.173	9.575	24.000	55.748
Dividend paid				-19.000	-19.000
<i>Transactions with owners</i>				-19.000	-19.000
Balance as of 31.12.2021	500	10.372	88.657	24.000	123.529

Overview of notes and accounting policies

1 Introduction

Reporting entity

Haarslev Industries A/S is the reporting entity. Haarslev Industries A/S is a limited liability Company incorporated in Denmark. Referring to 109(3) of the financial statement Act, no consolidated financial statements have been prepared. Haarslev Industries A/S is included in the consolidated numbers of Haarslev Group Holding A/S, CVR.no. 33 96 93 76, with registered office in Nordfyns kommune.

On 28 April 2022, the Board of Directors and the Executive Management Board considered and approved the 2021 Financial Statements of Haarslev Industries A/S. The Financial Statements will be presented to the shareholders of Haarslev Industries A/S for approval at the ordinary Annual General Meeting on 28 April 2022.

The principal accounting policies

The principal accounting policies applied in the preparation are set out in the sections below. The principal accounting policies applied in the preparation of the Financial Statements of the Company have been consistently applied to all the years presented, unless otherwise stated.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Danish disclosure requirements for the financial statements of reporting class C large, cf. the Danish Executive Order on Adoption of IFRSs ("IFRS bekendtgørelsen") issued in accordance with the Danish Financial Statements Act ("DFSA").

The notes and accounting policy sections are divided into areas that describe the various aspects of the accounts. The notes also include the accounting policy, estimates and uncertainties and figures.

Transition to IFRS

Beginning in 2021, Haarslev began preparing its separate financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and further requirements in the Danish Financial Statements Act. The transition date to IFRS was 1 January 2020 for application of the standards that apply to 2021. In accordance with IFRS, comparative figures are restated so that the financial statements are in compliance with the IFRS. Reference is made to the section: Effect of transition to IFRS.

2 Measurement basis

The Company's Financial Statements are prepared according to the historical cost convention except that derivatives and financial instruments classified as "Fair value through profit loss" (FVTPL) are measured at fair value. Assets classified as held for sale are measured at the lower of the carrying amount before the changed presentation and the fair value less costs to sell. The accounting policies, set out below and in the notes, have been used consistently in respect of the financial year and to comparative figures.

The Financial Statements are presented in Danish Kroner (DKK) which is the Company's functional currency.

Application of materiality and relevance

The Financial Statements are based on the concept of materiality and relevance to ensure that the content is material and relevant to the user. When assessing materiality and relevance, due consideration is given to ensure compliance with applicable accounting legislation etc. and to ensure that the Financial Statements give a true and fair view of the Company's financial position at the balance sheet date.

The Financial Statements consist of many transactions. These transactions are aggregated into classes according to their nature or function and presented in classes of similar items in the Financial Statements and in the notes as required by IFRS. If items are individually immaterial, they are aggregated with other items of similar nature in the statements or in the notes.

Management provides specific disclosures required by IFRS unless the information is not applicable or is considered immaterial to the decision making of the primary users of these financial statements.

Significant accounting policies

Management considers the accounting policies for the following areas as the most important for the Company:

- Revenue
- Work in Progress
- Inventory

Significant estimates

In the preparation of the Financial Statements, Management undertakes several accounting estimates and assessments and makes assumptions which provide the basis for recognition and measurement of the assets, liabilities, revenues and expenses of the Company. The key accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the measurement of assets and liabilities in the following reporting period. These estimates assessments, and assumptions are based on historical experience and other factors which the Management considers reasonable under the circumstances, but which by their nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, for which reason the actual results may deviate from the applied estimates, assessments, and assumptions. In addition, the Company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. Management considers the key accounting estimates to be reasonable and appropriate based on currently available information. The actual amounts may differ from the amounts estimated as more detailed information becomes available.

The estimates and underlying assumptions are reviewed on an ongoing basis. If necessary, changes are recognised in the period in which the estimate is revised.

In the opinion of Management, the following accounting estimates and assessments are significant in the preparation of the Financial Statements:

Key accounting estimate	Note	Estimation risk
Work in progress (and thereby revenue and production costs)	18	Medium
Inventory (and thereby production costs)	17	Medium

3 Translation of foreign currencies

Functional and presentation currency

Items included in the Financial Statements of each of the Group's enterprises are measured using the functional currency of the primary economic environment in which the enterprise operates. The Financial Statements are presented in Danish Kroner (DKK).

The currency exchange rates that were used in preparing the Financial Statements are listed below for the most relevant currencies.

	2021		2020	
	Year end rate	Average rate	Year end rate	Average rate
DKK	1	1	1	1
EUR	7.4368	7.4372	7.4527	7.4119
USD	6.2953	6.1936	6.5073	6.6642
CNY	0.9777	0.9574	0.9441	0.9541
BRL	1.1661	1.1505	1.2524	1.4054

Translation of transactions and balances

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Currency gains and losses resulting from the settlement of these transactions as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement as Financial income or expenses.

Non-current assets acquired in foreign currency are translated at the exchange rate prevailing at the date of acquisition. Gains and losses on hedges relating to the acquisition of non-current assets are recognised as part of the value of the non-current asset at its initial recognition.

Translation of subsidiaries

In the Financial Statements, the Income statement items of subsidiaries with a functional currency different from DKK are translated at the average exchange rate, calculated on an average for each month, while the balance sheet items are translated at the exchange rates at the end of the reporting period. Foreign exchange differences arising on translation of such subsidiaries' equity at the beginning of the reporting period to the exchange rates at the end of the reporting period and on translation of the Income statements from average exchange rates to the exchange rates at the end of the reporting period are recognised in Other Comprehensive Income and attributed to a separate translation reserve under equity.

When disposing of 100%-owned foreign enterprises, exchange differences which have accumulated in Equity via Other Comprehensive Income, and which are attributable to the enterprise, are transferred from Other Comprehensive Income to the Income statement together with any gains or losses associated with the disposal.

4 Effect of transition to IFRS

The effect of the transition to IFRS is described in the following. Comparative figures have been adjusted. The effects in the statements of income and financial position are shown in the overview below with explanatory notes:

kDKK	1 January 2020		
In accordance with the Danish Financial Statements Act	Assets	Liabilities	Equity
<i>Adjustments to IFRS</i>			
Leasing	7.448	7.448	
<i>Total Adjustments to IFRS</i>	7.448	7.448	

kDKK	31. December 2020			
In accordance with the Danish Financial Statements Act	Result	Assets	Liabilities	Equity
<i>Adjustments to IFRS</i>				
Investment in Group enterprises	3.475	3.475		-3.475
Leasing	-459	6.529	6.956	459
<i>Total Adjustments to IFRS</i>	3.016	10.004	6.956	-3.016

1. Goodwill is no longer amortised in the income statement on a straight-line basis over its economic life, but tested for impairment on a yearly basis or when indications on impairment exists.
2. Lease: As Haarslev has changed accounting policy to IFRS, 2021 is the first year where the Company uses IFRS 16. All comparable numbers have been adjusted for the fiscal year 2020. All lease contracts are capitalized and depreciated. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the incremental borrowing rate at the date of transition to IFRS. The lease liability is subsequently measured using effective interest method.

Applied exemptions

In connection with the transition to IFRS, the Company has applied the following mitigation measures in IFRS 1:

At the date of transition, according to IFRS 1, D9B:

- Lease liability is measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of transition.
- Right-of-use assets are measured to an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of transition

New International Financial Reporting Standards and Interpretations

Management has assessed the impact of new or amended and revised accounting standards (IFRSs) and interpretations (IFRICs) issued by the IASB and IFRSs endorsed by the European Union effective on or after 1 January 2021.

The Company has adopted standards and interpretations effective as of 1 January 2021. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2021.

The Company expects to adopt the new Standards and Interpretations when they become mandatory. None of the existing new standards and interpretations are expected to have a significant impact on recognition and measurement.

Presentation of the Statement of Income

Haarslev Industries A/S presents expenses in the Statement of Income in accordance with their function. This allows the presentation of gross profit in the Statement of Income, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained as follows:

- Production costs encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in revenues. They are measured at their actual cost based on “first in, first out” or weighted average cost;
- Selling and marketing expenses relate to the selling and marketing of goods and services.
- Administrative expenses relate to the strategic and governance role of the general management of the Company as well as the representation of Haarslev as a whole in the financial, political or business community. General and administrative expenses also relate to business support activities of staff departments that are not directly related to the other functional areas.

5 Revenue

Haarslev reports its revenue on the following parameters:

- Activities (Capital Sales or Global Services)
- Industries (Fish, Meat, Industrial)
- Geography

Activities

Our revenue comprises of two activities, Capital sales and global services. In the following table revenue is disaggregated by capital sales (comprised of revenue from greenfield and large projects, standard equipment, and modernization equipment) and global service (comprised of maintenance, service, and spare parts).

<i>Figures in DKK '000</i>	2021	2020
Revenue comprises of the following activities:		
Capital sales	567.577	572.252
Global service	164.446	186.075
Total	732.023	758.327

Capital sales revenue consist of DKK 415.021k (2020: 420.013k) recognized over time and DKK 152.556k (2020: 152.239k) of revenue is recognized at a point in time. All Global service revenue is recognized at a point in time.

Industries

The following summary describes the operations in each of the Companies areas:

- Industrial rendering
- Meat rendering
- Fish processing

<i>Figures in DKK '000</i>	2021	2020
Revenue comprises of the following areas:		
Industrial	146.987	93.328
Meat	372.932	476.612
Fish	212.104	188.388
Total	732.023	758.327

With deeply rooted industry expertise across all three segments, our team of industry professionals are able to anticipate market developments and changes in the industry, allowing us to adjust our business accordingly and serve our customers to the highest standard.

In all industry areas, our offerings cover the full product life cycle – from design & manufacturing to service & installation and, ultimately, de-commissioning of the solutions.

Industrial

Conversion of industrial bi-products such as industrial and municipal sludge into biofuels, fertilizer and other purposeful elements.

Meat

For Meat rendering, we offer processing of meat, bones, and offal.

The poultry rendering industry has its own specific needs and requirements when it comes to the processing of meat, bones, offal, feathers, and blood.

Haarslev designs, develops, and supplies both processes and equipment that help our customers face their challenges. Our solutions focus on efficient utilization of raw materials and energy, as well as on product quality, regulatory conformance, and environmental impact.

Feather processing

Feather meal is made from poultry feathers by hydrolyzing under elevated heat and pressure and then drying and grinding. The pressure hydrolysis process is necessary to convert the hard, fibrous proteins called keratin, which is the principal component of feathers and hog hair, into feather meal that contains amino acids.

Hydrolyzation of the feathers, prior to drying, breaks down the protein bonds in the raw material and makes the feather meal more digestible. Hydrolyzed feather meal is a good source of natural protein for most animal diets. It can be used to replace a significant portion of other protein sources in livestock and aquaculture diets.

Blood processing

Blood contains 16-18 percent protein solids and dried blood meal is a valuable ingredient in feed for non-ruminant animals because it has a high lysine content. Blood meal is also used as a high-nitrogen fertilizer.

The blood is fed into a blood coagulator. The coagulated blood solids and water are separated in a decanter and the blood solids are dried in either a Continuous Cooker or a Batch Cooker.

This method is very energy efficient, as more than half of the water is removed mechanically before drying.

Fish Processing

Although fish meal processing generally follows the same principles, the process requirements vary from one area to another and from one plant to another. Freshness of the catch, type of fish, requirements for meal and oil quality and environmental issues dictate the need for individual plant solutions. We offer a full delivery program to meet such challenges. Fish meal plants from Haarslev operate all over the world. Our product range goes from small land-based or ship-based units and up to the largest fish meal plants in the world. Our plants are known for maximum energy efficiency, reliability, safety, and compliance with local environmental standards.

High-grade fish meal sells at high market prices because this type of meal has shown significant advantages in aquaculture and animal breeding. This is difficult to replace with proteins of other origin. Haarslev develops special cooking and drying equipment, which limits the exposure of the fish to high temperatures. The result is a better preservation of essential amino acids, and that digestibility remains as high as possible. Our plant design focuses on optimum utilization of both raw materials and energy.

In all industry segments, our offerings cover the full product life cycle – from design & manufacturing to service & installation and, ultimately, de-commissioning of the solutions.

Geographical areas

In the following table, revenue is disaggregated by primary geographical markets. Revenue is allocated based on the country where the customer is located:

<i>Figures in DKK '000</i>	2021	2020
Revenue comprises of the following geographical markets:		
Revenue, Denmark	68.091	90.857
Revenue, other EU countries	296.602	260.971
Revenue, non-EU countries	367.330	406.499
Total	732.023	758.327

Revenue can be split into three large geographical areas, Denmark, other EU countries and non-EU countries.

Accounting policies

The Group recognises revenue from the following major sources:

Capital Sales

- sale of specialised manufactured machines
- installation of manufactured machines for specialised business machines
- sales-related warranties associated with sale of manufactured goods
- sale of standard machines

Global Services

- maintenance and spare parts

Revenue is recognised based on the considerations specified in contracts with customers based on the five-step process as described in IFRS 15. Revenue is recognised, when or as control over distinct goods or services is transferred to the customer, i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price Haarslev expects to be entitled to.

Capital Sales

Sale of specialised manufactured machines

The Group constructs and sells **specialised (to customer's needs)** manufactured machines under long-term contracts with customers. Under the terms of the contracts, the Group is **contractually restricted from redirecting the properties (machines) to another customer and has an enforceable right to payment for work done**. Therefore, the specialised machines in its complete state will have no alternative use to Haarslev as Haarslev will incur significant costs to rework the design and function of the specialised machine to direct to another customer. Revenue from sale of specialised manufactured machines is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. An expected loss on the contract is recognized as an expense immediately. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

The Group becomes entitled to invoice customers for sale of specialised manufactured machines based on achieving a series of performance-related milestones, among others the time of delivery and the time of finalising installation. The Group will previously have recognised a contract asset for any work performed "Work In Progress" (WIP) recognised at sales price. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method, then the Group recognises a contract liability for the difference "Prepayment from customers". There is not considered to be a significant financing component in sale of specialised manufactured machines as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is normally less than one year.

Installation of manufactured machines for specialised business machines

Haarslev can sell manufactured machines for specialised business operations with or without installation.

The delivery of machines and installation are seen as two separate performance obligations – even that the two services can be sold at the same time. This is due to:

- Haarslev identifies two deliverables in the customer contract: (a) machines and (b) installation.
- The promise to transfer machines and service to the customer is separately identifiable.
- The installation service is routinely performed by other providers and does not significantly modify the machines
- Machines are often sold at a fix price whereas the installation is sold on time & material.
- Installation services are recognised as a performance obligation satisfied over time.

Revenue is recognised for these installation services based on the stage of completion of the contract. The management have assessed that the stage of completion determined as the proportion of the total cost expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations. Payment for installation is not due from the customer until the installation services are complete. Therefore, a contract asset “Work In Progress” (WIP) is recognised (at sales price) over the period in which the installation services are performed representing the entity’s right to consideration for the services performed to date.

Sales-related warranties associated with sale of manufactured goods

Sales-related warranties associated with sale of manufactured goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 (refer to note 18).

Sale of standard machines

For **sale of standard machines**, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer’s specific location (delivery). The standard machines have an alternative use for Haarslev and the contract does not preclude Haarslev from directing the completed standard machine to another customer. Standard Machines in progress are recognised as part of inventory until delivery. A receivable is recognised by the Company when the goods are delivered to the customer, as only the passage of time is required before payment is due.

Global Services***Maintenance and spare parts***

Maintenance relating to sale of manufactured machines is not included in the transaction price for the sale of manufactured goods. The maintenance service is considered to be a distinct service as it is both regularly supplied by the Company to other customers on a stand-alone basis and is available for customers from other providers in the market. Revenue relating to the maintenance services is recognised at the time of invoicing.

For **spare parts**, revenue is recognised when control of the spare parts has transferred, being when the spare parts have been shipped to the customer’s specific location (delivery). Delivery occurs when the spare parts have been shipped to the customer’s specific location. A receivable is recognised by the Company when the spare parts are delivered to the customer, as only the passage of time is required before payment is due.

Accounting estimates

Sales of goods In Haarslev's business model, relate to sales of standard equipment and sales of complete solutions or systems (*Sale of specialised manufactured machines*). Standard equipment requires no or minor modifications as requested by customers. Sales of complete solutions or systems (*Sale of specialised manufactured machines*) require significant modifications either requested by the customer or required to fulfil the customer's needs.

The Company uses the **percentage-of-completion method in accounting for its revenues for complete solutions or systems**. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political, and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue.

6 Cost

Accounting policies

Production cost

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, amortization, depreciation, and impairment losses relating to intangible assets and property, plant and equipment included in the production process. Production costs includes ordinary write-down of inventories. Furthermore, provisions for losses on contract work are recognized.

Productions costs also include **research and development** costs that do not qualify for capitalization as well as amortization of capitalized development costs. Costs related to research and development are DKK 2.478k (2020: DKK 2.516k). Research and development comprise direct costs, payroll costs and depreciations and impairments that, directly or indirectly, can be attributed to the Group's development activities. Capitalisation of product development costs will only take place if the criteria are met. Development projects that are clearly defined and identified and where the technical utilisation, sufficient resources and a potential market or development opportunities can be documented, and where the Group intends to manufacture, market or use the product commercially, are recognised under intangible assets. Normally, these criteria are met late in the development phase. Product development costs that meet the criteria for recognition in the balance sheet are measured at cost, incl. indirectly incurred costs. Product development costs that do not meet the criteria for capitalisation in the balance sheet and research costs are recognised in the income statement on an ongoing basis.

Sales and Distribution costs

Distribution costs comprise costs incurred for sale and distribution, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortization, 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 administrative functions, including wages and salaries for administrative staff and Management, stationery, and office supplies as well as amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration.

7 Employee benefits

Figures in '000 DKK

Personnel costs - type	2021	2020
Wages and Salaries	193.703	205.707
Pensions	15.465	16.488
Other personnel costs	7.213	5.396
Total	216.381	227.591

Personnel costs - function		
Production costs	175.907	186.024
Distribution costs	26.183	28.436
Administrative costs	14.290	13.131
Total	216.381	227.591

Average number of employees during the year	343	394
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<i>Salaries, Board of Executives</i>	4.028	3.252
<i>Remuneration for the Board of Directors</i>	200	747
Remuneration for the Executive Board and Board of Directors	4.228	3.999

<i>Key management personnel</i>		
Wages and Salaries	4.651	3.600
Pensions	261	236
Other personnel costs	290	244
<i>Total remuneration for key management personnel</i>	5.202	4.080

Group Management is considered to be key management personnel.

Accounting policies

The employee benefit expenses relate to employees who are employed at Haarslev Industries A/S, both with permanent and temporary contracts.

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year which the associated services are rendered by employee of Haarslev. Where Haarslev provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employee concerned.

8 Net finance cost

Financial income

<i>Figures in DKK '000</i>	2021	2020
Interest, Group enterprises	8.464	7.163
Interest bank and others	1	114
Other financial income	6.575	13.195
Total	15.039	20.473

Financial expenses

<i>Figures in DKK '000</i>	2021	2020
Interest, Group enterprises	4.745	2.992
Interest bank and others	7.129	8.128
Lease interests	511	588
Other financial expenses	22.704	8.539
Total	35.089	20.247

None of the financial income or expenses are related to fair value income or loss.

Accounting policy

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, amortization of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

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, amortization of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Unrealised gain or loss are illustrated in the finance gain or loss.

9 Income tax

Income tax for the year

<i>Figures in DKK '000</i>	2021	2020
Tax on profit or loss for the year	-1.028	
Adjustment of deferred tax for the year	-2.442	-1.473
Other taxes	-4.055	-7.693
Adjustment of tax in respect to previous years	-5	
Total	-7.530	-9.166

Computation of effective tax rate

<i>Figures in DKK '000</i>	2021	2020
Calculated tax for the year	-9.043	7.164
Other taxes	-4.055	-7.693
Non taxable income less non-tax deductible expenses (net)	-1.029	981
Result in Group enterprises and associate	6.602	-9.618
Taxes related to previous years	-5	
Effective tax rate	-7.530	-9.166

Accounting policies

The tax expense for the period comprises current and deferred tax. It also includes adjustments to previous years and changes in provisions for uncertain tax positions. Tax is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income. Provisions for ongoing tax disputes are included as part of deferred tax assets, tax receivables and tax payables.

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

The Company is jointly taxed with all its other Danish subsidiaries.

The current income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Other taxes consist of withholding taxes paid in Haarslev Industries A/S. Adjustment of tax related to previous years is related to local adjustments after year-end report.

Accounting estimates

Management judgement regarding recognition of deferred income tax assets and provisions for uncertain tax positions. Haarslev is subject to income taxes around the world. Estimates are required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provisions for uncertain tax positions.

Haarslev recognises deferred income tax assets if it is probable that sufficient taxable income will be available in the foreseeable future which usually is within 3-5 years, against which the temporary differences and unused tax losses can be utilised. Management has considered future taxable income and applied its judgement in assessing whether deferred income tax assets should be recognised.

In the course of conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Management judgement is applied to assess the possible outcome of such disputes. The 'most probable outcome' method is applied when making provisions for uncertain tax positions, and Haarslev considers the provisions made to be adequate. However, the actual obligation may deviate and depends on the result of litigation and settlements with the relevant tax authorities.

10 Discontinued activities and assets classified as held for sale

Discontinued operations

<i>Figures in DKK '000</i>	2021	2020
Income statement		
Revenue		12.134
Production cost		-23.295
Profit/loss for the year		-11.161
Balance		
Short term assets		13.121
Total		13.121

Discontinued operations comprise the Groups Environment and FFI (food and feed industrial) divisions. Following a strategic review in 2019, it was decided to initiate a close-down of Environment and FFI. The discontinuation of FFI was implemented in 2020. In 2021 all discontinued activities are closed.

Short term assets consist of account receivable and work in progress.

11 Intangible asset

<i>Figures in DKK '000</i>	Acquired rights	Knowhow	Total 2021	Acquired rights	Knowhow	Total 2020
Cost as of 01.01.	24.372	70.016	94.388	24.127	70.016	94.143
Cost, additions	660		660	245		245
Cost, disposal	-8.483		-8.483			
Cost as of 31.12.	16.548	70.016	86.564	24.372	70.016	94.388
Amortisation and impairment losses as of 01.01.	-24.174	-54.335	-78.509	-24.127	-51.250	-75.377
Amortisation and impairment losses, additions	-119	-3.085	-3.204	-47	-3.085	-3.132
Amortisation and impairment losses, disposals	8.483		8.483			
Amortisation and impairment losses as of 31.12.	-15.810	-57.420	-73.230	-24.174	-54.335	-78.509
Carrying amount as of 31.12.	738	12.596	13.334	198	15.681	15.879

Depreciation are allocated as below:

Administration	-119		-119	-47		-48
Production		-3.085	-3.085		-3.085	-3.085
Total amortisation	-119	-3.085	-3.204	-47	-3.085	-3.133

Accounting policies

Acquired rights are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is based on the straight-line method over the estimated useful life. This means the legal duration or the economic useful life depending on which is shorter, and not exceeding 15 years.

Knowhow is recognised as intangible assets if the recognition criteria are met, for example a significant business knowhow where the expenditure leads to the creation of a durable asset. Amortisation is based on the straight-line method over the estimated useful life of 20 years. The amortisation begins when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the carrying amount of intangible assets exceeds the recoverable amount any impairment is measured based on discounted projected cash flows.

12 Property, plant and equipment

<i>Figures in DKK '000</i>	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total 2021
Cost as of 01.01.	100.534	76.705	29.549		206.788
Additions during the year	2.545	328	605	9.240	12.718
Transferred					
Disposals during the year	-624	-12.721	-10.815	-3.933	-28.092
Cost as of 31.12.	102.456	64.312	19.339	5.307	191.414
Depreciation and impairment losses as of 01.01.	-66.941	-66.338	-16.621		-149.900
Depreciations during the year	-3.440	-4.181	-1.215		-8.836
Reversal of depreciation and impairment losses on disposed assets	155	12.676	10.815		23.646
Depreciation and impairment losses as of 31.12.	-70.226	-57.843	-7.021		-135.090
Carrying amount as of 31.12.	32.230	6.469	12.319	5.307	56.324
Depreciation are allocatated as below:					
Administration	-3.440		-1.215		-4.655
Production		-4.181			-4.181
Total amortisation	-3.440	-4.181	-1.215		-8.836

<i>Figures in DKK '000</i>	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total 2020
Cost as of 01.01.	100.534	75.208	29.644	210	205.595
Additions during the year		1.557	461		2.019
Transferred		210	-556	-210	-556
Disposals during the year		-270			-270
Cost as of 31.12.	100.534	76.705	29.549		206.788
Depreciation and impairment losses as of 01.01.	-63.410	-61.252	-15.855		-140.517
Depreciations during the year	-3.531	-5.126	-1.322		-9.979
Reversal of depreciation and impairment losses on disposed assets		40	556		596
Depreciation and impairment losses as of 31.12.	-66.941	-66.338	-16.621		-149.900
Carrying amount as of 31.12.					56.888
Depreciation are allocatated as below:					
Administration	-3.531		-1.322		-4.853
Production		-5.126			-5.126
Total amortisation	-3.531	-5.126	-1.322		-9.979

Depreciation of property, plant and equipment as above are included in the Statement of Income. The Company has through 2021 initiated a clean up of fixed assets, which results in high disposals through the year. Furthermore, a building in one entity has been sold, and the entity has been transferred to leased facilities.

For further information for land and buildings and securities, refer to note 27.

Accounting policy

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-manufactured assets, cost comprises direct costs of materials, components, sub-suppliers and labor costs attributable to the construction of the assets. The basis of depreciation is cost less estimated residual value after the end of useful life and the scrap value. 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

Other fixtures and fittings, tools and equipment 3-10 years

Estimated useful lives and residual values are reassessed annually. Haarslev Industries A/S Buildings, plant and machinery, other fixtures and equipment are written down to the lower of recoverable amount and carrying amount.

Tangible assets not yet available for use are not subject to depreciation.

13 Leases

<i>Figures in DKK '000</i>	Total 2021	Total 2020
Cost as of 01.01.	9.258	7.448
Additions during the year	1.441	1.810
Disposals during the year	-1.332	
Cost as of 31.12.	9.367	9.258
Depreciation and impairment losses as of 01.01.	-2.730	
Depreciations during the year	-2.913	-2.730
Reversal of depreciation and impairment losses on disposed assets	1.332	
Depreciation and impairment losses as of 31.12.	-4.311	-2.730
Carrying amount as of 31.12.	5.056	6.529

Depreciation are allocated as below:

Administration	-926	-971
Production	-1.987	-1.758
Total amortisation	-2.913	-2.730

Leases illustrated above only include equipment.

Lease liability is illustrated in separate note long term liability note 24.

As Haarslev has changed accounting policy to IFRS, 2021 is the first year where the Company uses IFRS 16. All comparable numbers have been adjusted for the fiscal year 2020 and beginning balance 1 January 2020.

Depreciation of right of use assets analysis in the Financial Statement of Income is illustrated above.

Accounting policy

Haarslev mainly leases trucks and vehicles. The right of use asset is presented in equipment and the lease liability in borrowings. For contracts which are, or contain, a lease, the Company recognises a right of use asset and lease liability. The right of use asset is initially measured at cost, which being the initial amount of the lease liability, added related re-establish cost when the lease period is ended. The right of use asset is subsequently depreciated using straight line method over the lease term (period). If there is no end of the lease term defined in the contract it has been estimated.

The right of use asset is periodically adjusted for certain remeasurement of the lease liability and reduced by impairment losses.

New lease contracts with a lease term of 12 months or less and leases of low value assets are not recognised on the balance sheet. These are expensed on a straight-line basis over the lease term. Lease of low value asset include mobile phones and other small items of office equipment.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the incremental borrowing rate. The lease liability is measured using effective interest method.

The lease liability is remeasured when there is a change in future lease payments, typically due to a change in index or rate on property leases, or if there is a reassessment of whether an extension or termination option will be exercised. A corresponding adjustment is made to the right of use asset, or the income statement when the right of use asset has been fully depreciated.

14 Investments in associates

The investments in associates relate to a 49% interest in the Danish Company Core A/S. Result hereof:

Group

<i>Figures in DK '000</i>	2021	2020
Cost as of 01.01.	22.050	22.050
Cost as of 31.12.	22.050	22.050
Adjustment to cost per 01.01.	-4.567	-3.716
Net profit/loss from associate	-483	-851
Dividend relating to associate	-990	
Adjustments to cost, ultimo	-6.040	-4.567
Carrying amount as of 31.12.	16.010	17.483

Associates	Registered in	Equity interest in percent
Group enterprises		
Core A/S	Herlev, Denmark	49

Accounting policy

Investments in associates are recognized and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value and minus or plus unrealized pro rata internal 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.

15 Business combinations

Haarslev acquired the remaining 51% of shares in the associated Company Core A/S on 1 January 2022. The purpose for the acquisition is to further integrate the digital products from Core into the Groups products. The purchase price was DKK 15 mln. Purchase price allocation has not been finalized due to acquisition date 1 January 2022.

The purchase price is paid via cash (DKK 1 mln), shares in Haarslev Group Holding A/S equity (DKK 24.451 A-shares) (DKK 2.8 mln) and vendor loan (DKK 11.2 mln) on the acquisition date 1 January 2022. Costs related to the acquisition amount to DKK 152k.

The number of employees in Core A/S is 7.

Allocation of acquisition of Core A/S

Intangible assets including goodwill	28.873
Receivable	244
Work in progress	2.529
Inventory	73
Acquired asset	31.719
Payable	-715
Bank	-455
Other payable	-3.126
Taxes	
Acquired debt	-4.296
Acquired net asset	27.423
Cash	1.989
Aquisition price	29.412
Cash	991
Shares	2.802
Vendor loan	11.207
Existing shareholding	14.412
Total consideration	29.412

No business combinations were completed in 2021 and 2020.

Accounting policy

The purchase price for a business comprises the fair values of the assets transferred, liabilities incurred to the former owners including shareholders of the acquired business and the fair value of any asset or liability resulting from a contingent consideration arrangement. Any amount of the purchase price which effectively comprises a settlement of a pre-existing relationship is not part of the exchange for the acquiree and is therefore not included in the consideration for the purpose of applying the acquisition method. Settlements of pre-existing relationships are accounted for as separate transactions in accordance with the relevant IFRS. Identifiable assets and liabilities and contingent liabilities assumed are measured at fair value at the date of acquisition by applying relevant valuation methods. Acquisition-related costs are expensed as incurred.

16 Equity investments in Group enterprises

<i>Figures in DK '000</i>	2021	2020
Cost as of 01.01.	525.928	409.425
Additions during the year	1	116.503
Cost as of 31.12.	525.929	525.928
Adjustment to cost 01.01.	-83.297	-2.217
Foreign currency translation adjustment of foreign enterprises	22.002	-11.816
Net profit/loss from equity investments	30.491	-15.078
Dividend relating to equity investments	-2.026	-19.771
Investment with negative equity value offset in receivables	-62.368	-34.415
Adjustment to cost, ultimo	-95.198	-83.297
Carrying amount as of 31.12.	430.731	442.631
The item comprises goodwill as of 31.12.	49.931	49.931

Subsidiaries	Registered in	Equity interest in percentage
Group enterprises		
* Haarslev Group A/S	Søndersø, Denmark	100
* Haarslev industries A/S	Søndersø, Denmark	100
* Haarslev Inc.	Kansas City, USA	100
Haarslev Industries GmbH	Mannheim, Germany	100
Haarslev GmbH	Krefeld, Germany	100
Stord-Bartz AS	Bryne, Norway	100
Haarslev Industries S.A.C.	Lima, Peru	100
* Haarslev Inversiones Internacionales S.L.U.	Barcelona, Spain	100
Haarslev Industries LTDA	Curitiba, Brazil	100
* Haarslev Industries S.A.U.	Barcelona, Spain	100
Haarslev Industries PTE LTD	Labuan, F.T., Malaysia	100
Haarslev Industries SDN BHD	Selangor Darul Eshan, Malaysia	100
Haarslev Industries L.L.C	Moscow, Russia	100
* Haarslev Xuzhou Machinery Co. Ltd.	Xuzhou City, Jiangsu Province, China	100
* Haarslev Industries Ltd.	Rosedale Auckland, New Zealand	100
Haarslev Industries (India) Pvt Ltd	Mumbai, Maharashtra, India	100
Haarslev PT (India) Pvt Ltd	Mombai, Maharashtra, India	100
Haarslev Industries Poland Sp. z.o.o.	Kielce, Poland	100
Haarslev Industries S.A.S	Lorient, France	100
Haarslev Industries Press Technology GmbH & Co. KG	Wuppertal, Germany	100
Haarslev Industries Remscheid GmbH	Wuppertal, Germany	100
* KMG UK Limited	Skelmersdale, UK	100
Haarslev UK Limited	Skelmersdale, UK	100
Food Processing Equipment UK Limited	Skelmersdale, UK	100
Haarslev Industries PTY Ltd.	Melbourne, Australia	100

* The entity is obligor in the group, which is provided as security for credit institutions.

For further information regarding Group enterprises and obligor placed as security, refer to note 27.

Accounting policy

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

Net revaluation of investments in subsidiaries is transferred to "Reserve for net revaluation according to the equity method" under equity.

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

If Group enterprises has indications for low value, an impairment test will be prepared on the Group enterprise.

17 Inventories

Figures in DKK '000

	2021	2020
	DKK '000	DKK '000
Raw materials and consumables	57.743	58.391
Product in progress	35.028	22.621
Manufactured goods and goods for resale	35.155	29.036
Total inventories	127.926	110.048
Write down beginning of the year	-16.727	-9.890
Write down/reversal during the year, net	6.511	-6.837
Write down at the end of the year	-10.216	-16.727

In 2021 the write-down of inventories to net-realizable value amounted to DKK 10.2 mln (2020: DKK 16.7 mln).

The write-downs recognized following a recoverability analysis are included in cost of sales. Through 2021, items in the inventory have been scrapped. In 2021 there has been additional focus on inventory clean up.

Costs which are included in the income statement as production costs are DKK 434.532k (2020: DKK 466.729k).

Accounting policy

Inventories are measured at the lower of cost using the FIFO method or net realizable 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 labor costs and indirect production costs.

Indirect production costs comprise indirect materials and labor 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 realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

If the expected sales price less completion costs to execute sales (net realizable value) is lower than the carrying amount, a write-down is recognized for the amount by which the carrying amount exceeds its net realizable value

Accounting estimates

Indirect production costs are measured using a standard cost method. This is reviewed regularly to ensure relevant measures of capacity utilisation, production lead time, cost base and other relevant factors, hence inventory is valued at actual cost. When calculating total inventory, Management must make judgements about cost of production, standard cost variances and idle capacity in estimating indirect production costs for capitalisation. Changes in the parameters for calculation of indirect production costs could have an impact on the gross margin and the overall valuation of inventories.

18 Work in progress for third parties

<i>Figures in DKK '000</i>	2021	2020
Work in progress for third parties	859.259	868.009
On-account invoicing	-816.730	-791.784
Work in progress for third parties	42.529	76.225
Work in progress for third parties (contract assets)	93.536	133.506
Work in progress for third parties (contract liabilities)	-51.007	-57.281
Total	42.529	76.225

Salesvalue of contract	1.090.394	1.083.994
Value of performance obligation already recognised	859.259	868.009
Value of performance obligations will be recognised within 12 months	156.408	210.487
Value of performance obligations will be recognised after 12 months	74.727	5.498

Work in progress for third parties (contract liabilities) consist of projects where on account invoicing/payment from customer exceeds the work in progress (contracts assets).

Accounting policies

The Company becomes entitled to invoice customers for sale of specialised manufactured machines based on achieving a series of performance-related milestones, among others the time of delivery and the time of finalising installation. The Company will previously have recognised a contract asset for any work performed "Work In Progress" (WIP) recognised at sales price. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Company recognises a contract liability for the difference "Prepayment from customers".

Accounting estimates

"Work In Progress" (WIP) recognised at sales price The Company uses the **percentage-of-completion method in accounting for its revenues for complete solutions or systems**. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, Haarslev needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

The Company has a significant contract where there has been loss allowance for contract assets, where the accounting value has been reduced with DKK 34,3 mln. (2020: DKK 2,2 mln)

Contingency provision

<i>Figures in DKK '000</i>	2021	2020
Beginning of the year	27.023	10.938
Addition	7.857	22.682
Spend	-5.521	-6.597
End of the year	29.359	27.023

19 Trade receivables

Trade receivable

<i>Figures in DKK '000</i>	2021	2020
Not Due	45.921	36.688
OverDue days <30	6.577	3.802
OverDue days (>30 & <60)	190	839
OverDue days (>60 & <90)	11	183
OverDue days (>90 & <180)	46	1.227
OverDue days >180	-2.594	10.216
Provisioned for loss	-4.078	-12.793
Trade receivable as of 31.12.	46.073	40.162

Changes in trade receivable

<i>Figures in DKK '000</i>	2021	2020
Carrying amount beginning of the year	-12.793	-9.014
Impairment test		-5.202
Reversal of allowance on realised losses	8.715	
Written off during the year as uncollectible		1.423
Total provision for loss end of the year	-4.078	-12.793

Through 2021, one significant debtor has been settled, which impact the high reversal amount 2021.

Accounting policy

Receivables are measured at amortized cost, usually equalling transaction price less write downs (allowance) for doubtful receivables.

General invoices are due for payment after 30 days from shipment of goods, down payments for projects after 7 days. Loss allowance is based on expected credit losses. Loss for disputes is recognized against revenue, loss for doubtful receivables is recognized in distribution cost in Statement of comprehensive income.

Accounting estimates

Management makes allowance for doubtful trade receivables based on the simplified approach, which means that lifetime expected losses are provided for. The allowance is an estimate based on shared credit risk characteristics and the days past due.

For trade receivables with objective evidence of impairment, expected credit losses are based on individual assessment and amounts to DKK 3.827k at 31 December 2021 (2020: DKK 12.528k). Objective evidence is mainly related to disputes.

For trade receivables with no objective evidence of impairment, Haarslev provides 0,5% of the total trade receivable amount overdue. The 0,5% is based on historical evidence from the past 4 years with very limited losses related to credit risk. Provision for doubtful receivables with no objective evidence of impairment at 31 December 2021 is DKK 251 k (2020: DKK 265k)

20 Receivable from Group enterprises and other receivable

<i>Figures in DKK '000</i>	Receivables from Group enterprises	Other receivables	Total 2021	Receivables from Group enterprises	Other receivables	Total 2020
Cost as of 01.01.	335.990	1.609	337.599	327.688	1.696	329.384
Foreign currency translation adjustment of foreign enterprises				-2.323		-2.323
Additions during the year	86.584	183	86.767		13	13
Disposals during the year	-35.812	-462	-36.274	-55.419	-100	-55.519
Transfers during the year to/from other items	14.854		14.854	66.044		66.044
Cost as of 31.12.	401.616	1.330	402.946	335.990	1.609	337.599
Impairment losses as of 01.01.	-58.527		-58.527	-58.390		-58.390
Impairment losses reversals during the year	51.100		51.100	-137		-137
Impairment losses as of 31.12.	-7.427		-7.427	-58.527		-58.527
Carrying amount as of 31.12.	394.189	1.330	395.519	277.463	1.609	279.072

Other receivables are deposit paid for leased buildings.

Included in the amount for receivable in Group enterprises, DKK 7.4 mln. (2020: 58.5 mln.) is reduced with negative value of investment in Group enterprises.

Accounting policy

Trade and short term Receivables are measured at amortized cost, usually equalling nominal value less write downs for bad and doubtful debts.

Other Receivables are measured at amortized cost, usually equalling nominal value less write downs for bad and doubtful debts.

21 Deferred tax assets

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movements on the deferred income tax account are as follows:

<i>Figures in DKK '000</i>	2021	2020
Deferred tax comprises		
Deferred tax asset	2.745	5.188
Total	2.745	5.188

Deferred tax comprises

<i>Figures in DKK '000</i>	2021	2020
Intangible assets	37	10
Property, plant, and equipment	7.252	4.877
Receivables	-28.422	-22.454
Liabilities	7.006	6.782
Tax losses	16.872	15.973
Total	2.745	5.188

Changes during the year

Beginning of the year	5.188	6.661
Recognised in the income statement	-2.442	-1.473
End of year	2.745	5.188

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income taxes recognized in the Consolidated Statement of Financial Position are as above

Accounting policy

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset. Deferred tax assets, including tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as an tax asset.

Loss carried forward is using an expiry date of 3-5 years.

22 Equity

<i>Figures in DKK '000</i>	2021	2020
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

Share capital

No changes in share capital through the last 5 years.

Dividend

In 2020 a dividend of DKK 19 mln. was proposed, which was paid in 2021. Dividend proposed in 2021 is DKK 24 mln.

23 Other provisions

<i>Figures in DKK '000</i>	2021	2020
Provision as of 01.01	8.041	15.610
Provision addition through the year	9.036	5.812
Provision release in the year	-2.616	-13.381
Provision as of 31.12	14.461	8.041

All provisions is classified as short term provisions and will be utilized within a period of 12 months.

Accounting policy

The Group 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.

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

Once it is possible that the total costs will exceed total from a contract in progress, provisions are made for the total loss estimated to result from the relevant contract.

24 Borrowings and lease liabilities long term

Loan in balance sheet fall due as illustrated below:

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1 and 5 years	Fall due more than 5 years	Total long term payables at 31.12.2021	Interest
Payables to other credit institutions	6.231	3.099		3.099	EURIBOR +2%
Other payable	987	1.460	17.734	19.194	Public index (2021 1,5%)
Subordinated loan from Group enterprises		110.051		110.051	EURIBOR +2%
Leases	1.925	4.219	158	4.377	Variable
Total	9.144	118.829	17.892	136.721	

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1 and 5 years	Fall due more than 5 years	Total long term payables at 31.12.2020	Interest
Payables to other credit institutions		2.873	8.619	8.620	EURIBOR +2%
Other payable		776	18.175	19.282	Public index (2021 1,5%)
Subordinated loan from Group enterprises			105.853	105.853	EURIBOR +2%
Leases		1.998	5.160	5.509	Variable
Total		5.647	137.807	139.263	

Payable for credit institutions will hereafter fall due 30. June 2023.

Loan from shareholder is a subordinated loan and rank after the Company's other financial liabilities. Repayment shall be made on the lenders first written demand with respect for credit institutions approval. Interest will first be paid after credit institutions approval.

Changes in interest bearing debt are illustrated below:

2021

<i>Figures in DKK '000</i>	Payables to other credit institutions	Other payable	Subordinated loan from Group enterprises	Leases	Total
Beginning of the year	280.695	19.281	105.853	5.509	411.339
Addition					
Paid	-7.682	-376		-2.591	-10.649
Non cash transactions	7.000	288	4.198	1.459	12.945
End of the year	280.014	19.193	110.051	4.377	413.635

2020

<i>Figures in DKK '000</i>	Payables to other credit institutions	Other payable	Subordinated loan from Group enterprises	Leases	Total
Beginning of the year	232.623	6.880	44.850	7.545	291.898
Addition	43.074	11.662	59.440		114.176
Paid	-2.019			-2.270	-4.289
Non cash transactions	7.017	739	1.563	234	9.554
End of the year	280.695	19.281	105.853	5.509	411.339

Haarslev has four main funding facilities:

Credit facility

- Credit facility with banks.
- Other payable, frozen holiday for employees.
- Leases
- Subordinated loan from Group companies (Loan from shareholder Altor)

Loan from shareholder

Haarslev Group Holding has a loan of 110 million DKK (denominated in euro) from Shareholder Altor. This loan is granted from Shareholder Altor to Haarslev Group Holding A/S, and through Haarslev Group A/S to Haarslev Industries A/S. Loan from shareholder is a subordinated loan and rank after the Company's other financial liabilities. Repayment shall be made on the lenders first written demand with respect for credit institutions approval. Interest will first be paid after credit institutions approval. Payable for credit institutions will hereafter fall due 30 June 2023.

Accounting policy

Long term debt comprises debt in bank or credit institutions, which have a maturity date after 12 months from year end 2021.

Loans from credit institutions and subordinated loan are recognized initially at fair values. Subsequently, the financial obligations are measured at amortized cost equal to the capitalized value using the effective interest method; the difference between the proceeds and the nominal value is recognized in financial income and expenses in the income statement over the loan period. Other debts, comprising trade payable, payables to subsidiaries and associates, VAT, excise duties, etc. as well as other payable, are measured at amortized cost, substantially corresponding to the nominal debt.

25 Financial instruments and risk

Financial risk factors

This note presents information about the Company's exposure to each of the below mentioned risks, the Company's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout the Financial Statements.

Fair value measurement

None of the financial instruments are measured at fair value but amortized costs, and there are no material differences from the carrying amount to the fair value.

Liquidity risk

Refer to note long term debt for specification for long term Debt fall due longer than 1 year. All short term liabilities must be repaid within 1 year.

The total net financial liability is expected to be financed by the positive cashflow from operating activities as well as unused lines of credit. Further part of the short term of the financial liabilities, is not expected to fall due for payment.

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1 and 5 years	Fall due more than 5 years	Total long term payables at 31.12.2021
Payables to other credit institutions	6.356	3.597		9.953
Other interest bearing payable	987	1.460	17.734	20.181
Subordinated loan from Group enterprises	4.198	114.249		118.446
Leases	2.436	4.730	158	7.325
Trade payable	128.592			
Payable from Group enterprises	452.306			
Other payable	58.506			
Work in progress for third parties (contract liability)*	51.007			
Prepayment received from customers *	17.091			
Payable to associates				
Income taxes	2.699			
Total payable	724.177	124.036	17.892	155.906
Trade receivables	-46.073			
Other receivables	-12.086			
Receivable from Group enterprises	-437.476			
Work in progress for third parties (contract assets)	-93.536			
Total receivable	-589.171			
Total	135.006	124.036	17.892	155.906

*The payment of Work in progress for third parties (contract liability) and Prepayments received from customers will occur via the work on projects coming year. Payments from customers on new Order Intake will as well contribute to the cash flow. Combined with the other capital resources the liquidity situation in the coming year is sufficient.

<i>Figures in DKK '000</i>	Repayment first year	Fall due between 1 and 5 years	Fall due more than 5 years	Total long term payables at 31.12.2020
Payables to other credit institutions	2.930	8.849		11.779
Other interest bearing payable	776	18.175	1.106	20.057
Subordinated loan from Group enterprises	4.198	114.249		118.446
Leases	2.586	5.748	349	8.684
Trade payable	121.607			
Payable from Group enterprises	425.289			
Other payable	40.053			
Work in progress for third parties (contract liability)*	57.281			
Prepayment received from customers *	35.482			
Payable to associates	584			
Income taxes	10.531			
Total payable	701.317	147.021	1.455	158.966
Trade receivables	-40.162			
Other receivables	-9.935			
Receivable from Group enterprises	-336.682			
Work in progress for third parties (contract assets)	-133.506			
Total receivable	-520.285			
Total	181.033	147.021	1.455	158.966

*The payment of Work in progress for third parties (contract liability) and Prepayments received from customers will occur via the work on projects coming year. Payments from customers on new Order Intake will as well contribute to the cash flow. Combined with the other capital resources the liquidity situation in the coming year is sufficient.

Risk management framework

The main financial risks faced by Haarslev relate to market risk and liquidity risk. Risk management is carried out by Group finance under policies and with instruments approved by the Board of Directors. Group Finance identifies, evaluates financial risks in close cooperation with the Company's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Refer to (1) foreign exchange risk below.

Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises (1) foreign exchange risk, (2) interest rate risk and (3) credit risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. When contracts are won, components as steel with high risk are bought to minimize the total risk. Sales contracts are made in EUR when possible.

(1) Foreign exchange risk

The Company operates internationally and is exposed to currency risk arising from mainly the USD, EUR, DKK and BRL, primarily with respect to the DKK, as the DKK is the Company's reporting currency. The Company monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency.

Exposure on exchange rate is not managed through any hedging instruments, however, controlled by keeping contracts mainly in currency EUR and DKK with related project cost in same currency.

Company Loans are also done in EUR. The EUR/DKK exchange rate is not considered a currency exposure due to the Danish fixed rate policy.

The Company owns several subsidiaries that are exposed to their local currency fluctuations towards DKK. These are however adjusted as part of comprehensive income and not considered here. (Impact on subsidiary currency exposure booked as comprehensive income was DKK +22 mln in 2021 compared to DKK -11 mln in 2020).

The main currency exposure is driven by the US Dollar. Exposure in 2021 was related to a balance of DKK -115 mln. Assuming a currency increase of 10% exposure can be calculated as DKK -11,5 mln. Compared to 2020 where the balance was DKK -75 mln with an exposure of DKK 7,5 mln.

(2) Interest rate risk

The Group is exposed mainly to floating interest rate risk on borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. A 1% change in floating interest rate will impact Equity and result with the amount of DKK 1 mln (2020: DKK 1 mln).

The interest rate risk is monitored on a regular basis, including considerations whether financial instruments should be implemented as risk mitigation.

(3) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers and other group entities, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, considering its financial position, past experience and other factors. Each customer has a set credit limit and the utilization of the credit limit is regularly monitored.

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No significant credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by its customers.

The Company does not expect any impairment on cash and cash equivalents as the Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors the Group's leverage, defined as net debt divided by EBITDA. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses the leverage ratio in its approach to capital management.

26 Contingent liabilities

Haarslev is 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.

As part of the Company's ordinary activities, the Groups bank and insurance Company have issued guarantees for contracting projects totaling DKK 82.550k (2020: DKK 38.109k).

The Company is taxed jointly with Haarslev Group A/S and 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.

27 Securities

Haarslev Industries's shares in 6 material subsidiaries with a carrying amount of DKK 437.681k (2020: DKK 442.631k) have been provided as security to credit institutions, as of 31 December 2021, amount to net DKK 693.830k (2020: DKK 727.484k).

6 material Group enterprises have guaranteed for the engagement with credit institutions with a carrying amount of DKK 693.830k (2020: DKK 727.484k).

A mortgage deed to the mortgagor of DKK 30.500k (2020: DKK 30.500k) and a letter of indemnity of DKK 4.500k (2020: DKK 4.500k) secured on land and buildings with a carrying amount of DKK 32.230k (2020: DKK 33.593k) at 31 December 2021 have been provided as security for credit institutions in the Group enterprises amounting net to DKK 693.830k (2020: DKK 727.484k) as of 31 December 2021.

The Company has found joint an unlimited surety for the Groups cash pool with credit institutions with a net debt of DKK 154.476k (2020: DKK 173.194k).

28 Related parties

Transactions with subsidiaries are included in the Financial Statements in accordance with the accounting policies applied. Related parties comprise the executive board and board of directors, refer to note for remuneration of board of directors and executive board.

Related parties comprise associate Company, refer to note for associate Group enterprise regarding received dividend in 2021.

The below mention shareholder exercise control.

Controlling influence:	Basis of influence
Altor Fund III GP Limited, Seaton Place 11-15 JH4 OQH St Helier Jersey	Ultimative shareholder
Haarslev Holding S.A.R.L., 9A Rue Gabriel Lippmann, L-5365 Munsbech, Luxembourg	Shareholder
Haarslev Group Holding A/S, Bogensevej 85, Haarslev, 5471 Sønderød	Shareholder
Haarslev Group A/S, Bogensevej 85, Haarslev, 5471 Sønderød	Shareholder

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

Transactions with related parties

<i>Figures in DKK '000</i>	2021	2020
Total receivable from related parties	437.476	336.682
Total payable to related parties	562.356	531.142
Revenue	178.849	244.789
Financial expenses	3.719	4.171
Administrative cost	1.161	-3.347

29 Cashflow statement

Adjustments for cash flow statement

<i>Figures in DKK '000</i>	2021	2020
Depreciation, amortisation, impairment losses and write-downs	14.953	15.841
Result from equity investments in associate	1.473	851
Result from equity investments in Group enterprises	-30.491	15.078
Non cash transactions	12.945	9.554
Financial income	-15.039	-20.473
Financial expenses	35.089	20.247
Income tax for the year	7.530	9.166
Total	26.460	50.263

The statement of cash flows shows the Company's cash flows for the year distributed on operating, investing, and financing activities, net changes for the year in cash and cash equivalents at the beginning and end of the year. Positive amounts indicate inflows, whereas negative amounts indicate outflows.

Cash flows from operating activities

Cash flows from operating activities are stated as the profit/loss for the year adjusted for non-cash operating items such as depreciation, profit/loss from the sale of vessels, etc., changes in working capital plus or minus corporation tax paid or received. Working capital includes current assets less current liabilities, excluding the items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from the acquisition and sale of non-current assets, business combinations and cash flow from transactions with Group enterprises.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of loan, instalments on lease liabilities as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents are measured in the balance sheet at nominal value and mainly consist of demand deposits, cash balance and money market investments.

30 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.

New Group entity; Core A/S

Haarslev acquired the remaining 51% of shares in the associated Company Core A/S on 1 January 2022.

The purpose for the acquisition is to further integrate the digital products from Core into the Groups products. As we expect high synergies the purchase price was DKK 15 mln (for the 51% shares).

Core A/S has been merged into Haarslev Industries A/S with the effective date of 1 January 2022.

Ukraine situation

We are deeply concerned by the situation taking place in Ukraine and our thoughts are with all the people who must live through this disaster. We took immediate action to ensure the safety of all our employees in the region.

Haarslev is complying with all applicable sanctions and is engaging with our customers about the right next steps.

Haarslev has taken the decision to suspend the acceptance of new orders for projects in Russia and Belarus.

Haarslev has on a case-by-case basis assessed whether our current contracts with customers in the Russian region are expected to continue or to be terminated. This resulted in a write off in April of approx. DKK 30 mln of the balance sheet value regarding current contracts with customers in the Russian region. The negative financial impact from suspending acceptance of new orders for projects in Russia and Belarus is expected to be offset by orders from other markets.

We operate in Russia from two offices for sales and service and employ a team of 14 people. The team will be maintained, while assessing the longer-term implications of the conflict. We will continue to monitor the situation closely and take appropriate actions as it evolves. Haarslev will not abandon the Russian market and will support the companies operating with our solutions with unavoidable essential after sales.

We join the calls for an end to this conflict and hope that peace, human rights, and the international rule of law will prevail.



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