

Haarslev Industries A/S

Bogensevej 85, 5471 Soendersoe

CVR.no. 89 52 38 18

Annual report for 2020

Adopted at the annual general meeting on
Soendersoe, April 29, 2021

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	Herman Hubertus Jacobus Defauwes
CFO	Henrik Kofoed Petersen
CCO	Henning Haugaard

Board of directors

Chairman	Jørn Mørkeberg Nielsen
	Paal Kristian Weberg
	Ola Harald Erics
	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 01.01.20-31.12.20 for Haarslev Industries A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial positions as at 31.12.2020 and of the results of the company's activities for the financial year 01.01.2020 - 31.12.2020.

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, April 29, 2021

Executive Board

Herman Hubertus Jacobus
Defauwes

CEO

Henrik Kofoed Petersen

CFO

Henning Haugaard

CCO

Board of directors

Jørn Mørkeberg Nielsen

Chairman

Paal Kristian Weberg

Ola Harald Eriç

David Hess

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 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, April 29, 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Siggaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne32208

Eskild Nørregaard Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne11681

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
181	EURm revenue
926	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 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 of our 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.

Four key industry segments

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

- Poultry rendering
- Meat rendering
- Fish processing
- Industrial processing

With deeply rooted industry expertise across all four 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.

Poultry rendering and Meat rendering

For Poultry and 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 in order 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

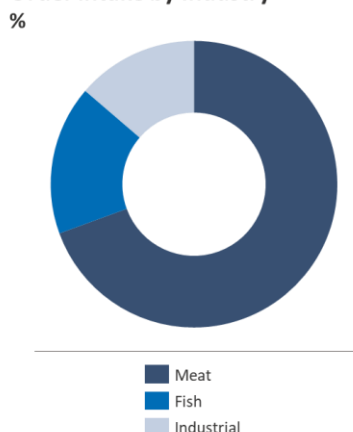
Our physical presence across the globe offers customers a local level of first line of contact, providing a swift response and first-class service from our skilled employees. We are continuously evaluating our network to optimize our skills and service levels and strengthen our connection with customers.

Revenue streams

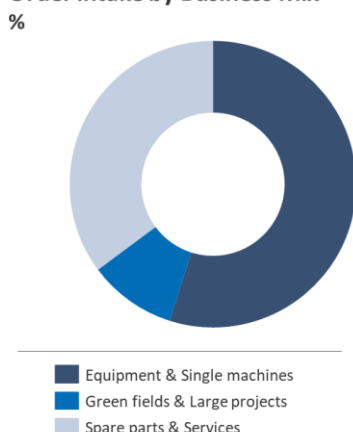
Our main revenue drivers are turnkey projects, encompassing brownfields, greenfields, modernization and maintenance as well as the production of modular, standardized equipment and processing lines. The standalone, modular portfolio is the building block for larger projects and the entry point for new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

FY 2020

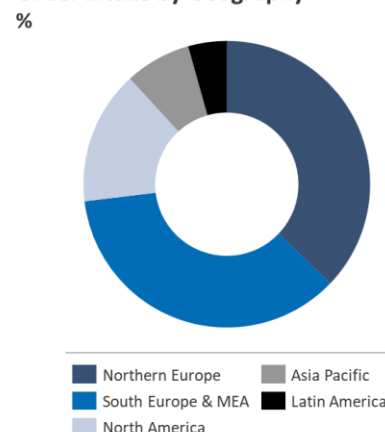
Order intake by Industry



Order intake by Business Mix



Order intake by Geography



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 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 2020 was uncertain and was depending on different scenarios of the Covid-19 impact. The unforeseen Covid-19 impact led to a challenging outlook and management decided in Q1 2020 to take significant mitigating actions by accelerating the transformation program including cost reduction initiatives. Several initiatives were planned for 2020 to improve the cash flow (e.g. through more focus on inventory management, customer payment terms, and supplier credit terms).

The revenue increased by 8% to DKK 758.327k (2019: DKK 698.108k). Gross margin increased from 5% in 2019 to 12% in 2020. Based on the outlook for 2020 (made in March 2020) post Covid-19 outbreak, a revenue decrease in the range of 5-10% was expected compared to 2019, while gross margin was also expected to decrease somewhat.

Following a strategic review in 2019, it was decided to initiate a close-down and restructuring of the Environment division and FFI (Food and Feed Industrial) activities and in 2020 also final implementation of discontinuation of FFI (Food and Feed Industrial), which therefore are recognized in a separate line in the Income Statement. The result from the discontinued operation has impacted the result for the year negatively by k45.120 (2019: 42.350k), hereof a negatively impact from result in subsidiaries by 27.789k (2019: 43.320k), and directly negatively result from activities in parent company by 11.161 k (2019: 970).

After a slow Order Intake (OI) in Q1-Q3, the entity had high OI level in Q4. This gives a good start for revenue generation in 2021. The revenue in 2020 was impacted by the lower OI level during 2020 driven by Covid-19's impact on customer demand. The South Europe region had a strong OI whereas Asia Pacific and Latin America were more challenged. The North Europe region had lower OI in 2020 than in 2019.

The EBITDA including exceptional items in 2020 (DKK 65.232k) has improved by 9 % compared to 2019 (DKK 59.843k). The normalized EBITDA for the continued operation has decreased by DKK 34.048k or 28% compared to 2019. The reduction is mainly driven by the negative effects of Covid-19.

Haarslev Group Holding A/S, including subsidiaries

Below is a specification of the development in EBITDA from 2019 to 2020

DKK'000	DKK'000		EUR'000	
	2020	2019	2020	2019
Loss before net financials cf. Income statement	-26.418	-33.963	-3.541	-4.553
Depreciation, amortization, impairment losses, and write-downs cf. adjustment to cash flow statement	91.650	93.806	12.286	12.575
EBITDA	65.232	59.843	8.744	8.022
Exceptional items	-24.387	-63.824	-3.269	-8.555
Normalised EBITDA, continued operations	89.619	123.667	12.013	16.577

The EBITDA including exceptional items for Haarslev Industries A/S was improved to profit in 2020 (23.910k) as negative in 2019 (-28.890k). The normalized EBITDA for the continued operation has increased by DKK 52.606k or 228% compared to 2019. The increase is mainly driven by improvement of processes in the entity.

Haarslev Industries A/S, excluding subsidiaries

Below is a specification of the development in EBITDA from 2019 to 2020

	DKK'000		EUR'000	
	2020	2019	2020	2019
Loss before net financials cf. Income statement	10.799	-42.699	1.448	-5.724
Depreciation, amortisation, impairment losses and write-downs	13.111	13.809	1.758	1.851
EBITDA	23.910	-28.890	3.205	-3.873
Exceptional items	-5.647	-5.842	-757	-783
Normalised EBITDA, continued operations	29.557	-23.048	3.962	-3.090

Exceptional items in 2019 comprise consultant expenses and other expenses in connection with the implementation of a new ERP system in the danish entities as well as cost for a strategic organizational change program and IP protections. Exceptional items in 2020 comprise consultant expenses and other expenses in connection with the finalization of the new ERP system implementation and restructuring cost from several business units as well as IP protections.

The entity's income statement for 2020 shows a loss after tax of DKK 55.906k (2019: loss after tax DKK - 42.805k).

The entity's balance sheet as of 31 December 2020 shows an equity of DKK 83.765k (2019: DKK 132.472 k) and total assets of DKK 1.181.722 (2019: DKK 1.308.136k).

Capital resources and funding

Delayed customer payments and softer order intake put some pressure on near-term liquidity during parts of 2020.

Haarslev Industries A/S received 61.003k in subordinated loan granted from the main shareholder Altor Fund III. An equal amount of postponed amortization of debt was provided by the entity's banks. Several initiatives were implemented in 2020 to improve the cash flow (e.g. more focus on Net Working Capital management, including reduction of inventory).

A new bank agreement covering the next 2.5 years (to 30 June 2023) was signed in December 2020. As part of the agreement with the entity's lenders, the entity must comply with certain financial covenants. For 2020 the entity has been in compliance with the financial covenants. The outlook for 2021 is also in compliance with the financial covenants based on the key assumptions that the entity will not experience any significant operational issues throughout 2021 and that the Covid-19 impact will gradually recovery in 2nd half of 2021.

The company received a contribution in kind from HGR A/S of DKK 19.000k as a debt reduction of HI A/S debt to HGR A/S.

Based hereon and the budget for 2021, Group Management considers that the entity's capital resources and funding will be on an acceptable level throughout 2021.

Uncertainty relating to recognition and measurement

The main accounting areas where the recognition and measurement can be affected by estimates and subject to uncertainty are:

- Revenue related to contract work in progress (projects), which are measured at the selling price of work performed, are recognized based on the stage of completion of work performed.
- Goodwill is measured at cost less accumulated amortisation and impairment. Management has assessed indication of impairment of goodwill based on expected earnings.
- Deferred tax assets, including the tax base of tax losses carried forward, are measured at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. The estimated realisable value is based on expected earnings.

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

Outlook

The outlook for 2021 is uncertain and depends on different scenarios of the Covid-19 impact. In general end-market food producers/renderers expect to be less affected by the virus crisis and we expect Haarslev's main markets to have a strong recovery.

DK and CN manufacturing have been running close to full capacity in Q1 2021. Due to our strong order backlog, the production continues and the order intake is in line with budget. Our Sales & Installation teams are still facing difficulties being on site at our customers' plants which is in line with 2021 budget assumptions.

Covid-19's impact on order intake in Q2 and rest of 2021 is difficult to predict. Some capital sales postponement is still expected, and this might reduce order intake in Q2/Q3. Gradual recovery in Q4 onwards is expected. These postponements are included in the 2021 budget.

For 2021, we expect a revenue in the range of DKK 750-800m and a positive result before amortization of goodwill of DKK 3m.

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. Because of the historically low risk, the entity seldomly enters 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 394 (2019: 396). **Total employees end of 2020 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 only and do therefore not include any subsidiaries. To read the statements please visit <http://haarslev.com/CSR-performance>.

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 at the end of 2021.

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).

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 c. 76% of the Company's shares. Group Management holds a minority share of c. 2% of the Company's shares.

By the year end of 2020 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, Member of the Board of Navico AS

Ola Harald Erić

Elected by the General Assembly. Member of the Board of Directors in 2012.

Chairman of the Board of Midsona AB, Geveko Markings AB, Dynasafe Demil Systems AB and Arendalis AB. Member of the Board of Haarslev Group A/S, Haarslev Group Holding A/S, Solix Group AB and Tresu 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 2020 amounts to 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.

Financial highlights

Figures in DKK '000	2020	2019	2018	2017	2016
<i>Profit/loss</i>					
Revenue	758.327	698.108	681.251	803.948	763.300
Gross profit	91.572	35.924	40.443	113.815	131.295
Profit/loss before net financials, tax and discontinued activities	10.799	-42.699	-72.293	5.253	40.277
Total net financials	-46.378	-4.756	-35.248	-61.082	41.312
Profit/loss for the year	-55.906	-42.805	-94.024	-56.351	70.098
<i>Balance</i>					
Total assets	1.181.722	1.308.137	1.033.928	768.777	885.927
Investments in property, plant and equipment	2.019	2.535	20.497	11.502	5.944
Equity	83.765	132.472	183.921	180.048	314.618
Employee	394	396	421	395	358
Ratios					
<i>Profitability</i>					
Return on equity	-42%	-27%	-52%	-23%	23%
Gross Margin	12%	5%	6%	14%	17%
<i>Equity ratio</i>					
Equity ratio	7%	10%	18%	23%	36%
<i>Equity and subordinated loan ratio</i>					
Equity and subordinated loan ratio	16%	14%	18%	23%	36%
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:	$\frac{(\text{Equity, end of year} + \text{subordinated loan}) \times 100}{\text{Total assets}}$				

Income statement

Notes

	<i>Figures in DKK '000</i>	
	2020	2019
1 Revenue	758.327	698.108
Production costs	-666.755	-662.184
Gross profit	91.572	35.924
Distribution costs	-28.225	-21.037
Administration costs	-52.548	-57.586
Profit/loss before net financials	10.799	-42.699
3 Result from equity investments in group enterprises	-46.342	12.515
4 Result from equity investments in associates	-851	-2.056
5 Financial income	20.473	8.451
5 Financial expenses	-19.659	-23.665
Profit/loss before tax	-35.579	-47.455
6 Tax on profit or loss for the year	-9.166	3.679
Profit/loss for the year	-44.745	-43.775
7 Discontinued activities	-11.161	970
13 Profit/loss for the year	-55.906	-42.805

Balance sheet

Notes	ASSETS		
	<i>Figures in DKK '000</i>	2020	2019
	Acquired rights	198	0
	Goodwill	15.681	18.766
8	Total intangible assets	15.878	18.766
	Land and buildings	33.593	37.125
	Plant and machinery	10.366	13.955
	Other fixtures and fittings, tools and equipment	12.928	13.789
	Property, plant and equipment under construction	-	210
9	Total property, plant and equipment	56.888	65.078
10	Equity investments in group enterprises	439.156	407.208
11	Receivables from group enterprises	277.463	269.297
10	Equity investments in associates	17.483	18.334
11	Other receivables (long)	1.609	1.697
	Total investments	735.711	696.536
	Total non-current assets	808.477	780.380
	Raw materials and consumables	51.131	58.329
	Work in progress	22.621	30.065
	Manufactured goods and goods for resale	29.036	27.466
	Total inventories	102.788	115.860
12	Work in progress for third parties	133.506	108.049
	Trade receivables	40.162	76.897
	Receivables from group enterprises	59.219	180.179
15	Deferred tax	5.188	6.661
	Other receivables	-	627
14	Prepayments	9.935	10.924
	Total receivables	248.010	383.336
	Cash	9.326	17.273
	Total current assets	360.123	516.469
	Discontinuing activity	13.121	11.287
	Total assets	1.181.722	1.308.136

Balance sheet

Notes	EQUITY AND LIABILITIES		
	<i>Figures in DKK '000</i>	2020	2019
15	Share capital	500	500
	Retained earnings	64.265	131.972
	Proposed dividend	19.000	-
	Total equity	83.765	132.472
17	Other provisions	8.041	15.610
	Total provisions	8.041	15.610
	Payables to other credit institutions	8.619	-
	Subordinated long term loan from group companies	105.853	44.850
	Leases	471	-
	Other long term payables	19.281	6.880
18	Total long-term payables	134.224	51.731
18	Short-term portion of long-term payables	3.714	10.738
	Payables to other credit institutions	269.204	222.103
	Prepayments received from work in progress for third		
12	parties	57.281	106.734
	Prepayments received from customers	35.482	49.876
	Trade payables	114.347	144.868
	Tax payables	10.531	7.521
19	Payables to group enterprises	425.289	515.702
	Payables to associated	584	533
	Other payables	39.260	49.040
	Total short-term payables	955.691	1.107.114
	Total payables	1.089.915	1.158.845
	Discontinued activities	-	1.209
	Total equity and liabilities	1.181.722	1.308.136
20	Financial instruments		
21	Contingent liabilities		
22	Charges and security		
23	Related parties		

Changes in equity

Statement of changes in equity

<i>Figures in DKK '000</i>	Share capital	Reserve for exchange rate adjustments	Retained earnings	Proposed dividend	Total Equity
Balance as at 01.01.2019	500	0	63.421	120.000	183.921
Balance as at 01.01.2019	500	0	63.421	120.000	183.921
Foreign currency translation adjustment of foreign enterprises	0	7.783	0	0	7.783
Group contribution	0	0	103.512	0	103.512
Fair value adjustments of hedging instruments	0	0	61	0	61
Transfers to/from other reserves	0	-7.783	7.783	0	0
Dividend paid	0	0		-120.000	-120.000
Net profit/loss for the year	0	0	-42.805	0	-42.805
Balance as at 31.12.2019	500	0	131.972	0	132.472
Balance as at 01.01.2020	500	0	131.972	0	132.472
Foreign currency translation adjustment of foreign enterprises	0	-11.801	0	0	-11.801
Group contribution	0	0	19.000	0	19.000
Dividend proposed	0	0	-19.000	19.000	0
Net profit/loss for the year	0	0	-55.906	0	-55.906
Balance as at 31.12.2020	500	-11.801	76.066	19.000	83.765

The company received a contribution in kind from HGR A/S of DKK 19.000k as a debt reduction of HI A/S debt to HGR A/S.

Notes

1. Revenue

<i>Figures in DKK '000</i>	2020	2019
Revenue comprises of the following activities:		
Capital sales	572.252	558.722
Global service	186.075	139.386
Goods and services	758.327	698.108
Revenue comprises of the following geographical markets:		
Revenue, Denmark	90.858	30.847
Revenue, other EU countries	260.971	278.080
Revenue, non-EU countries	406.499	389.182
Total	758.327	698.108

2. Personnel costs

<i>Figures in '000 DKK</i>	2020	2019
Personnel costs - type		
Wages and Salaries	205.707	199.740
Pensions	16.488	16.516
Other personnel costs	5.396	4.089
Total	227.591	220.346
Personnel costs - function		
Production costs	186.024	185.396
Distribution costs	28.436	18.054
Administrative costs	13.131	16.896
Total	227.591	220.346
Average number of employees during the year	394	396
Remuneration for the management		
Salaries, Board of Executives	3.252	3.306
Remuneration for the Board of Directors	747	601
Remuneration for the Executive Board and Board of Directors	3.853	3.907

3. Result from equity investments in group enterprises

<i>Figures in DKK '000</i>	2020	2019
Result from equity investments in group enterprises, continuing activities	-15.078	59.307
Result from equity investments in group enterprises, discontinued activities	-27.789	-43.320
Amortisation of goodwill	-3.475	-3.472
Total	-46.342	12.515

4. Result from equity investments in associates

<i>Figures in DKK '000</i>	2020	2019
Result from equity investments in associates	113	-1.092
Amortisation of goodwill	-964	-964
Total	-851	-2.056

5. Financial income

<i>Figures in DKK '000</i>	2020	2019
Interest, group enterprises	7.163	8.348
Interest bank and others	114	103
Other financial income	13.195	-
Total	20.473	8.451

5. Financial expenses

<i>Figures in DKK '000</i>	2020	2019
Interest, group enterprises	2.992	6.325
Interest bank and others	8.128	4.103
Other financial expenses	8.539	13.237
Total	19.659	23.665

6. Tax on profit or loss for the year

<i>Figures in DKK '000</i>	2020	2019
Adjustment of deferred tax for the year	-1.473	7.783
Other taxes	-7.692	-4.103
Total	-9.166	3.679

7. Discontinued operations

<i>Figures in DKK '000</i>	2020	2019
Income statement		
Revenue	12.134	7.277
Production cost	-23.295	-6.307
Profit/loss for the year	-11.161	970
Balance		
Long term assets		6.322
Short term assets	13.121	4.965
Total	13.121	11.287
Short term liabilities		1.209

Discontinued operations comprises the companys Environment and FFI division. Following a strategic review in 2019 it was decided to initiate a close down of the Environment and FFI. The discontinuation of FFI was implemented in 2020.

The income from equity investments in the group enterprises, discontinued activities are recognised by loss after tax of 27.789 kDKK (2019: 43.320 kDKK). Refer to note 3 for loss after tax.

8. Intangible assets

<i>Figures in DKK '000</i>	Acquired rights	Goodwill	Total 2020	Total 2019
Cost as of 01.01.	24.126	70.016	94.143	94.142
Cost, additions	245	0	245	0
Cost as of 31.12.	24.372	70.016	94.388	94.142
Amortisation and impairment losses as of 01.01.	-24.126	-51.251	-75.377	-72.161
Amortisation and impairment losses, additions	-48	-3.085	-3.132	-3.216
Amortisation and impairment losses, disposals	0	0	0	-75.377
Amortisation and impairment losses as of 31.12.	-24.174	-54.335	-78.509	18.765
Carrying amount as of 31.12.	198	15.681	15.878	18.766

Depreciation are allocatated as below:

Administration	-48	0	-48	-131
Distribution	0	0	0	0
Production	0	-3.085	-3.085	-3.085
Total amortisation	-48	-3.085	-3.132	-3.216

9. Buildings, 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 2020	Total 2019
Cost as of 01.01.	100.534	75.208	29.644	210	205.595	204.163
Additions during the year	0	1.557	461	0	2.019	2.535
Transferred		210		-210	0	0
Disposals during the year	0	-270	-556	0	-826	-1.104
Cost as of 31.12.	100.534	76.705	29.549	0	206.788	205.594
Depreciation and impairment losses as of 01.01.	-63.410	-61.252	-15.855	0	-140.517	-131.005
Depreciations during the year	-3.531	-5.126	-1.322	0	-9.979	-10.593
Reversal of depreciation and impairment losses on disposed assets	0	40	556	0	596	1.081
Depreciation and impairment losses as of 31.12.	-66.941	-66.338	-16.621	0	-149.900	-140.517
Carrying amount as of 31.12.	33.593	10.366	12.928	0	56.888	65.077
Carrying amount of assets held under	0	535	0	0	535	95
Depreciation are allocatated as below:						
Administration	-3.531	0	-1.322	0	-4.853	-5.020
Distribution	0	0	0	0	0	0
Production	0	-5.126	0	0	-5.126	-5.573
Total amortisation	-3.531	-5.126	-1.322	0	-9.979	-10.593

For further information for land and buildings and securities, refer to note 21.

10. Equity investments

<i>Figures in DK '000</i>	Equity investments in group enterprises	Equity investments in associates	Total 2020	Total 2019
Cost as of 01.01.	409.425	22.050	431.475	432.287
Additions during the year	116.503		116.503	-812
Cost as of 31.12.	525.928	22.050	547.978	431.475
Adjustment to cost 01.01.	-2.217	-3.716	-5.933	-55.528
Foreign currency translation adjustment of foreign enterprises	-11.816	0	-11.816	7.783
Amortisation of goodwill	-3.475	-964	-4.439	-4.436
Net profit/loss from equity investments	-15.078	113	-14.965	14.895
Dividend relating to equity investments	-19.771	0	-19.771	-11.687
Disposals during the year	0	0	0	18.479
Investment with negative equity value offset in receivables	-34.415	0	-34.415	24.561
Adjustment to cost, ultimo	-86.772	-4.567	-91.339	-5.933
Carrying amount as of 31.12.	439.156	17.483	456.639	425.542
The item comprises goodwill as of 31.12.	53.406	14.622	68.028	72.467

For further information regarding equity investments placed as security, refer to note 21.

10. Equity investments (cont.)

	Subsidiaries	Registered in	Equity interest in percent
	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, Chi	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 Remscheid GmbH	Wuppertal, Germany	100
	Haarslev Makine Sanayi A.S.	Bursa, Turkey	100
*	KMG UK Limited	Skelmersdale, UK	100
	Food Processing Equipment UK Limited	Skelmersdale, UK	100
	Haarslev AU		100

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

11. Receivables from group enterprises

<i>Figures in DKK '000</i>	Receivables from group enterprises	Other receivables	Total 2020	Total 2019
Cost as of 01.01.	327.688	1.696	329.384	285.370
Foreign currency translation adjustment of foreign enterprises	-2.323	0	-2.323	382
Additions during the year		13	13	42.971
Disposals during the year	-55.419	-100	-55.519	-11.643
Transfers during the year to/from other items	66.044	0	66.044	12.304
Cost as of 31.12.	335.990	1.609	337.599	329.384
Revaluations as of 01.01.	3.018	0	3.018	2.376
Revaluations during the year	-137	0	-137	642
Revaluations as of 31.12.	2.881	0	2.881	3.018
Impairment losses pr. 01.01.	-61.408	0	-61.408	-34.576
Impairment losses during the year	0	0	0	-26.832
Impairment losses as of 31.12.	-61.408	0	-61.408	-61.408
Carrying amount as of 31.12.	277.463	1.609	279.072	270.994

12. Work in progress for third parties

<i>Figures in DKK '000</i>	2020	2019
Work in progress for third parties	868.009	572.584
On-account invoicing	-791.784	-571.269
Work in progress for third parties	76.225	1.315
Work in progress for third parties (receivables)	133.506	108.049
Prepayments received from work in progress for third parties, short-term payables (liabilities)	-57.281	-106.734
Total	76.225	1.315

13. Distribution of net profit

<i>Figures in DKK '000</i>	2020	2019
Dividend proposed	19.000	0
Retained earnings	-74.906	-42.805
Total	-55.906	-42.805

14. Prepayments to suppliers

<i>Figures in DKK '000</i>	2020	2019
Other prepayments to suppliers	9.935	10.924

Prepayments recognised under assets comprise cost incurred in respect of subsequent financial years.

15. Share capital

<i>Figures in DKK '000</i>	2020	2019
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

16. Deferred tax

<i>Figures in DKK '000</i>	2020	2019
Intangible assets	10	0
Property, plant, and equipment	4.877	2.458
Provision on receivables	-22.454	-16.033
Liabilities	6.782	4.900
Tax losses	15.973	15.336
Total	5.188	6.661

Changes during the year

Beginning of the year	6.661	-1.059
Recognised in the income statement	-1.473	7.783
Other changes	0	-63
End of year	5.188	6.661

17. Other provisions

<i>Figures in DKK '000</i>	Warranty commitments	Provision for subsidiaries	Total other provisions 2020	Total other provisions 2019
Provision as of 01.01.	14.973	637	15.610	17.299
Provision in the year	6.932	-637	6.295	-1.689
Provision as at 31.12.	8.041	0	8.041	15.610

The Company currently makes provisions for warranty commitments relating to both projects in progress and completed projects. The provisions for warranty commitments are calculated as an estimated percentage of revenue on a project-by-project basis.

18. Long-term payables

<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	Total long term payables at 31.12.2019
Payables to other credit institutions	2.873	8.619	-	8.619	10.423
Other long term payable	776	18.175	1.106	19.281	7.098
Subordinated loan from group companies	-	105.853	-	105.853	44.850
Lease commitments	65	274	197	471	97
Total	3.714	132.921	1.303	134.224	62.469

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.

19. Payable to group enterprises

<i>Figures in DKK '000</i>	2020	2019
Payables	120.776	116.424
Cash pool	304.513	399.278
	425.289	515.702

Refer to note 21 for cash pool securities.

20. Contingent liabilities

Lease commitments

The company has concluded lease agreements of a total of DKK 2.093k. (2019 DKK 1.667k).

Guarantee commitments

As part of the Company's ordinary activities, the Company's bank and insurance companies have issued guarantees for contracting projects totaling DKK 38.109k. (2019 DKK 41.344k).

Other contingent liabilities

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

Disputes and claims

Haarslev Industries A/S 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.

The parent company has found joint an unlimited surety for the entities cash pool with credit institutions with a net debt of DKK 173.194k (2019: DKK 150.584k).

21. Charges and security

The parent company's shares in 6 material subsidiaries with a carrying amount of DKK 280.867 (2019: DKK 310.626k) have been provided as security to credit institutions, at 31 December 2020, amount to net kDKK 727.484 (2019: DKK 672.142k). Furthermore, the parent company and 6 material subsidiaries has guaranteed for the engagement with the credit institutions.

A mortgage deed to the mortgagor of DKK 30.500k (2019: DKK 30.500k.) and a letter of indemnity of DKK 4.500k (2019: DKK 4.500k.) secured on land and buildings with carrying amount of DKK 33.593k (2019: DKK 37.125k.) at 31 December 2020 have been provided as security for bank debt in the Parent and Group enterprises amounting net to DKK 727.484k. (2019: DKK 672.142k.).

22. Related parties

Controlling influence:	Basis of influence
Altor Fund III GP Limited, Seaton Place 11-15 JH4 OQH St Helier Jersey	Principal 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 Søndersø	Shareholder
Haarslev Group A/S, Bogensevej 85, Haarslev, 5471 Søndersø	Shareholder

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

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

Accounting policies

Reporting class

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

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

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

Certain reclassifications have been made in the comparative figures without having effect on profit or equity.

Consolidated financial statements

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

Discontinued operations

Discontinued operations are material business areas or geographical areas planned, or decided, to be disposed of, discontinued or abandoned and which may be separated from the entity's other operations. Results from discontinued operations are presented in the income statement as a separate item consisting of profit/loss after tax of the relevant operation and any gains or losses from fair value adjustments or sale of the assets and liabilities related to the operation.

Assets relating to discontinued operations are presented separately in the balance sheet as assets related to discontinued operations. Liabilities related to the discontinued operations are presented separately in the balance sheet as liabilities related to discontinued operations.

The comparative figures in the income statement and the balance sheet are not restated according to the Danish Financial Statement Act § 24 section 1.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or

financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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

Derivative financial instruments

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

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

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

Income statement

Revenue

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

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

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

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

Distribution costs

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

Administrative costs

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

Result from investments in group enterprises

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

Result from investments in associates

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

Financial income

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

Financial expenses

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

Tax on profit/loss for the year

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

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

Balance sheet**Development projects in progress and acquired rights**

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

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment.

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

technologies, segments and products closely linked to Haarslev's core business. The earnings profile, underpins an economic life of 20 years.

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

Buildings, plant and machinery, other fixtures and fittings, tools and equipment

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

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

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

Buildings	25 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

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

Equity investments in group enterprises

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

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

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

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

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

Equity investments in associates

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

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

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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

Receivables (trade and other receivables)

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

Inventories

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

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

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

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

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work carried out at the balance sheet date.

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

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

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

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

Income tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Deferred tax

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

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

Other provisions

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

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

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

Finance lease liabilities

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

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to start of production.

Prepayments

Prepayments recognised under assets comprise cost incurred in respect of subsequent financial years.

Cash flow statement

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