

**Haarslev Industries A/S**  
Bogensevej 85  
DK-5471 Søndersø  
Central Business Registration No  
89523818

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 29.05.2017

### **Chairman of the General Meeting**

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Name: Michael Kaalund

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## Entity details

### Entity

Haarslev Industries A/S  
Bogensevej 85  
DK-5471 Søndersø

Central Business Registration No: 89523818

Registered in: Nordfyns Kommune

Financial year: 01.01.2016 - 31.12.2016

Website: [www.haarslev.com](http://www.haarslev.com)

E-mail: [DK-info@haarslev.com](mailto:DK-info@haarslev.com)

### Board of Directors

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

### Executive Board

Herman Hubertus Jacobus Defauwes, CEO  
Tony Stuart Johnson, GM  
Michael Kaalund, CFO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
0900 Copenhagen C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Haarslev Industries A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of their operations for the financial year 01.01.2016 – 31.12.2016.

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

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

Søndersø, 09.05.2017

### Executive Board

Herman Hubertus Jacobus  
Defauwes  
CEO

Tony Stuart Johnson  
GM

Michael Kaalund  
CFO

### Board of Directors

Søren Dan Johansen  
Chairman

Jan Vestergaard Olsen  
Vice-chairman

Bengt Maunsbach

Ola Harald Erics

Peter Christopher Vestermark  
Bason

Thomas Stegeager Kvorning

# Independent auditor's report

## To the shareholders of Haarslev Industries A/S

### Opinion

We have audited the financial statements of Haarslev Industries A/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

## Independent auditor's report

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

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

### **Statement on the management commentary**

Management is responsible for the management commentary.

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

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

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

## Independent auditor's report

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

Copenhagen, 09.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Lars Siggaard Hansen  
State Authorised Public Accountant

Tim Kjær-Hansen  
State Authorised Public Accountant

## Management commentary

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	763,300	748,026	573,037	657,602	732,972
Gross profit/loss	131,295	132,625	90,859	113,236	155,720
Operating profit/loss	40,277	39,815	17,433	44,849	96,860
Net financials	48,047	24,290	21,544	50,606	16,299
Profit/loss for the year	76,833	54,145	34,435	86,140	91,844
Total assets	894,749	965,567	862,702	776,088	747,214
Investments in property, plant and equipment	5,944	22,127	9,711	22,786	13,160
Equity	323,440	283,231	264,046	285,312	239,331
<b>Ratios</b>					
Gross margin (%)	17.2	17.7	15.9	17.2	21.2
Net margin (%)	10.1	7.2	6.0	13.1	12.5
Return on equity (%)	25.3	19.8	12.5	32.8	47.7
Equity ratio (%)	36.1	29.3	30.6	36.8	32.0

*Comparative figures for 2012 only comprise a period of nine months.*

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

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

## Management commentary

### Primary activities

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

### Development in activities and finances

The company's income statement for 2016 shows a profit after tax of DKK 76,833k, which is as expected and in accordance with outlook presented in the annual report 2015. The development is an improvement compared to 2015 – driven by a higher revenue and a higher profitability. The improvement is attributed in particular the subsidiaries' performance.

The Company's balance sheet at 31 December 2016 shows equity of DKK 323,440k.

### Uncertainty relating to recognition and measurement

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

### Unusual circumstances affecting recognition and measurement

The Company's financial position at 31 December 2016 and its results from activities and cash flows for the financial year for 2016 have not been affected by any unusual circumstances.

### Outlook

In 2017 it is expected that the market will continue to be positive and increasing in key markets and segments. As such, the Company also expects that 2017 will end at a higher level than 2016 with an estimated organic growth in both revenue and earnings but not exceeding an increase of 10-15%.

### Particular risks

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

At 31 December 2016, Haarslev Industries A/S' external interest-bearing debt totals a net amount of DKK 273,069k which Management considers a reasonable and acceptable level. The Company's guidelines and procedures for control and management of the capital structure remained unchanged in 2016.

## Management commentary

### Intellectual capital resources

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

### Customers

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

### Technology

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

### Processes

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

### Staff relations

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

The number of employees has developed as follows:

	<u>Denmark</u>
Number of employees, beginning of year	391
Change	<u>(17)</u>
<b>Number of employees, end of year</b>	<b><u>374</u></b>

### Environmental performance

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

## Management commentary

### Research and development activities

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

### Corporate Governance

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

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

### Operational risk management

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

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

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

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

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

## Management commentary

### Board of Directors

#### **Søren Dan Johansen** <sup>1</sup>

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

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

Chairman of the Board of Haarslev Group A/S, Haarslev Group Holding A/S, Wrist Ship Supply Holding A/S, W.S.S. Holding A/S, Wrist Ship Supply A/S, Norican Global A/S, CAM Group Holding A/S, CAM Holding 1 DK ApS, CAM Group Holding 2 DK ApS, C WorldWide Holding A/S, Statens Ejendomssalg A/S, Technoinvest A/S, Leith Koncept ApS and Roenholtmedia.com ApS.

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

Member of the Board of PSR ApS.

#### **Thomas Stegeager Kvorning** <sup>1</sup>

Board of Directors since 2012.

Director at Altor Equity Partners A/S.

CEO of Friendbet ApS, Friendbet Holding ApS, TK Holding 2013 ApS and Ejendomsselskabet Sydmarken 5 A/S.

Member of the Board of Haarslev Group A/S, Haarslev Group Holding A/S, Norican Global A/S and Ejendomsselskabet Sydmarken 5 A/S.

#### **Ola Harald Erici** <sup>1</sup>

Member of the Board of Directors since 2012.

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

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

#### **Jan Vestergaard Olsen** <sup>1</sup>

Vice-chairman of the Board of Directors since 2012.

CEO of TAMI Holding ApS.

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

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

Member of the Board of JKF Industri A/S, Hoyer Group A/S and Aalborg Zoologiske Have Bygge- og udviklingsfonden.

#### **Peter Christopher Vestermark Bason** <sup>1</sup>

Member of the Board of Directors since 2012.

Director at Altor Equity Partners A/S.

Vice-chairman of the Board of Ålö Holding AB.

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

#### **Bengt Maunsbach** <sup>1</sup>

Member of the Board of Directors since 2012.

Partner at Altor Equity Partners A/S.

Chairman of the Board of Realia Group Oy.

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

<sup>1</sup> Elected by Altor Fund III

## Management commentary

### Responsibilities of the Board of Directors

The Board of Directors as a whole has monitored the preparation of the financial reporting, the internal controls and the audit of the financial statements. The Board of Directors has chosen not to set up a separate audit committee.

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

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

### Management remuneration

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

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

### Dividend policy

Payment of dividend takes place in due consideration of the necessary consolidation of equity as a basis for the Company's continued expansion. The proposed dividend for 2016 amounts to DKK 60m.

### Stakeholders

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

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

### Statutory report on corporate social responsibility

Haarslev Industries A/S has decided to publish the statutory CSR and Diversity statements on the Company's website, see the Danish Financial Statements Act, § 99a and § 99b. The CSR and Diversity statements are developed for the legal entity Haarslev Industries A/S only, and do therefore not include any subsidiaries. To read the statements, please visit <http://haarslev.com/CSR-performance>.

## Management commentary

### Events after the balance sheet date

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

## Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Revenue	1	763,300	748,026
Production costs	2	<u>(632,005)</u>	<u>(615,401)</u>
<b>Gross profit/loss</b>		<b>131,295</b>	<b>132,625</b>
Distribution costs		(18,927)	(23,412)
Administrative costs		<u>(72,091)</u>	<u>(69,398)</u>
<b>Operating profit/loss</b>		<b>40,277</b>	<b>39,815</b>
Income from investments in group enterprises		54,429	21,931
Income from investments in associates		(739)	0
Other financial income	3	6,559	13,758
Other financial expenses		<u>(12,202)</u>	<u>(11,399)</u>
<b>Profit/loss before tax</b>		<b>88,324</b>	<b>64,105</b>
Tax on profit/loss for the year	4	<u>(11,491)</u>	<u>(9,960)</u>
<b>Profit/loss for the year</b>	5	<u><b>76,833</b></u>	<u><b>54,145</b></u>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Acquired rights		7,422	12,991
Goodwill		28,018	31,104
Development projects in progress		<u>0</u>	<u>1,163</u>
<b>Intangible assets</b>	<b>6</b>	<b><u>35,440</u></b>	<b><u>45,258</u></b>
Land and buildings		38,050	33,853
Plant and machinery		12,257	14,185
Other fixtures and fittings, tools and equipment		12,599	11,857
Property, plant and equipment in progress		<u>820</u>	<u>10,820</u>
<b>Property, plant and equipment</b>	<b>7</b>	<b><u>63,726</u></b>	<b><u>70,715</u></b>
Investments in group enterprises		364,515	352,190
Receivables from group enterprises		1,904	15,309
Investments in associates		21,310	0
Other receivables		<u>1,503</u>	<u>0</u>
<b>Fixed asset investments</b>	<b>8</b>	<b><u>389,232</u></b>	<b><u>367,499</u></b>
<b>Fixed assets</b>		<b><u>488,398</u></b>	<b><u>483,472</u></b>
Raw materials and consumables		<u>26,597</u>	<u>26,654</u>
<b>Inventories</b>		<b><u>26,597</u></b>	<b><u>26,654</u></b>
Trade receivables		67,316	74,322
Contract work in progress	9	82,835	69,706
Receivables from group enterprises		219,546	291,630
Other receivables		8,555	14,420
Income tax receivable		<u>0</u>	<u>5,282</u>
<b>Receivables</b>		<b><u>378,252</u></b>	<b><u>455,360</u></b>
<b>Cash</b>		<b><u>1,502</u></b>	<b><u>81</u></b>
<b>Current assets</b>		<b><u>406,351</u></b>	<b><u>482,095</u></b>
<b>Assets</b>		<b><u>894,749</u></b>	<b><u>965,567</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital	10	500	500
Reserve for net revaluation according to the equity method		73,290	90,364
Retained earnings		189,650	142,367
Proposed dividend		60,000	50,000
<b>Equity</b>		<b><u>323,440</u></b>	<b><u>283,231</u></b>
Deferred tax	11	12,235	17,796
Other provisions	12	22,295	23,952
<b>Provisions</b>		<b><u>34,530</u></b>	<b><u>41,748</u></b>
Debt to other credit institutions	13	52,959	85,301
Other payables		1,007	5,087
<b>Non-current liabilities other than provisions</b>		<b><u>53,966</u></b>	<b><u>90,388</u></b>
Finance lease liabilities		659	759
Payables to other credit institutions		219,946	204,803
Prepayments received from customers		34,532	46,017
Contract work in progress	9	31,734	46,052
Trade payables		90,021	98,793
Payables to group enterprises		33,700	85,314
Income tax payable		15,383	0
Other payables		56,838	68,462
<b>Current liabilities other than provisions</b>		<b><u>482,813</u></b>	<b><u>550,200</u></b>
<b>Liabilities other than provisions</b>		<b><u>536,779</u></b>	<b><u>640,588</u></b>
<b>Equity and liabilities</b>		<b><u>894,749</u></b>	<b><u>965,567</u></b>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Mortgages and securities	16		
Related parties with controlling interest	17		
Group relations	18		

## Statement of changes in equity for 2016

	<b>Contributed capital DKK'000</b>	<b>Reserve for net revaluation according to the equity method DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>
Equity beginning of year	500	90,364	142,367	50,000
Ordinary dividend paid	0	0	0	(50,000)
Exchange rate adjustments	0	13,998	0	0
Value adjustments	0	2,462	(3,275)	0
Tax of equity postings	0	0	191	0
Profit/loss for the year	0	(33,534)	50,367	60,000
<b>Equity end of year</b>	<b>500</b>	<b>73,290</b>	<b>189,650</b>	<b>60,000</b>
				<b>Total DKK'000</b>
Equity beginning of year				283,231
Ordinary dividend paid				(50,000)
Exchange rate adjustments				13,998
Value adjustments				(813)
Tax of equity postings				191
Profit/loss for the year				76,833
<b>Equity end of year</b>				<b>323,440</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Revenue</b>		
Denmark	108,368	41,975
EU	233,437	214,829
Other	421,495	491,222
	<b>763,300</b>	<b>748,026</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Staff costs</b>		
Wages and salaries	182,390	192,839
Pension costs	13,837	13,993
Other social security costs	3,241	3,098
	<b>199,468</b>	<b>209,930</b>
Average number of employees	<b>358</b>	<b>350</b>

	<b>Remunera- tion of manage- ment 2016 DKK'000</b>	<b>Remunera- tion of manage- ment 2015 DKK'000</b>
Executive Board	3,203	3,526
Board of Directors	565	565
	<b>3,768</b>	<b>4,091</b>

Wages and salaries, pension costs and other social security costs are recognised in the following items:

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Production costs	172,274	166,399
Distribution costs	13,403	18,220
Administrative costs	13,791	25,311
	<b>199,468</b>	<b>209,930</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b><u>DKK'000</u></b>	<b><u>DKK'000</u></b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	5,055	5,610
Other financial income	<u>1,504</u>	<u>8,148</u>
	<b><u>6,559</u></b>	<b><u>13,758</u></b>
	<b>2016</b>	<b>2015</b>
	<b><u>DKK'000</u></b>	<b><u>DKK'000</u></b>
<b>4. Tax on profit/loss for the year</b>		
Tax on current year taxable income	16,976	688
Change in deferred tax for the year	(5,561)	9,995
Adjustment concerning previous years	<u>76</u>	<u>(723)</u>
	<b><u>11,491</u></b>	<b><u>9,960</u></b>
	<b>2016</b>	<b>2015</b>
	<b><u>DKK'000</u></b>	<b><u>DKK'000</u></b>
<b>5. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	60,000	50,000
Transferred to reserve for net revaluation according to the equity method	(33,534)	21,931
Retained earnings	<u>50,367</u>	<u>(17,786)</u>
	<b><u>76,833</u></b>	<b><u>54,145</u></b>

## Notes

	<b>Acquired rights DKK'000</b>	<b>Goodwill DKK'000</b>	<b>Develop- ment projects in progress DKK'000</b>
<b>6. Intangible assets</b>			
Cost beginning of year	22,724	70,015	1,163
Transfers	1,163	0	(1,163)
Additions	240	0	0
<b>Cost end of year</b>	<b>24,127</b>	<b>70,015</b>	<b>0</b>
Amortisation and impairment losses beginning of year	(9,733)	(38,911)	0
Amortisation for the year	(6,972)	(3,086)	0
<b>Amortisation and impairment losses end of year</b>	<b>(16,705)</b>	<b>(41,997)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>7,422</b>	<b>28,018</b>	<b>0</b>

### Development projects in progress

Development projects in progress consists of costs for acquired rights initiated in previous years and completed for use in 2016.

## Notes

	<b>Land and buildings DKK'000</b>	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>	<b>Property, plant and equipment in progress DKK'000</b>
<b>7. Property, plant and equipment</b>				
Cost beginning of year	83,289	99,098	29,140	10,820
Transfers	6,958	0	0	(6,958)
Additions	532	2,368	1,882	1,162
Disposals	0	0	(380)	(4,204)
<b>Cost end of year</b>	<b>90,779</b>	<b>101,466</b>	<b>30,642</b>	<b>820</b>
Depreciation and impairment losses beginning of the year	(49,436)	(84,913)	(17,283)	0
Depreciation for the year	(3,293)	(4,296)	(1,140)	0
Reversal regarding disposals	0	0	380	0
<b>Depreciation and impairment losses end of the year</b>	<b>(52,729)</b>	<b>(89,209)</b>	<b>(18,043)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>38,050</b>	<b>12,257</b>	<b>12,599</b>	<b>820</b>
Recognised assets not owned by entity	0	575	173	0

## Notes

	<b>Investments in group enterprises DKK'000</b>	<b>Receivables from group enterprises DKK'000</b>	<b>Investments in associates DKK'000</b>	<b>Other receivables DKK'000</b>
<b>8. Fixed asset investments</b>				
Cost beginning of year	261,826	21,277	0	0
Exchange rate adjustments	0	412	0	0
Transfers	0	0	0	1,184
Additions	28,660	852	22,050	319
Disposals	0	(12,086)	0	0
<b>Cost end of year</b>	<b>290,486</b>	<b>10,455</b>	<b>22,050</b>	<b>1,503</b>
Revaluations beginning of year	90,364	474	0	0
Exchange rate adjustments	13,998	15	0	0
Amortisation of goodwill	(1,763)	0	0	0
Share of profit/loss for the year	56,192	0	0	0
Dividend	(87,224)	0	0	0
Revaluations for the year	0	28	0	0
Other adjustments	2,462	0	0	0
<b>Revaluations end of year</b>	<b>74,029</b>	<b>517</b>	<b>0</b>	<b>0</b>
Impairment losses beginning of year	0	(6,442)	0	0
Amortisation of goodwill	0	0	(803)	0
Share of profit/loss for the year	0	0	63	0
Impairment losses for the year	0	(2,626)	0	0
<b>Impairment losses end of year</b>	<b>0</b>	<b>(9,068)</b>	<b>(740)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>364,515</b>	<b>1,904</b>	<b>21,310</b>	<b>1,503</b>
Goodwill or negative goodwill recognised in the financial year			<b>19,282</b>	



## Notes

### 9. Contract work in progress

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Selling price of work performed	412,072	447,567
Invoicing on account	(360,971)	(423,913)
	<b>51,101</b>	<b>23,654</b>

Net value is recognised in the balance sheet as follows:

Contract work in progress (receivables)	82,835	69,706
Contract work in progress (liabilities)	(31,734)	(46,052)
	<b>51,101</b>	<b>23,654</b>

### 10. Contributed capital

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

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

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>11. Deferred tax</b>		
Intangible assets	1,633	2,858
Property, plant and equipment	2,336	2,120
Receivables	12,706	17,451
Equity	(191)	(219)
Liabilities other than provisions	(4,249)	(4,414)
	<b>12,235</b>	<b>17,796</b>

### Changes during the year

Beginning of year	17,796
Recognised in the income statement	(5,370)
Recognised directly in equity	(191)
<b>End of year</b>	<b>12,235</b>

## Notes

### 12. Other provisions

Other provisions comprise warranty commitments.

The Company currently makes provisions for warranty commitments relating to both projects in progress and completed projects. The provisions for warranty commitments are calculated as an estimated percentage of revenue on a project-by-project basis. Warranty commitments amount to DKK 22,295k at 31 December 2016.

### 13. Long-term debt to other credit institutions

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

Liabilities fall due for payment as specified below:

	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
<b>Other credit institutions</b>		
Fall due between 1 and 5 years	52,959	85,301
Fall due more than 5 years	<u>0</u>	<u>0</u>
	<b><u>52,959</u></b>	<b><u>85,301</u></b>

	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
<b>14. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b><u>5,464</u></b>	<b><u>5,249</u></b>

### 15. Contingent liabilities

The Parent participates in a Danish joint taxation arrangement, in which Haarslev Group Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

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

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

## Notes

### 16. Mortgages and securities

The Company's shares in subsidiaries with a carrying amount of DKK 233,102 k. have been provided as security for payables in group enterprises to banks and, at 31 December 2016, amount net to DKK 692,405k.

A mortgage deed registered to the mortgagor of DKK 30.5m and a letter of indemnity of DKK 4.5m secured on land and buildings with a carrying amount of DKK 38,050k at 31 December 2016 have been provided as security for bank debt in the Parent and group enterprises amounting net to DKK 692,405k at 31 December 2016.

As part of the Company's ordinary activities, the Company's bank and insurance companies have issued guarantees for contracting projects totaling DKK 66,898k.

### 17. Related parties with controlling interest

The following shareholder is recorded in the Company's register of shareholders to have at least 5 % of the votes of the share capital:

Haarslev Group A/S, Bogensevej 85, Hårslev, 5471 Sønderø, Denmark.

### 18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Haarselv Group Holding A/S, Bogensevej 85, Hårselv, 5471 Sønderø, Denmark.

## 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 for these consolidated financial statements and parent financial statements are consistent with those applied last year.

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

### Consolidated financial statements

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

### Recognition and measurement

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

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

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

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

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

### 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 one 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 as belonging to the independent foreign entity and is translated using the exchange

## Accounting policies

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 recognised directly in 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 and is measured at fair value of the consideration fixed.

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, maintenance and depreciation, etc., as well as operation, administration and management of factories.

Productions cost also include reserch and development cost that do not qualify for capilisation as well as amortisation of capitalised developent costs. Futhermore, amortisation of goodwill is included to the extent that goodwill relates to production activities. Dinally provisions for losses on contract work are recognised.

#### Distribution costs

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

## Accounting policies

### Administrative costs

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

### Income from investments in group enterprises

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

### Income from investments in associates

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

### Other financial income

Other financial income comprises interest income, realised and unrealised exchange adjustments as well as extra payments and tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised exchange adjustments as well as 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 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).

### Balance sheet

#### Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment.

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

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

## Accounting policies

### Intellectual property rights etc

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

Direct costs and a portion of the costs that can be related indirectly to intellectual property costs recognised as intangible assets have an amortisation period of 3 - 10 years.

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

### Property, plant and equipment

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

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

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

### Investments in group enterprises

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

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of investments in subsidiaries 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 assets and liabilities acquired. Goodwill is amortised over its estimated useful life up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile.

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

## Accounting policies

### 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.

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

### Receivables

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

### Inventories

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

Cost of goods for resale, raw materials and consumables 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.

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

### Contract work in progress

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

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

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

## Accounting policies

Costs of sales work and of securing 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.

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

### Deferred tax

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 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 and loss on contract work in progress.

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. Other provisions are measured at net realisable value.

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

### Finance lease liabilities

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

### Operating leases

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

## Accounting policies

### **Other financial liabilities**

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

### **Prepayments received from customers**

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

### **Income tax receivable or payable**

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 flow statement**

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