



HAARSLEV™

PRESS RELEASE Q1 2020



**POULTRY
RENDERING**



**MEAT
RENDERING**



**FISH
PROCESSING**



**INDUSTRIAL
PROCESSING**



A DIFFICULT QUARTER WITH LOWER THAN EXPECTED ORDER INTAKE

“The first Quarter of 2020 was as unusual for Haarslev as for most other businesses around the world. Due to the COVID-19 outbreak our Chinese factory was ordered to remain closed after Chinese New Year and we lost approx. 4 weeks of manufacturing. Fortunately, we also managed to get through the period without infections amongst our employees.”

On 11 March, the Danish Prime minister imposed a lock down on Denmark as one of the first countries in Europe. Other countries followed in quick succession. We have encouraged all our staff globally to work from home. We had great support from our staff and managed to keep all our activities going at normal levels. We are very grateful for the way the whole organization have performed through this difficult period.

Whilst our output performance mainly suffered from the imposed shut down in China, the situation in our markets was more challenging.

Already early in the quarter we saw large projects being postponed while smaller orders were being booked as normal. Our Global service segment has of course been limited in its travels and thus has not been able to deliver its services as normal. For spare parts however, we have seen a significant increase in demand and our order intake for spare parts in March was the highest ever for the company.

Given the new outlook, we have revised our expectations for the year and have adjusted our capacity accordingly.

The safety of our employees, customers and partners has been first of mind whilst trying to serve our customers with minimal delays and interruptions. We are already seeing an increase in orders from some of the regions which have been hit the hardest by COVID-19 but we continue to follow the updates from the food industry around the world and make our decisions accordingly.

HAN DEFAUWES, CEO

1Q 2020 HIGHLIGHTS

- Revenue of EUR 47.4 mln and EBITDA¹ of EUR 1.2 mln
- Order book level of EUR 95 mln equal to 70% of expected revenues in the remaining quarters of 2020
- Order intake of EUR 40 mln despite the absence of large orders in the quarter (0% of order intake in 1Q20 vs. 22% in FY19)
- Significant increase of spare parts sales (12%) quarter over quarter

COVID-19 IMPACT ON 1Q RESULTS

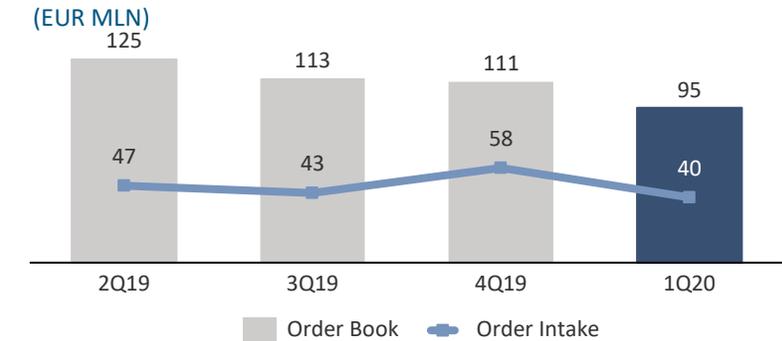
- The health and safety of our personel, customers and partners has been and continue to be the main priority
- Temporary 4-week shut down of our Chinese operations had significant impact on the throughput and revenue generated in the quarter
- Delays caused by COVID-19 shut down of Chinese operations and delivery issues from some suppliers caused extraordinary cost on impacted projects, significantly reducing margin for the quarter
- COVID-19 driven uncertainty have caused postponement of multiple projects, in turn negatively impacting the order intake for the quarter. Projects are delayed but we have no cancellations
- Rendering is an essential industry and while capital projects may be postponed, renderers need to keep their equipment running. As a result, we saw an increased demand and order intake for spare parts in the quarter

COVID-19 IMPACT LOOKING FORWARD

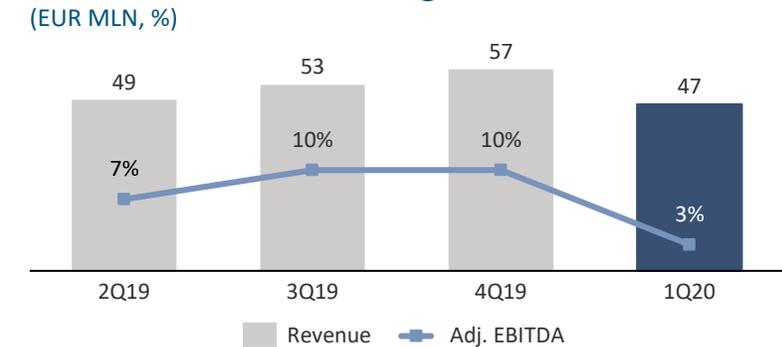
- The US industry has seen a tumultuous start to 2020 as a result of Covid-19, with dramatic drops in futures prices, the closure of the restaurant trade, and more recently, several meat plant closures. It is unclear what the impact is on our part of the industry in the coming quarters
- We adjusted our expectations for the year and our first priority (after safety) is to manage our cash and working capital, followed by accelerating the changes and improvements we started already in 2019
- We have started the adjustment and preparations for the post COVID-19 world. In the short term, it is clear that aftermarket and single machines will have a high priority

¹: Normalized EBITDA excludes special non-recurring items and non-core activities being discontinued / divested

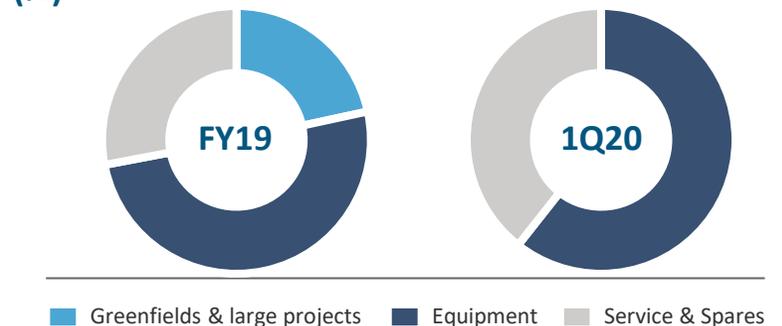
ORDER BOOK AND ORDER INTAKE



Revenue and EBITDA margin¹



Order intake by business mix (%)



INNOVATION UPDATE

Q1 2020 has been another busy quarter for Haarslev's Innovation department. We are preparing for launch of several new products incl. a new Meal Cooler Family, a Compact Meal Bagging Unit and a new displacement pump. All three are expected to be launched in Q3 and will underline Haarslev's position as the technology leader in the rendering industry.

- A new Meal Cooler Family has been designed and will be available in both a universal rendering model and a hygienic version more suitable for the needs of the Pet Food Industry.
- Haarslev is releasing its first compact meal bagging unit with capacities up to 15 ton/hour.
- Haarslev's new displacement pump is ideal for pumping a wide range of materials for Fish Processing, Poultry Rendering, Meat Rendering and the Pet Food Industry. It will be a great supplement to our well-known Lamella Pumps.



OUTLOOK

- Market conditions have been favorable in the last years but are now more challenging in light of COVID-19 and with the impact varying greatly across regions.
- Uncertain market outlooks almost always leads to more focus on service and spare parts. We have also seen this in the current crisis, and we have re-evaluated our minimum stock levels on critical parts to improve our customer support.
- Haarslev is targeting 5-7% annual growth but our main focus is on 'leading performance', which means in the short-term improving delivery performance, reducing delivery times and launching new products
- We continue to further integrate CORE, a software solution which reduces downtime, increase throughput, improve quality and lower energy consumption

SELECTED PROJECTS

- In the beginning of the Quarter, we received a large order for two complete feather processing lines from a very old customer in the Philippines. *"Our first order for this client was delivered in 1992 and it is great to see the recognition for our support during the years gone by"* says Henning Haugaard, CCO.
- One of the largest renderers in the US have decided to install CORE process optimization software in five of their plants. Henning Haugaard explains: *"We know the performance of the software and the impact it has made in plants all around the world, but we are still excited to be given this opportunity to prove the CORE advantage in such a large organization."*
- After successfully delivering an on-board fish meal plant for the Russian fishery company Okeanrybflot, Haarslev was also awarded the supply contract when Okeanrybflot decided to build a second trawler for their fleet.

