
SKIOLD JYDEN A/S

Idomvej 2, DK-7570 Vemb

Annual Report for 1 January - 31 December 2020

CVR No 28 69 75 70

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/6 2021

Brian Hyldahl Frimor
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKIOLD JYDEN A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Bur, 28 June 2021

Executive Board

Jacob Kaiser
CEO

Board of Directors

Søren Sandholm Overgaard
Chairman

Brian Hyldahl Frimor

Henrik Hilbert Overbye

Svend Vang Kristensen
Staff Representative

Tommy Sørensen
Staff Representative

Independent Auditor's Report

To the Shareholder of SKIOLD JYDEN A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SKIOLD JYDEN A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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.

Independent Auditor's Report

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Holstebro, 28 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
statsautoriseret revisor
mne23324

Hans Jørgen Andersen
statsautoriseret revisor
mne30211

Company Information

The Company

SKIOLD JYDEN A/S

Idomvej 2

DK-7570 Vemb

Telephone: + 45 97484099

E-mail: jydenbur@jydenbur.dk

CVR No: 28 69 75 70

Financial period: 1 January - 31 December

Municipality of reg. office: Holstebro

Board of Directors

Søren Sandholm Overgaard, Chairman

Brian Hyldahl Frimor

Henrik Hilbert Overbye

Svend Vang Kristensen

Tommy Sørensen

Executive Board

Jacob Kaiser

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Hjaltvej 16

DK-7500 Holstebro

Bankers

Nordea Bank Danmark A/S

Grønjordsvej 10

2300 København S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	62.970	48.305	62.548	55.873	43.854
Profit/loss before financial income and expenses	15.293	2.699	13.177	7.714	2.676
Net financials	-4.221	-3.368	262	-1.646	-675
Net profit/loss for the year	7.741	-1.181	10.626	4.438	1.529
Balance sheet					
Balance sheet total	109.127	81.454	78.122	85.558	84.391
Equity	46.760	38.880	40.008	29.834	35.391
Investment in property, plant and equipment	-985	-629	-1.033	-1.203	-567
Number of employees	93	95	106	102	95
Ratios					
Return on assets	14,0%	3,3%	16,9%	9,0%	3,2%
Solvency ratio	42,8%	47,7%	51,2%	34,9%	41,9%
Return on equity	18,1%	-3,0%	30,4%	13,6%	4,5%

Management's Review

Key activities

The Company's main activities are the development, manufacturing, sales and service of pig & cattle animal housing and related products.

Development in the year

In 2020 the Company realised positive organic growth as a result of its previously implemented strategic initiatives. The Companies's most important geographic markets benefitted from higher pork prices, but were however at the same time impacted negatively by the COVID-19 related work- and travel restrictions.

The income statement of the Company shows a profit of TDKK 7,741 with a total equity of TDKK 46,760.

Operating risks

The Company is exposed to the developments in global meat, milk, grain, seed, steel and polymer prices, as these affect the investment appetite of the Company's customers and the Company's material costs.

Foreign exchange risks

Currency risk is balanced by selling and buying in the same currency, and occasionally by use of financial instruments for fixed contracts. The Group mostly trades in EUR.

Targets and expectations for the year ahead

The outlook for 2021 is positive due to the expected benefit of strategic and operational activities implemented in 2020, hereunder increase in activity in several newer markets that will contribute positively to the company's earnings.

While uncertainty still exists, it is currently expected that any potential negative impact of the COVID-19 outbreak on the Group's performance in 2021 will be limited.

Research and development

To maintain a strong position the Company continually invests in both product development and our people so as to maintain its knowledge leadership.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		62.970.467	48.305.176
Staff expenses	1	-45.847.482	-43.496.250
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-1.829.031	-2.069.427
Other operating expenses		-800	-40.728
Profit/loss before financial income and expenses		15.293.154	2.698.771
Income from investments in subsidiaries	3	-4.046.458	-2.873.256
Financial income	4	344.941	114.045
Financial expenses	5	-519.713	-608.498
Profit/loss before tax		11.071.924	-668.938
Tax on profit/loss for the year	6	-3.331.335	-511.655
Net profit/loss for the year		7.740.589	-1.180.593

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Land and buildings		16.826.203	17.532.310
Plant and machinery		3.168.740	2.960.986
Other fixtures and fittings, tools and equipment		723.640	1.087.850
Property, plant and equipment	7	20.718.583	21.581.146
Investments in subsidiaries	8	0	1.139.594
Deposits	9	30.000	30.000
Fixed asset investments		30.000	1.169.594
Fixed assets		20.748.583	22.750.740
Inventories	10	26.321.786	28.466.137
Trade receivables		6.645.273	10.456.766
Contract work in progress		5.313.323	0
Receivables from group enterprises		49.027.404	16.621.296
Other receivables		134.496	860.190
Prepayments	11	408.781	314.548
Receivables		61.529.277	28.252.800
Cash at bank and in hand		527.481	1.984.624
Currents assets		88.378.544	58.703.561
Assets		109.127.127	81.454.301

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		9.200.000	9.200.000
Retained earnings		12.560.304	29.680.430
Proposed dividend for the year		25.000.000	0
Equity		46.760.304	38.880.430
Provision for deferred tax	13	1.904.740	1.597.899
Provisions relating to investments in group enterprises		2.067.579	0
Other provisions	14	1.734.120	1.288.578
Provisions		5.706.439	2.886.477
Mortgage loans		17.716.408	18.308.602
Other payables		4.303.305	1.477.945
Long-term debt	15	22.019.713	19.786.547
Mortgage loans	15	587.662	577.624
Credit institutions		400	43.080
Prepayments received from customers		6.350.848	2.359.966
Trade payables		15.199.327	7.761.153
Payables to group enterprises		1.025.969	552.297
Corporation tax		1.524.494	744.626
Payables to group enterprises relating to corporation tax		112.102	0
Other payables	15	9.839.869	7.862.101
Short-term debt		34.640.671	19.900.847
Debt		56.660.384	39.687.394
Liabilities and equity		109.127.127	81.454.301
Distribution of profit	12		
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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	9.200.000	29.680.430	0	38.880.430
Exchange adjustments relating to foreign entities	0	139.285	0	139.285
Net profit/loss for the year	0	-17.259.411	25.000.000	7.740.589
Equity at 31 December	9.200.000	12.560.304	25.000.000	46.760.304

Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	41.693.954	39.405.056
Pensions	3.173.393	2.969.267
Other social security expenses	492.497	618.952
Other staff expenses	<u>487.638</u>	<u>502.975</u>
	<u>45.847.482</u>	<u>43.496.250</u>
Including remuneration to the Executive Board and Board of Directors	<u>1.590.815</u>	<u>1.534.296</u>
Average number of employees	<u>93</u>	<u>95</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	<u>1.829.031</u>	<u>2.069.427</u>
	<u>1.829.031</u>	<u>2.069.427</u>
Which is specified as follows:		
Buildings	706.107	699.225
Plant and machinery	734.738	772.200
Other fixtures and fittings, tools and equipment	<u>388.186</u>	<u>598.002</u>
	<u>1.829.031</u>	<u>2.069.427</u>

Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
3 Income from investments in subsidiaries		
Share of losses of subsidiaries	-3.927.913	-2.813.984
Amortisation of goodwill	<u>-118.545</u>	<u>-59.272</u>
	<u>-4.046.458</u>	<u>-2.873.256</u>
4 Financial income		
Interest received from group enterprises	311.392	33.158
Other financial income	<u>33.549</u>	<u>80.887</u>
	<u>344.941</u>	<u>114.045</u>
5 Financial expenses		
Other financial expenses	<u>519.713</u>	<u>608.498</u>
	<u>519.713</u>	<u>608.498</u>
6 Tax on profit/loss for the year		
Current tax for the year	3.024.494	967.626
Deferred tax for the year	<u>306.841</u>	<u>-455.971</u>
	<u>3.331.335</u>	<u>511.655</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	25.566.638	15.313.620	5.313.204	46.193.462
Additions for the year	0	958.242	26.976	985.218
Disposals for the year	0	-270.000	-187.544	-457.544
Cost at 31 December	<u>25.566.638</u>	<u>16.001.862</u>	<u>5.152.636</u>	<u>46.721.136</u>
Impairment losses and depreciation at 1 January	8.034.328	12.352.634	4.225.354	24.612.316
Depreciation for the year	706.107	734.738	388.186	1.829.031
Reversal of impairment and depreciation of sold assets	0	-254.250	-184.544	-438.794
Impairment losses and depreciation at 31 December	<u>8.740.435</u>	<u>12.833.122</u>	<u>4.428.996</u>	<u>26.002.553</u>
Carrying amount at 31 December	<u>16.826.203</u>	<u>3.168.740</u>	<u>723.640</u>	<u>20.718.583</u>
Depreciated over	<u>10-40 years</u>	<u>5-10 years</u>	<u>3-5 years</u>	

Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
8 Investments in subsidiaries		
Cost at 1 January	4.412.219	2.148.799
Additions for the year	700.000	2.372.219
Disposals for the year	<u>0</u>	<u>-108.799</u>
Cost at 31 December	<u>5.112.219</u>	<u>4.412.219</u>
Value adjustments at 1 January	-3.272.625	-230.453
Disposals for the year	0	-221.521
Exchange adjustment	139.285	52.605
Net profit/loss for the year	-3.927.913	-2.813.984
Amortisation of goodwill	<u>-118.545</u>	<u>-59.272</u>
Value adjustments at 31 December	<u>-7.179.798</u>	<u>-3.272.625</u>
Equity investments with negative net asset value transferred to provisions	<u>2.067.579</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>1.139.594</u>
Positive differences arising on initial measurement of subsidiaries at net asset value	<u>2.370.887</u>	<u>2.370.887</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SKIOLD JYDEN CHINA HOLDING A/S	Bur	DKK 1.000.000	100%

9 Other fixed asset investments

	<u>Deposits</u> DKK
Cost at 1 January	<u>30.000</u>
Cost at 31 December	<u>30.000</u>
Carrying amount at 31 December	<u>30.000</u>

Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
10 Inventories		
Raw materials and consumables	6.918.255	10.137.022
Work in progress	1.658.510	2.275.995
Finished goods and goods for resale	<u>17.745.021</u>	<u>16.053.120</u>
	<u>26.321.786</u>	<u>28.466.137</u>

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

12 Distribution of profit

Proposed dividend for the year	25.000.000	0
Retained earnings	<u>-17.259.411</u>	<u>-1.180.593</u>
	<u>7.740.589</u>	<u>-1.180.593</u>

13 Provision for deferred tax

Provision for deferred tax at 1 January	1.597.899	2.053.870
Amounts recognised in the income statement for the year	<u>306.841</u>	<u>-455.971</u>
Provision for deferred tax at 31 December	<u>1.904.740</u>	<u>1.597.899</u>

14 Other provisions

Other provisions for expected warranty claims have been recognized based on past experience regarding the level of repairs and returned goods.

Other provisions	<u>1.734.120</u>	<u>1.288.578</u>
	<u>1.734.120</u>	<u>1.288.578</u>

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020</u> DKK	<u>2019</u> DKK
Mortgage loans		
After 5 years	13.919.248	15.321.881
Between 1 and 5 years	3.797.160	2.986.721
Long-term part	<u>17.716.408</u>	<u>18.308.602</u>
Within 1 year	587.662	577.624
	<u>18.304.070</u>	<u>18.886.226</u>
Other payables		
Between 1 and 5 years	4.303.305	1.477.945
Long-term part	<u>4.303.305</u>	<u>1.477.945</u>
Other short-term payables	9.839.869	7.862.101
	<u>14.143.174</u>	<u>9.340.046</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
16 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	16.826.203	17.532.310
The following assets have been placed as security with bankers:		
Mortgage registered to the owner totaling TDKK 4.200 providing mortgages on land and buildings with a carrying amount of	16.826.203	17.532.310
A floating charge of TDKK 10.000. The floating charge includes operating equipment, inventories, trade receivables and goodwill with a carrying amount of	36.859.438	42.971.739
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	647.595	649.421
Between 1 and 5 years	851.273	1.345.589
	1.498.868	1.995.010
Guarantee obligations		
Credit institutions have on behalf of the Company provided guarantees with security in cash-deposits of TDKK 318 with an amount of:	316.289	318.116
The Company has issued guarantees (surety) on behalf of group-companies towards credit institutions (Facilities Agreement) for up to TDKK 315.000.		

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SKIOLD Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

17 Related parties

Basis

Controlling interest

SKIOLD A/S, CVR-nr. 57 08 11 12	Parent Company
Plemont Co-Investment No. 1 Seperate Limited Partnership	Majority shareholder in Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions on an arm's length basis and normal management remuneration.

Consolidated Financial Statements

The company is included in the group report for the parent company

<u>Name</u>	<u>Place of registered office</u>
SKIOLD Group A/S	Sæby, Denmark
SKIOLD A/S	Sæby, Denmark

The Group Annual Report of SKIOLD Group A/S may be obtained at the following address:

SKIOLD Group A/S
Kjeldgaardsvej 3, 9300 Sæby
Denmark

Notes to the Financial Statements

17 Related parties (continued)

The Group Annual Report of SKIOLD A/S may be obtained at the following address:

SKIOLD A/S
Kjeldgaardsvej 3, 9300 Sæby
Denmark

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of SKIOLD JYDEN A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of SKIOLD A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of SKIOLD A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Notes to the Financial Statements

18 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with SKIOLD Group A/S and other Danish enterprises in the associated joint taxation. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

18 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	10-40 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of security deposit.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the

Notes to the Financial Statements

18 Accounting Policies (continued)

inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. 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.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

18 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$