SKIOLD Group A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 1 January - 31 December 2020

CVR No 39 08 38 92

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/6 2021

Brian Frimor
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKIOLD Group 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 and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows 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.

Sæby, 30 June 2021

Executive Board

Søren Overgaard CEO	Brian Frimor CFO

Board of Directors

Denis Viet-Jacobsen Chairman	Jørn Mørkeberg Nielsen	Michael Pontoppidan Frost
Thure Bo Thomas Thuresson	Lars Radoor Sørensen	

Independent Auditor's Report

To the Shareholders of SKIOLD Group A/S

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SKIOLD Group 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, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”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 Group 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 Consolidated Financial Statements and the Parent Company 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

Independent Auditor's Report

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Herning, 30 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Poul Spencer Poulsen State Authorised Public Accountant mne23324	Hans Jørgen Andersen State Authorised Public Accountant mne30211

Company Information

The Company	SKIOLD Group A/S Kjeldgaardsvej 3 DK-9300 Sæby CVR No: 39 08 38 92 Financial period: 1 January - 31 December Municipality of reg. office: Frederikshavn
Board of Directors	Denis Viet-Jacobsen, Chairman Jørn Mørkeberg Nielsen Michael Pontoppidan Frost Thure Bo Thomas Thuresson Lars Radoor Sørensen
Executive Board	Søren Overgaard Brian Frimor
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

Financial Highlights

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

	Group		
	2020	2019	2017/18
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Revenue	987,711	632,556	801,321
Gross profit/loss	377,146	215,379	275,810
Profit/loss before financial income and expenses	-2,925	-87,368	6,494
Net financials	-9,127	-16,480	-8,882
Net profit/loss for the year	-21,627	-88,759	-7,383
Balance sheet			
Balance sheet total	1,709,478	1,021,360	952,857
Equity	718,421	388,851	359,554
Cash flows			
Cash flows from:			
- operating activities	63,093	-28,404	-14,118
- investing activities	-494,882	-126,970	-643,357
including investment in property, plant and equipment	-44,570	-33,963	-251,117
- financing activities	479,844	146,757	606,872
Change in cash and cash equivalents for the year	48,055	-8,617	-50,603
Number of employees	763	605	531
Ratios			
Gross margin	38.2%	34.0%	34.4%
Profit margin	-0.3%	-13.8%	0.8%
Return on assets	-0.2%	-8.6%	0.7%
Solvency ratio	42.0%	38.1%	37.7%
Return on equity	-3.9%	-23.7%	-4.1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management’s Review

Key activities

The Group’s main activities are the development, manufacturing, sales and service of feed milling solutions; pig, cattle, and poultry- farming solutions; and grain and seed handling solutions.

Development in the year

In 2020 the SKIOLD realised positive organic growth as a result of its previously implemented strategic initiatives. SKIOLD’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.

Over the year the Group acquired a minority stake in two group companies and acquired the Spanish company Rotecna s.a. The acquisition of Rotecna positions SKIOLD Group as one of the largest suppliers of pig farming solutions in Europe.

- On 31 January 2020 SKIOLD A/S acquired 50% of the associated company SKIOLD & Vacuum Milling Solutions Pty Ltd., Jimboomda, Australia. From that date SKIOLD A/S is the outright owner of the company.

- On 3 July 2020 SKIOLD A/S acquired 50% of the associated company SKIOLD Bemvig SL, Barcelona, Spain. From that date SKIOLD A/S is the outright owner of the company .

- On 17 July 2020 SKIOLD A/S acquired 100% of Rotecna S.A. Agramunt, Spain.

Earnings before Amortisation and Depreciation improved to DKK 69 million from a loss of DKK 41 million. The Group's pre-tax loss for the year is DKK 12 million, with a total equity of DKK 718 million.

Special risks - operating risks and financial risks

Operating risks

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

Management’s Review

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 order and revenue growth in Asian markets from large integrated solution orders.

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 & Intellectual capital resources

SKIOLD supplies technology and solutions in the fields of feed production, seed processing, grain handling and pig, cattle and poultry production. To maintain a strong position, SKIOLD continually invests in both product development and our people so as to maintain its knowledge leadership in these business segment.

Many new products were introduced to the market in 2020:

- Pig: Sow Management – Herd efficiency through digitalisation
- Pig: Tecnapur –Sustainability-focused slurry systems
- Feed: Aqua Feed Solution – Efficient modularised aqua feed solutions
- Feed: SK780 DiscMill control system - Based on industrial PLC concepts and comprehensive machine monitoring
- Feed: Foreign Particle separator – Sorting out undesirable foreign particles
- Seed: Zeta upgrade – Sorting efficiency
- Poultry: Organic rearing system – a new system with manure removal, matching new requirements for organic rearing.

Statement of corporate social responsibility

Environment and energy efficiency

SKIOLD’s engineering principles regarding product and solution design result in the optimal use of feed ingredients and livestock nutrients, as well as optimising animal health and welfare. Both are factors in ensuring food security with a better utilisation of resources with higher food production efficiency. In addition, SKIOLD’s solutions allow for safe livestock production using good practice and the latest biosecurity technology.

The structure and production methods of SKIOLD’s in-house production within the Group does not have any significant environmental impact. The Group has increasingly also made use of suppliers which operate with a higher degree of energy efficiency than that feasible in SKIOLD´s in-house production.

SKIOLD is covered by the EU energy directive and executive energy inspections take place in all of its sites in Denmark. In 2020, SKIOLD started downscaling a large production site, which had a lower energy efficiency (heating and power) than the rest of the Group’s production facilities.

An energy report was finalised in 2018, identifying energy optimisation opportunities which will be implemented over the next five years.

Minimising of raw material consumption and wastage

SKIOLD works continuously to optimise the use of materials so as to reduce environmental impact and wastage. In 2020 SKIOLD is continuing its product range rationalisation, leading to a more efficient use of materials based on economies of scale. Value engineering has also led to less waste and more efficient product design. In addition, SKIOLD reuses scrap material from other industries, and reprocesses this material to create highly durable products with a lower environmental impact.

Working environment

SKIOLD follows local legislation and focuses on creating a positive and healthy working environment for all employees. Work environment protection is managed by the health and safety teams at each site and is coordinated by our Safety Manager.

SKIOLD continues to employ staff with reduced working abilities. At the same time, the Group strives to continuously reduce absence due to sickness among its employees. A continuous improvement process is in place in the health and safety committee, which acts to avoid the repetition of specific accidents, whenever they occur.

Human rights

At SKIOLD we respect the international conventions regarding the protection of human rights and corresponding national legislation.

SKIOLD's Human Rights and Labour Policy requires the Group's employees to act with integrity and in accordance with acceptable ethical standards for human rights.

Financial crime and compliance

SKIOLD has an anti-financial crime policy that encourages employees to act upon any suspicion of unlawful acts or poor conduct inconsistent with our values. The policy instructs our employees to follow decent and honest business practices, and not to violate any national laws or reasonable standards imposed on us by society.

No irregularities have been reported or detected during the year.

Management’s Review

Statement on gender composition

SKIOLD believes that employee diversity, including a gender balance, contributes positively to the work environment and strengthens the Group’s performance and competitiveness.

All SKIOLD staff are recruited based on professional skills without regard to religion, race, gender, handicap or age. As a Group, we look upon diversity as a strength, and we actively oppose discrimination and aspire to promote equal treatment. This applies at management level as well as at all other levels in the organisation.

The Group is working to increase the number of female managers it has. On the basis of this, it has set specific targets for the proportion of that underrepresented gender in Group Management.

The Group's target is that at least 25% of management positions in the Group be held by women by 2024. Management positions include the Board of Directors, the Executive Board, middle management and divisional and department managers.

The current distribution on the Board of Directors in group companies is 5% women, and in other management positions 23%. The target has not yet been achieved as, when recruiting employees, the Group chooses candidates based on their qualifications and competencies. The gender of the candidate is not an assessment factor in this process, so there is no gender discrimination.

The Group is continuously working to create uniform conditions for leadership candidates, regardless of gender.

The aim is to achieve equal career opportunities for men and women through our employment and recruitment procedures, and by investing in our employees’ professional development and education. We encourage our employees with management ambitions and talent, regardless of gender, to take on managerial tasks, and we support their development without gender bias.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position on 31 December 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events except for the non-recurring operating expenses mentioned above.

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	Group		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**987,711**	**632,556**	**0**	**0**
Other operating income		2,636	2,958	0	0
Expenses for raw materials and consumables		-492,060	-306,486	0	0
Other external expenses		-121,141	-113,649	-461	-185
Gross profit/loss		**377,146**	**215,379**	**-461**	**-185**
Staff expenses	2	-288,789	-254,787	-2,194	-517
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-71,766	-46,748	0	0
Other operating expenses		-19,516	-1,212	0	0
Profit/loss before financial income and expenses		**-2,925**	**-87,368**	**-2,655**	**-702**
Income from investments in subsidiaries		0	0	-24,739	-88,386
Income from investments in associates		15,808	1,649	0	0
Financial income	3	244	210	6,733	1,556
Financial expenses		-25,179	-18,339	-48	-540
Profit/loss before tax		**-12,052**	**-103,848**	**-20,709**	**-88,072**
Tax on profit/loss for the year	4	-9,575	15,089	-884	-69
Net profit/loss for the year		**-21,627**	**-88,759**	**-21,593**	**-88,141**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Completed development projects		23,521	17,506	0	0
Acquired patents		481	627	0	0
Acquired licenses		5,090	5,026	0	0
Goodwill		987,217	497,801	0	0
Development projects in progress		3,834	12,555	0	0
Intangible assets	5	**1,020,143**	**533,515**	**0**	**0**
Land and buildings		124,209	120,001	0	0
Plant and machinery		41,954	12,112	0	0
Other fixt. and fit., tools and eqp.		11,775	5,997	0	0
Leasehold improvements		30	66	0	0
Property, plant and equipment	6	**177,968**	**138,176**	**0**	**0**
Investments in subsidiaries	7	0	0	292,894	313,590
Investments in associates	8	0	11,785	0	0
Deposits	9	1,513	572	0	0
Fixed asset investments		**1,513**	**12,357**	**292,894**	**313,590**
Fixed assets		**1,199,624**	**684,048**	**292,894**	**313,590**
Inventories	10	**220,565**	**163,713**	**0**	**0**
Trade receivables		184,751	90,087	0	0
Contract work in progress		8,093	15,767	0	0
Receivables from group ent.		0	0	407,768	73,581
Receivables from associates		0	15,339	0	0
Other receivables		9,017	14,145	0	0
Deferred tax	13	19,240	13,446	0	0
Corporation tax		2	793	0	223
Prepayments	11	4,859	2,577	0	0
Receivables		**225,962**	**152,154**	**407,768**	**73,804**
Cash at bank and in hand		**63,327**	**21,445**	**19,062**	**692**
Currents assets		**509,854**	**337,312**	**426,830**	**74,496**
Assets		**1,709,478**	**1,021,360**	**719,724**	**388,086**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Share capital		83,691	48,180	83,691	48,180
Reserves for exchange adjustments		-1,117	0	0	0
Retained earnings		635,847	339,573	634,730	339,573
Equity attributable to shareholders of the Parent Company		**718,421**	**387,753**	**718,421**	**387,753**
Minority interests		0	1,098	0	0
Equity		**718,421**	**388,851**	**718,421**	**387,753**
Deferred tax	13	12,093	11,477	0	0
Other provisions	14	9,459	17,668	0	0
Provisions		**21,552**	**29,145**	**0**	**0**
Mortgage and term loans		520,005	272,979	0	0
Lease obligations		692	201	0	0
Other payables		7,742	7,152	0	0
Long-term debt	15	**528,439**	**280,332**	**0**	**0**
Mortgage and term loans	15	47,623	27,809	0	0
Credit institutions		73,992	80,165	0	0
Lease obligations	15	254	114	0	0
Prepayments received from customers		49,729	35,440	0	0
Trade payables		135,200	82,662	101	43

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Corporation tax		1,248	1,295	0	0
Payables to group enterprises, tax		4,676	0	884	290
Other payables		121,395	91,727	318	0
Deferred income	16	6,949	3,820	0	0
Short-term debt		**441,066**	**323,032**	**1,303**	**333**
Debt		**969,505**	**603,364**	**1,303**	**333**
Liabilities and equity		**1,709,478**	**1,021,360**	**719,724**	**388,086**

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Statement of Changes in Equity

Group

	Share capital	Reserves for exchange adjustments	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	48,180	0	339,573	387,753	1,098	388,851
Cash capital increase	35,511	0	319,599	355,110	0	355,110
Other equity movements	0	0	-1,732	-1,732	-1,064	-2,796
Transfers, reserves	0	-1,117	0	-1,117	0	-1,117
Net profit/loss for the year	0	0	-21,593	-21,593	-34	-21,627
Equity at 31 December	**83,691**	**-1,117**	**635,847**	**718,421**	**0**	**718,421**

Parent Company

	Share capital	Reserves for exchange adjustments	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	48,180	0	339,573	387,753	0	387,753
Cash capital increase	35,511	0	319,599	355,110	0	355,110
Exchange adjustments relating to foreign entities	0	0	-1,117	-1,117	0	-1,117
Other equity movements	0	0	-1,732	-1,732	0	-1,732
Net profit/loss for the year	0	0	-21,593	-21,593	0	-21,593
Equity at 31 December	**83,691**	**0**	**634,730**	**718,421**	**0**	**718,421**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		TDKK	TDKK
Net profit/loss for the year		-21,627	-88,759
Adjustments	17	90,468	48,214
Change in working capital	18	26,654	36,277
Cash flows from operating activities before financial income and expenses		**95,495**	**-4,268**
Financial income		244	540
Financial expenses		-24,958	-18,339
Cash flows from ordinary activities		**70,781**	**-22,067**
Corporation tax paid		-7,688	-6,337
Cash flows from operating activities		**63,093**	**-28,404**
Purchase of intangible assets		-450,312	-97,481
Purchase of property, plant and equipment		-44,570	-33,963
Fixed asset investments made etc		0	-8
Sale of property, plant and equipment		0	360
Dividends received from associates		0	4,122
Cash flows from investing activities		**-494,882**	**-126,970**
Repayment of mortgage and term loans		-334,188	-15,922
Repayment of loans from credit institutions		0	-189
Reduction of lease obligations		631	-80
Repayment of payables to group enterprises		334,188	0
Raising of mortgage loans		165,875	11,210
Other payables (loan)		-34,880	34,880
Cash capital increase		348,218	116,858
Cash flows from financing activities		**479,844**	**146,757**
Change in cash and cash equivalents		**48,055**	**-8,617**
Cash and cash equivalents at 1 January		-58,720	-50,103
Cash and cash equivalents at 31 December		**-10,665**	**-58,720**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		63,327	21,445
Overdraft facility		-73,992	-80,165
Cash and cash equivalents at 31 December		**-10,665**	**-58,720**

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
1 Revenue				
Geographical segments				
Revenue, EU	808,295	510,036	0	0
Revenue, outside EU	179,416	122,520	0	0
	987,711	**632,556**	**0**	**0**
Business segments				
Processing plant and equipment	276,819	216,690	0	0
Livestock farmning and equipment	710,892	415,866	0	0
	987,711	**632,556**	**0**	**0**

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

2 Staff expenses

	Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Wages and salaries	243,578	213,156	2,194	517
Pensions	24,478	24,496	0	0
Other social security expenses	20,733	17,135	0	0
	288,789	**254,787**	**2,194**	**517**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	2,863	10,060	0	0
Supervisory Board	2,394	517	2,194	517
	5,257	**10,577**	**2,194**	**517**
Average number of employees	**650**	**605**	**0**	**0**

SKIOLD Group has established an Incentive Programme for the Executive Board and the Board of Directors as well as selected key employees. The price for one share was DKK 1.00 and the warrants were priced by using Black Scholes Valuation methodology. Each warrant gives the right to purchase one share and the exercise price for the warrants will increase year-on-year with a hurdle rate. The warrants can be exercised when SKIOLD Group divests SKIOLD Holding A/S if certain IRR threshold are achieved, if not the warrants are worthless and the employees' investment in warrants is lost. If SKIOLD Group does not divest SKIOLD Holding A/S the warrants can be exercised in November 2023.

The warrant programme contains 31.5 million warrants.

3 Financial income

	Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Interest received from group enterprises	11	0	6,733	1,556
Other financial income	233	210	0	0
	244	**210**	**6,733**	**1,556**

Notes to the Financial Statements

4 Tax on profit/loss for the year

	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	5,992	864	884	66
Deferred tax for the year	3,583	-15,953	0	3
	9,575	**-15,089**	**884**	**69**

5 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	58,004	728	19,270	550,085	12,555
Exchange adjustment	-49	0	-35	-7	-7
Net effect from merger and acquisition	0	0	7,960	0	0
Additions for the year	2,460	0	1,822	529,961	2,266
Disposals for the year	-5,255	0	-118	0	0
Transfers for the year	10,980	0	0	0	-10,980
Cost at 31 December	66,140	728	28,899	1,080,039	3,834
Impairment losses and amortisation at 1 January	40,498	101	14,244	52,284	0
Exchange adjustment	-40	0	-24	0	0
Net effect from merger and acquisition	0	0	7,201	0	0
Amortisation for the year	7,416	146	2,476	40,538	0
Impairment and amortisation of sold assets for the year	0	0	-88	0	0
Reversal of amortisation of disposals for the year	-5,255	0	0	0	0
Impairment losses and amortisation at 31 December	42,619	247	23,809	92,822	0
Carrying amount at 31 December	**23,521**	**481**	**5,090**	**987,217**	**3,834**

Notes to the Financial Statements

5 Intangible assets (continued)

Group

Development projects in progress

Development projects in progress comprise SKIOLD's range of products. The costs consist, in all material respects, of costs relating to payroll and direct costs registered through the project ledger in the ERP system.

The carrying amount of development projects in progress amounts to TDKK 3,834 at 31 December 2020. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 3,750 relating to projects in progress before they can be completed.

Completed development projects

Completed development projects comprise milling components, pig house solutions, grain handling equipment, poultry equipment, software etc. The projects are completed on a continuous basis and are amortised over a maximum period of 5 years.

The individual development projects consist of products included as components or in a project for which reason there is no calculation of contribution margin per development project. Contribution margins, however, are calculated per product line, which are all satisfactory and contribute to supporting Management's decision not to amortise completed development projects.

Impairment testing of development projects

In 2020, Management made an impairment test of the carring amount of the development projects. It is assessed that the recoverable amount by way of value in use exceeds the carrying amount. The value in use is calculated based on estimated earnings on the basis of expectations for the coming years.

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	170,416	93,736	25,011	513
Exchange adjustment	-1,105	-1,209	28	0
Net effect from merger and acquisition	13,910	116,224	21,876	0
Additions for the year	1,276	4,650	2,527	0
Disposals for the year	0	-13,580	-792	0
Transfers for the year	328	-571	249	0
Cost at 31 December	184,825	199,250	48,899	513
Revaluations at 1 January	21,956	0	0	0
Revaluations at 31 December	21,956	0	0	0
Impairment losses and depreciation at 1 January	72,371	81,624	19,014	448
Exchange adjustment	-446	-828	4	0
Net effect from merger and acquisition	4,232	82,392	15,373	0
Depreciation for the year	6,087	7,645	3,317	35
Reversal of impairment and depreciation of sold assets	328	-13,119	-659	0
Reversal for the year of previous years' impairment losses	0	0	-20	0
Transfers for the year	0	-418	95	0
Impairment losses and depreciation at 31 December	82,572	157,296	37,124	483
Carrying amount at 31 December	**124,209**	**41,954**	**11,775**	**30**
Including assets under finance leases amounting to	0	390	0	0

Notes to the Financial Statements

	Parent Company	
	2020	2019
	TDKK	TDKK
7 Investments in subsidiaries		
Cost at 1 January	410,138	357,201
Additions for the year	6,893	52,937
Cost at 31 December	417,031	410,138
Value adjustments at 1 January	-96,548	-8,851
Exchange adjustment	-1,118	648
Net profit/loss for the year	-24,739	-88,386
Other equity movements, net	-1,732	41
Value adjustments at 31 December	-124,137	-96,548
Carrying amount at 31 December	**292,894**	**313,590**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SKIOLD Holding A/S	Sæby, Denmark	TDKK 41,464	100%

Notes to the Financial Statements

8 Investments in associates

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	9,082	9,082	0	0
Disposals for the year	-9,082	0	0	0
Cost at 31 December	0	9,082	0	0
Value adjustments at 1 January	2,703	4,944	0	0
Disposals for the year	-2,341	0	0	0
Exchange adjustment	0	191	0	0
Net profit/loss for the year	-349	1,970	0	0
Dividends received	0	-4,122	0	0
Other equity movements, net	0	41	0	0
Amortisation of goodwill	-13	-321	0	0
Value adjustments at 31 December	0	2,703	0	0
Carrying amount at 31 December	**0**	**11,785**	**0**	**0**
Remaining positive difference included in the above carrying amount at 31 December	0	480	0	0

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SKIOLD & Vacuum Milling Solutions Plt. Ltd.	Jimboomba, Australia	TAUD 140	50%

The group has acquired the remaining 50 % of SKIOLD & Vacuum Milling Solutions Plt. Ltd. during 2020.

Notes to the Financial Statements

9 Other fixed asset investments

	Group
	Deposits
	TDKK
Cost at 1 January	572
Net effect from merger and acquisition	736
Additions for the year	231
Disposals for the year	-26
Cost at 31 December	1,513
Carrying amount at 31 December	**1,513**

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

10 Inventories

Raw materials and consumables	67,634	47,653	0	0
Work in progress	24,974	25,686	0	0
Finished goods and goods for resale	121,240	90,374	0	0
Prepayments for goods	6,717	0	0	0
	220,565	**163,713**	**0**	**0**

11 Prepayments

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

12 Distribution of profit

Minority interests' share of net profit/loss of subsidiaries	-34	-618	0	0
Retained earnings	-21,593	-88,141	-21,593	-88,141
	-21,627	**-88,759**	**-21,593**	**-88,141**

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

13 Deferred tax

	2020	2019	2020	2019
Deferred tax asset net at 1 January	1,969	-21,704	0	3
Amounts recognised in the income statement for the year	-3,583	15,953	0	-3
Amounts recognised in equity for the year	8,761	7,720	0	0
Deferred tax asset net at 31 December	**7,147**	**1,969**	**0**	**0**

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next three to five years as a part of the ordinary operations in the group enterprises.

14 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims. Furthermore other provisions include a potential earn out in connection with the acquisition of a subsidiary.

	2020	2019	2020	2019
Other provisions	9,459	17,668	0	0
	9,459	**17,668**	**0**	**0**

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:

Mortgage and term loans

	2020	2019	2020	2019
After 5 years	273,002	40,716	0	0
Between 1 and 5 years	247,003	232,263	0	0
Long-term part	520,005	272,979	0	0
Within 1 year	47,623	27,809	0	0
	567,628	**300,788**	**0**	**0**

Notes to the Financial Statements

15 Long-term debt (continued)

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Lease obligations				
Between 1 and 5 years	692	201	0	0
Long-term part	692	201	0	0
Within 1 year	254	114	0	0
	946	**315**	**0**	**0**
Other payables				
Between 1 and 5 years	7,742	7,152	0	0
Long-term part	7,742	7,152	0	0
Other short-term payables	121,395	91,727	318	0
	129,137	**98,879**	**318**	**0**

Other payables include obligations in connection with employees, employee taxes, VAT and payable fixed purchase price in connection with acquisition of subsidiaries.

16 Deferred income

Short-term deferred income compromises received income for recognition in subsequent financial years.

17 Cash flow statement - adjustments

	Group	
	2020	2019
	TDKK	TDKK
Financial income	-244	-210
Financial expenses	25,179	18,339
Depreciation, amortisation and impairment losses, including losses and gains on sales	71,766	46,823
Income from investments in associates	-15,808	-1,649
Tax on profit/loss for the year	9,575	-15,089
	90,468	**48,214**

Notes to the Financial Statements

18 Cash flow statement - change in working capital

	Group 2020	Group 2019
	TDKK	TDKK
Change in inventories	19,121	-16,910
Change in receivables	-250	56,093
Change in other provisions	-8,209	-2,252
Change in trade payables, etc	15,992	-654
	26,654	**36,277**

19 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	63,742	102,163	0	0
The following assets have been placed as security with bankers:				
Mortgages registered to the owner of TDKK 6,650, providing securityon land and buildings with a carrying amount of	40,493	41,573	0	0
A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables with a carrying amount of	70,313	76,881	0	0

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

All shares in SKIOLD Holding A/S, SKIOLD A/S, SKIOLD Jyden Bur A/S, SKIOLD Landmeco A/S and SKIOLD BL Sp. z.o.o. have been pledged with first ranking priority to Nordea Danmark, Filial af Nordea Bank AB (publ), Sweden, as agent and representative for the benefit of certain Secured Parties (as defined in the share pledge agreement) pursuant to a share pledge agreement original dated 28 November 2017 and later amended in respect of a Facilities Agreement of TDKK 352,500 + TEUR 19,500. Furthermore pledge through floating charge of all asset in SKIOLD BL Sp. z.o.o. and charge over intercompany loans - both in respect of the Facilities agreement.

Rental and lease obligations

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4,603	4,276	0	0
Between 1 and 5 years	7,227	5,905	0	0
	11,830	**10,181**	**0**	**0**
Rental obligations, period of non-terminability 1-40 months	27,504	3,340	0	0

Guarantee obligations

The Parent Company and Group has issued guarantee to its bankers equal to no more than TDKK 315,023 .

The Group has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to TDKK 7,323.

Other contingent liabilities

The Danish 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 by the Group amounts to TDKK 0. Moreover, the Danish 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.

Notes to the Financial Statements

20 Related parties

	Basis
Controlling interest	
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.

21 Fee to auditors

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	744	372	11	11
Other assurance engagements	0	141	8	20
Tax advisory services	140	51	4	4
Other services	100	67	0	0
	984	**631**	**23**	**35**
Other				
Audit fee	201	232	0	0
Other assurance engagements	161	65	0	0
Tax advisory services	0	279	0	0
Other services	184	131	0	0
	546	**707**	**0**	**0**
	1,530	**1,338**	**23**	**35**

Notes to the Financial Statements

22 Accounting Policies

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

The Consolidated and Parent Company Financial Statements for 2020 are presented in TDKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, SKIOLD Group A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Notes to the Financial Statements

22 Accounting Policies (continued)

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

Notes to the Financial Statements

22 Accounting Policies (continued)

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

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 Group.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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.

Staff expenses

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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 Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include 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 wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 or 20 years.

The estimated useful life has been determined by taking into consideration the business platform acquired, including a strong brand and reputation as well as very loyal customers.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-7 years.

Costs incurred on development projects comprise salaries, amortisation and other costs which are

Notes to the Financial Statements

22 Accounting Policies (continued)

directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover production costs, selling costs and administrative expenses as well as the development costs.

Development projects that do not qualify for recognition in the balance sheet are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

Capitalised development costs are amortised as from the date of completion on a straight-line basis over the period during which development work is expected to generate economic benefits.

Property, plant and equipment

On acquisition assets are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed assets comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and sup-suppliers up until the time when the asset is ready for use.

Other 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.In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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

Buildings	10-50	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	5	years

Notes to the Financial Statements

22 Accounting Policies (continued)

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 and associates

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

The items"Investments in subsidiaries" and "Investments in associates" 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 and associates 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 and the associates.

Subsidiaries and associates 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 deposits.

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 inventories in the process of normal operations with deduction of selling expenses. 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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.

Equity

Dividend

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group 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

22 Accounting Policies (continued)

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand” and ”Overdraft facilities”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\dfrac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$