SKIOLD Group A/S

Gothersgade 49, 2., DK-1123 Copenhagen K

Annual Report for 1 January - 31 December 2019

CVR No 39 08 38 92

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 8 /9 2020

Brian Frimor Chairman of the General Meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	11
Balance Sheet 31 December	12
Statement of Changes in Equity	14
Cash Flow Statement 1 January - 31 December	15
Notes to the Financial Statements	16

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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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, 26 August 2020

Executive Board

Søren Overgaard Brian Frimor
CEO Executive Officer

Board of Directors

Denis Viet-Jacobsen Jørn Mørkeberg Nielsen Michael Pontoppidan Frost Chairman

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 2019 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 2019 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 2019, 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

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, 26 August 2020 **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

Gothersgade 49, 2. DK-1123 Copenhagen K

CVR No: 39 08 38 92

Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen

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 two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2019	2017/18
	TDKK	TDKK
Key figures		
Profit/loss		
Revenue	632,556	801,321
Gross profit/loss	215,379	275,810
Profit/loss before financial income and expenses	-87,368	6,494
Net financials	-16,480	-8,892
Net profit/loss for the year	-88,759	-7,383
Balance sheet		
Balance sheet total	1,021,360	952,857
Equity	388,851	359,554
Cash flows		
Cash flows from:		
- operating activities	-28,801	-14,118
- investing activities	-126,970	-643,357
including investment in property, plant and equipment	-33,963	-251,117
- financing activities	146,757	606,872
Change in cash and cash equivalents for the year	-9,014	-50,603
Number of employees	605	531
Ratios		
Gross margin	34.0%	34.4%
Profit margin	-13.8%	0.8%
Return on assets	-8.6%	0.7%
Solvency ratio	38.1%	37.7%
Return on equity	-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.

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 for the animal production sector and feed and grain industry.

Development in the year

In 2019, SKIOLD had declining sales, as the drought in 2018 and the continued spread of African Swine Fever negatively impacted the 2019 market activity in many of SKIOLD's most important geographic markets.

Significant non-recurring costs were incurred during the year related to the implementation of operational improvements. The manufacturing footprint has been optimized, which involved the closure of the manufacturing site in Vester Åby, a substantial downscaling of the production activities at the site in Pontivy, France, various capacity expansions and upgrades to the remaining production sites, and an increased use of outsourcing. Investments have been made in upgrading the existing ERP system and rolling it out to international subsidiaries. Investments were made in product development, with emphasis on development of SKIOLD's digital platform and solutions.

SKIOLD acquired in 2019 the Danish company Jyden Bur A/S, Holstebro, Denmark, consolidating the pig, dairy and cattle-penning sector.

The pre-tax group loss for the year amounts to mDKK 104, and total equity of mDKK 388.

Special risks - operating risks and financial risks

Operating risks

The Group is affected by the development in meat, milk, grain and seed prices globally, which impacts investment appetite of the Group's customers.

Foreign exchange risks

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

Targets and expectations for the year ahead

The outlook for 2020 is positive due to the expected benefits of strategic and operational activities implemented in 2019, and an expected market improvement compared to 2019, as customers are expected to experience above average prices for their products (e.g. pork) in 2020 compared to recent years.

The Group's outlook for the future is for the time being not negatively affected by the COVID-19 outbreak (see subsequent events disclosures in note 1).

Research and development

The Group's products are subject to continuous development. A range of new products was introduced to the market during 2019.

Intellectual capital resources

SKIOLD supplies technology and solutions within the field of feed production, seed processing, grain handling and pig, cattle and poultry production. In order to maintain a strong position, SKIOLD continually invests to remain a knowledge leader within these business segments.

Statement of corporate social responsibility

Environment and energy efficiency

SKIOLD has not drawn up an official environment policy because production methods do not have a significant environmental impact, but the most energy saving machines are generally chosen when replacing new equipment in the production facilities. The Group has also increasingly made use of sub suppliers who operate with a higher energy efficiency than feasible in SKIOLD's own production, which ultimately benefits the environment. Skiold's engineering principles in product and solution designs result in optimal use of feed ingredients and animal nutrients as well as optimal animal health and welfare. Both are factors in ensuring food security with a better utilization of resource with higher efficiency in the food production. In addition Skiold solutions allow for safe livestock production using good practices and the latest technology in bio security.

SKIOLD is covered by the EU energy directive and executive energy inspections on all locations in Denmark. In 2019, a significant production site was closed down, which had lower energy efficiency (heating and power) than the rest of the Group's production sites. During 2018, an energy report was finalized and energy optimisation possibilities have been identified, which will be implemented during the next five years.

Minimising of raw material consumption and wastage

SKIOLD is continuously working to optimize the use of materials to reduce environmental impact and wastage. In 2019, SKIOLD's product range has been rationalised, leading to more efficient use of materials due to economies of scale. Value engineering has also led to less waste and more efficient product designs. In addition, SKIOLD reuses scrap material, from other industries and re-process these material to create products with high durability and lower environmental impact.

Working environment

In 2019, SKIOLD implemented several targeted efforts as a consequence of the survey on working environment carried out in 2018.

SKIOLD is following local legislation and focuses on creating a positive and healthy working environment for all employees. The working environment protection is guided by the safety work teams at each location coordinated by our safety manager.

During 2019 the Danish Working Environment Authority made inspection audits to our locations in Denmark, with the result that each Danish site now has a "Green Smiley" label, indicating very good working conditions for our employees, and as a result, less strict audits in the future.

SKIOLD continues to have employees with reduced working ability. At the same time, the Group strives to continuously reduce absence due to sickness among employees. A continuous improvement process is in place in the work safety committee, acting to avoid repetition of specific accidents, whenever they occur.

Human rights

In SKIOLD we respect the international conventions regarding the protection of human rights and the corresponding national laws.

SKIOLD 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 to encourage employees to act upon suspicion of unlawful acts or bad conduct which is inconsistent with our values. The policy instructs our employees to follow decent and honest business practices, and not violate any national laws or reasonable standards imposed on us by society.

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 is 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 combat discrimination and aspire to promote equal treatment. This applies to the management level as well as all other levels in the organization.

The Group is working to increase the number of female managers in the Group and, based on this, has set specific targets for the share of the underrepresented gender in the Group's Management in general. The Group has a target that at least 25% of the management positions in the Group should be held by women by 2024. Management positions cover the Board of Directors, the Executive Board, middle managers as well as divisional managers and department managers.

The current distribution on the Group's Board of Directors is 5% women and in the other management positions 21%. 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 discrimination against gender.

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 at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

We refer to note 1.

Income Statement 1 January - 31 December

		Grou	Group		mpany
	Note	2019	2017/18	2019	2017/18
		TDKK	TDKK	TDKK	TDKK
Revenue	2	632,556	801,321	0	0
Other operating income Expenses for raw materials and		2,958	1,656	0	0
consumables		-306,486	-419,093	0	0
Other external expenses		-113,649	-108,074	-185	-103
Gross profit/loss		215,379	275,810	-185	-103
Staff expenses Depreciation, amortisation and impairment of intangible assets and	3	-254,787	-226,275	-517	0
property, plant and equipment		-46,748	-42,060	0	0
Other operating expenses		-1,212	-981	0	0
Profit/loss before financial income	•				
and expenses		-87,368	6,494	-702	-103
Income from investments in					
subsidiaries Income from investments in		0	0	-88,386	-7,215
associates		1,649	5,113	0	0
Financial income	4	210	259	1,556	0
Financial expenses		-18,339	-14,264	-540	-10
Profit/loss before tax		-103,848	-2,398	-88,072	-7,328
Tax on profit/loss for the year	5	15,089	-4,985	-69	10
Net profit/loss for the year		-88,759	-7,383	-88,141	-7,318

Balance Sheet 31 December

Assets

		Group	0	Parent Cor	npany
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Completed development projects		17,506	7,166	0	0
Acquired patents		627	473	0	0
Acquired licenses		5,026	3,942	0	0
Goodwill		497,801	468,921	0	0
Development projects in progress	_	12,555	17,745	0	0
Intangible assets	6	533,515	498,247	0 _	0
Land and buildings		120,001	99,848	0	0
Plant and machinery		12,112	10,425	0	0
Other fixt. and fit., tools and eqp.		5,997	4,961	0	0
Leasehold improvements	-	66	79	0	0
Property, plant and equipment	7 -	138,176	115,313	0	0
Investments in subsidiaries	8	0	0	313,590	348,350
Investments in associates	9	11,785	14,026	0	0
Deposits	10	572	534	0	0
Fixed asset investments	-	12,357	14,560	313,590	348,350
Fixed assets	-	684,048	628,120	313,590	348,350
Inventories	11	163,713	119,760	0	0
Trade receivables		90,087	128,030	0	0
Contract work in progress		15,767	36,304	0	0
Receivables from group ent.		0	0	73,581	9,607
Receivables from associates		15,339	5,378	0	0
Other receivables		14,145	11,368	0	0
Deferred tax asset	14	13,446	6,167	0	3
Corporation tax		793	0	223	0
Corporation tax receivable from group					
enterprises		0	0	0	2,046
Prepayments	12	2,577	1,975	0	0
Receivables	-	152,154	189,222	73,804	11,656
Cash at bank and in hand	_	21,445	15,755	692	414
Currents assets	<u>-</u>	337,312	324,737	74,496	12,070
Assets	_	1,021,360	952,857	388,086	360,420

Balance Sheet 31 December

Liabilities and equity

		Group)	Parent Cor	npany
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Share capital		48,180	36,494	48,180	36,494
Retained earnings	.	339,573	321,852	339,573	321,852
Equity attributable to shareholders o	of				
the Parent Company		387,753	358,346	387,753	358,346
Minority interests	_	1,098	1,208	0	0
Equity	-	388,851	359,554	387,753	358,346
Provision for deferred tax	14	11,477	18,336	0	0
Other provisions	15	17,668	29,444	0	0
Provisions	-	29,145	47,780	0	0
Mortgage and term loans		272,979	280,200	0	0
Credit institutions		0	124	0	0
Lease obligations		201	315	0	0
Other payables		7,152	489	0	0
Long-term debt	16	280,332	281,128	0	0
Mortgage and term loans	16	27,809	17,192	0	0
Credit institutions	16	80,165	66,047	0	0
Lease obligations	16	114	80	0	0
Prepayments received from customers		35,440	25,275	0	0
Trade payables		82,660	95,760	43	35
Corporation tax		1,295	5,555	0	0
Payables to group enterprises relating t	to	•	0	000	0.000
corporation tax	16	0	0	290	2,039
Other payables Deferred income	17	91,729 3,820	49,984 4,502	0	0
Short-term debt	-	323,032	264,395	333	2,074
Dale	-		F45 500	222	2.074
Debt	-	603,364	545,523	333	2,074
Liabilities and equity	-	1,021,360	952,857	388,086	360,420
Subsequent events	1				
Distribution of profit	13				
Contingent assets etc.	20				
Related parties	21				
Fee to auditors	22				
Accounting Policies	23				

Statement of Changes in Equity

Other equity movements

Net profit/loss for the year

Equity at 31 December

Group			Equity excl.		
	Share capital	Retained earnings	minority interests	Minority interests	Total TDKK
Equity at 1 January	36,494	321,852	358,346	1,208	359,554
Cash capital increase	11,686	105,173	116,859	0	116,859
Ordinary dividend paid	0	0	0	-7	-7
Exchange adjustments relating to foreign entities	0	648	648	0	648
Other equity movements	0	41	41	515	556
Net profit/loss for the year	0	-88,141	-88,141	-618	-88,759
Equity at 31 December	48,180	339,573	387,753	1,098	388,851
Parent Company					
Equity at 1 January	36,494	321,852	358,346	0	358,346
Cash capital increase	11,686	105,173	116,859	0	116,859
Exchange adjustments relating to foreign entities	0	648	648	0	648

0

0

48,180

41

-88,141

339,573

41

-88,141

387,753

0

0

0

41

-88,141

387,753

Cash Flow Statement 1 January - 31 December

		Grou	p
	Note	2019	2017/18
		TDKK	TDKK
Net profit/loss for the year		-88,759	-7,383
Adjustments	18	48,214	56,558
Change in working capital	19	36,277	-47,744
Cash flows from operating activities before financial income and expenses		-4,268	1,431
Financial income		143	256
Financial expenses	_	-18,339	-13,392
Cash flows from ordinary activities		-22,464	-11,705
Corporation tax paid	_	-6,337	-2,413
Cash flows from operating activities	_	-28,801	-14,118
Purchase of intangible assets etc		-97,481	-394,707
Purchase of property, plant and equipment		-33,963	-251,117
Fixed asset investments made etc		-8	-25
Sale of property, plant and equipment		360	42
Dividends received from associates	_	4,122	2,450
Cash flows from investing activities	_	-126,970	-643,357
Repayment of mortgage and term loans		-15,922	-14,907
Repayment of loans from credit institutions		-189	-250
Reduction of lease obligations		-80	-90
Repayment of payables to group enterprises		0	-5,269
Repayment of other long-term debt		0	-12,337
Raising of mortgage and term loans		11,210	270,000
Repayment of loans to associates		0	2,925
Other payables (loan)		34,880	0
Cash capital increase		116,858	364,439
Other adjustments	_	0	2,361
Cash flows from financing activities	-	146,757	606,872
Change in cash and cash equivalents		-9,014	-50,603
Cash and cash equivalents at 1 January		-50,103	500
Exchange adjustment of current asset investments	_	397	0
Cash and cash equivalents at 31 December	_	-58,720	-50,103
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		21,445	15,755
Overdraft facility	_	-80,165	-65,858
Cash and cash equivalents at 31 December	_	-58,720	-50,103

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company and Group has not been negatively impacted by the effects of COVID-19. None of the Company's customers have indicated that they will stop projects in progress, and order flow is not affected. There is a risk of some delays in deliveries from some sup-suppliers, but a material impact is not expected.

Per 31 January 2020 SKIOLD A/S acquired 50% of the associated company SKIOLD & Vacuum Milling Solutions PIT Ltd., Jimboomda, Australia, and SKIOLD A/S is from that date a 100% owner.

Per 3 July 2020 SKIOLD A/S acquired 50% of the company SKIOLD Bemvig SL, Barcelona, Spain, and SKIOLD A/S is from that date a 100% owner.

Per 17 July 2020 SKIOLD A/S acquired 100% of the Spanish company Rotecna s.a. Agramunt, Spain. With this acquisition the SKIOLD Group becomes one of the largest suppliers in Europe of pig farm solutions.

Besides the above, no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

		Grou	ıp	Parent Company		
		2019	2017/18	2019	2017/18	
2	Revenue	TDKK	TDKK	TDKK	TDKK	
	Geographical segments					
	Revenue, EU	510,036	492,934	0	0	
	Revenue, outside EU	122,520	308,387	0	0	
		632,556	801,321	0	0	
	Business segments					
	Processing plant and equipment	216,690	404,794	0	0	
	Livestock farmning and equipment	415,866	396,527	0	0	
		632,556	801,321	0	0	

		Group		Parent Company	
		2019	2017/18	2019	2017/18
3	Staff expenses	TDKK	TDKK	TDKK	TDKK
	Wages and salaries	213,156	188,328	517	0
	Pensions	24,496	21,136	0	0
	Other social security expenses	17,135	15,837	0	0
	Other staff expenses	0	974	0	0
		254,787	226,275	517	0
	Including remuneration to the				
	Executive Board and Board of Direc-				
	tors of:				
	Executive Board	10,060	10,832	0	0
	Supervisory Board	517	150	517	0
		10,577	10,982	517	0
	Average number of employees	605	531	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.

		Grou	Group		mpany
		2019	2017/18	2019	2017/18
4	Financial income	TDKK	TDKK	TDKK	TDKK
	Interest received from group				
	enterprises	0	0	1,556	0
	Other financial income	210	259	0	0
		210	259	1,556	0

		Group		Parent Company	
		2019	2017/18	2019	2017/18
5	Tax on profit/loss for the year	TDKK	TDKK	TDKK	TDKK
	Current tax for the year	864	3,843	66	-7
	Deferred tax for the year	-15,953	1,142	3	-3
		-15,089	4,985	69	-10

6 Intangible assets

Group	Completed development projects	Acquired patents TDKK	Acquired licenses TDKK	Goodwill TDKK	Development projects in progress
Cost at 1 January	40,572	473	16,965	494,450	17,745
Exchange adjustment	4	0	66	0	0
Net effect from merger and acquisition	0	0	0	55,634	0
Additions for the year	6,393	255	2,239	0	5,845
Transfers for the year	11,035	0	0	0	-11,035
Cost at 31 December	58,004	728	19,270	550,084	12,555
Impairment losses and amortisation at 1					
January	33,406	0	13,023	25,529	0
Exchange adjustment	3	0	65	0	0
Amortisation for the year	7,089	101	1,156	26,754	0
Impairment losses and amortisation at 31					
December	40,498	101	14,244	52,283	0
Carrying amount at 31 December	17,506	627	5,026	497,801	12,555

6 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 12,555 at 31 December 2019. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 10,000 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 2019, 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.

7 Property, plant and equipment

Group

Group -	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements
Cost at 1 January	137,212	93,064	18,452	470
Exchange adjustment	162	198	-18	0
Net effect from merger and acquisition	25,511	15,282	5,937	0
Additions for the year	7,531	1,717	1,678	44
Disposals for the year	0	-16,555	-1,038	0
Transfers for the year	0	30	0	0
Cost at 31 December	170,416	93,736	25,011	514
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	59,321	82,639	13,493	390
Exchange adjustment	62	116	-7	0
Net effect from merger and acquisition	7,567	11,880	4,290	0
Depreciation for the year	5,421	3,284	2,146	58
Impairment and depreciation of sold				
assets for the year	0	0	-229	0
Reversal of impairment and				
depreciation of sold assets	0	-16,325	-679	0
Transfers for the year	0	30	0	0
Impairment losses and depreciation at				
31 December	72,371	81,624	19,014	448
Carrying amount at 31 December	120,001	12,112	5,997	66
Including assets under finance leases				
amounting to	0	390	0	0

		Parent Company	
		2019	2018
Investments in subsidiaries		TDKK	TDKK
Cost at 1 January		357,201	(
Additions for the year		52,937	357,201
Cost at 31 December		410,138	357,201
Value adjustments at 1 January		-8,851	C
Exchange adjustment		648	-1,419
Net profit/loss for the year		-88,386	-7,215
Other equity movements, net		41	-217
Value adjustments at 31 December		-96,548	-8,851
Carrying amount at 31 December		313,590	348,350
Investments in subsidiaries are specified as	follows:		
Name	Place of registered office	Share capital	Votes and ownership
SKIOLD Holding A/S	Copenhagen, Denmark	TDKK 41,464	100%

	Grou	р	Parent Cor	mpany
·	2019	2018	2019	2018
Investments in associates	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	9,082	0	0	
Net effect from merger and acquisition	0	9,082	0	
Cost at 31 December	9,082	9,082	0	
Value adjustments at 1 January	4,944	0	0	
Net effect from merger and acquisition	0	3,348	0	
Exchange adjustment	191	-850	0	
Net profit/loss for the year	1,970	5,461	0	
Dividends received	-4,122	-2,450	0	
Other equity movements, net	41	-217	0	
Amortisation of goodwill	-321	-348	0	
Value adjustments at 31 December	2,703	4,944	0	
Carrying amount at 31 December	11,785	14,026	0	
Remaining positive difference included				
in the above carrying amount at 31				
December	480	801	0	

10 Other fixed asset investments

SKIOLD & Vacuum Milling Solutions Plt. Ltd.

Name

	Group
	Deposits
	TDKK
Cost at 1 January	534
Net effect from merger and acquisition	30
Additions for the year	8
Cost at 31 December	572
Carrying amount at 31 December	572

Place of registered

Jimboomba, Australia TAUD 140

office

Votes and

ownership

50%

Share capital

		Group		Parent Company	
		2019	2018	2019	2018
11	Inventories	TDKK	TDKK	TDKK	TDKK
	Raw materials and consumables	47,653	41,347	0	0
	Work in progress	25,686	23,241	0	0
	Finished goods and goods for resale	90,374	54,921	0	0
	Prepayments for goods	0	251	0	0
		163,713	119,760	0	0

12 Prepayments

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

13 Distribution of profit

14	Deferred tax asset				
	Deferred tax asset at 1 January Amounts recognised in the income	-12,169	0	3	0
	statement for the year Amounts recognised in equity for the	15,953	-1,142	-3	3
	year	-1,815	-11,027	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.

Gro	up	Parent C	ompany
2019	2018	2019	2018
TDKK	TDKK	TDKK	TDKK

15 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.

Other provisions	17,668	29,444	0	0
	17,668	29,444	0	0

16 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

After 5 years	40,716	27,734	0	0
Between 1 and 5 years	232,263	252,466	0	0
Long-term part	272,979	280,200	0	0
Within 1 year	27,809	17,192	0	0
	300,788	297,392	0	0
Credit institutions				
Between 1 and 5 years	0	124	0	0
Long-term part	0	124	0	0
Within 1 year	124	189	0	0
Other short-term debt to credit				
institutions	80,041	65,858	0	0
Short-term part	80,165	66,047	0	0
	80,165	66,171	0	0

16 Long-term debt (continued)

	Group		Parent Co	mpany
	2019	2018	2019	2018
Lease obligations	TDKK	TDKK	TDKK	TDKK
Between 1 and 5 years	201	315	0	0
Long-term part	201	315	0	0
Within 1 year	114	80	0	0
	315	395	0	0
Other payables				
Between 1 and 5 years	7,152	489	0	0
Long-term part	7,152	489	0	0
Other short-term payables	91,729	49,984	0	0
	98,881	50,473	0	0

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

17 Deferred income

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

	Gro	Group	
	2019	2017/18	
18 Cash flow statement - adjustments	TDKK	TDKK	
Financial income	-210	-259	
Financial expenses	18,339	14,264	
Depreciation, amortisation and impairment losses, including losses and			
gains on sales	46,823	42,681	
Income from investments in associates	-1,649	-5,113	
Tax on profit/loss for the year	-15,089	4,985	
	48,214	56,558	

The following assets have been placed as security with bankers: Mortgages registered to the owner of TDKK 6,650, providing securityon land					Group	
Change in inventories				_	2019	2017/18
Change in receivables Change in other provisions Change in trade payables, etc Group Parent Company 2019 2018 TDKK TDKK TDKK TDKK TDKK TDKK TDKK TDKK	19	Cash flow statement - change in	working capital	-	TDKK	TDKK
Change in receivables Change in other provisions Change in trade payables, etc Group Parent Company 2019 2018 TDKK TDKK TDKK TDKK TDKK TDKK TDKK TDKK		Change in inventories			-16 910	30 042
Change in other provisions Change in trade payables, etc Change in trade payables, etc Ch		· ·			•	•
Change in trade payables, etc Group Parent Company 2019 2018 2018 TDKK						
Group Parent Company 2019 2018 2019 2018 TDKK		-				
Group Parent Company 2019 2018 2019 2018 TDKK TDKK TDKK TDKK TDKK TDKK TDKK TDKK		Change in trade payables, etc		_		· · · · · · · · · · · · · · · · · · ·
2019 2018 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 102,163 81,868 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 41,573 19,400 0 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables				_	30,277	-47,744
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 102,163 81,868 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 41,573 19,400 0 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables			Grou	p	Parent Co	mpany
Charges and security The following assets have been placed as security with mortgage credit institutes: Land and buildings with a carrying amount of 102,163 81,868 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 41,573 19,400 0 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables			2019	2018	2019	2018
Charges and security The following assets have been placed as security with mortgage credit institutes: Land and buildings with a carrying amount of 102,163 81,868 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 41,573 19,400 0 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables					TDKK	TDKK
amount of 102,163 81,868 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 41,573 19,400 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables		· ·	s security with mortg	age		
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 41,573 19,400 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables		Land and buildings with a carrying				
Mortgages registered to the owner of TDKK 6,650, providing securityon land and buildings with a carrying amount of 41,573 19,400 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables		amount of	102,163	81,868	0	0
TDKK 6,650, providing securityon land and buildings with a carrying amount of 41,573 19,400 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables		The following assets have been placed as	s security with banke	rs:		
and buildings with a carrying amount of 41,573 19,400 0 A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables		* * *				
floating charge includes tangible fixes assets, inventory and trade receivables			41,573	19,400	0	0
assets, inventory and trade receivables						
·		A floating charge of TDKK 18,000. The		<u>, </u>		
with a carrying amount of 76,881 32,619 0				<u> </u>		
		floating charge includes tangible fixes				

All shares in SKIOLD Holding A/S, SKIOLD A/S, Jyden Bur A/S Landmeco. Ølgod 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 dated 30 November 2017 in respect of a Facilities Agreement of TDKK 320,000. 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.

	Group		Parent Company		
	2019	2018	2019	2018	_
	TDKK	TDKK	TDKK	TDKK	_
20 Contingent assets, liabilities a	nd other finan	cial obligation	s (continued)		

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

Rental and lease obligations

Lease obligations under operating				
leases. Total future lease payments:				
Within 1 year	4,276	2,054	0	0
Between 1 and 5 years	5,905	6,236	0	0
	10,181	8,290	0	0
Rental obligations, period of non-				
terminability 1-40 months	3,340	2,756	0	0

Guarantee obligations

The Group has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to TDKK 9,282.

Bankers have on behalf of the Group provided guarantees with security in cash-deposits of TDKK 318.

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.

21 Related parties

	Basis
Controlling interest	
Plemont Co-Investment No. 1 Seperate Limited Partnership	Majority shareholder in Parent Company

21 Related parties (continued)

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.

		Group		Parent Company	
		2019	2017/18	2019	2017/18
22	Fee to auditors	TDKK	TDKK	TDKK	TDKK
	PricewaterhouseCoopers				
	Audit fee	372	217	11	10
	Other assurance engagements	141	66	20	20
	Tax advisory services	51	36	4	4
	Other services	67	0	0	0
		631	319	35	34
	Other				
	Audit fee	232	276	0	0
	Other assurance engagements	65	84	0	0
	Tax advisory services	279	136	0	0
	Other services	131	343	0	0
		707	839	0	0
		1,338	1,158	35	34

23 Accounting Policies

The Annual Report of SKIOLD Group A/S for 2019 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 2019 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.

23 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.

23 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.

23 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.

23 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

23 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 supsuppliers 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

23 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 o. 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.

23 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.

23 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.

23 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.

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Profit margin Profit before financials x 100

Revenue

Return on assets Profit before financials x 100

Total assets

Solvency ratio Equity at year end x 100

Total assets at year end

Return on equity Net profit for the year x 100

Average equity