Skiold Holding A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 2023

CVR No. 39 08 42 79

The Annual Report was presented and adopted at the Annual General Meeting of the company on 28/6 2024

Rasmus Sandorff Jacobsen
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 Holding A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

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, 14 June 2024

Executive Board

Morten Rosager Andersen
CEO

Board of Directors

Rasmus Sandorff Jacobsen Chairman	Morten Rosager Andersen	Torben Axelsen

Independent Auditor's report

To the shareholders of Skiold Holding 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 2023 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 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Skiold Holding A/S for the financial year 1 January - 31 December 2023, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial 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

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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 Group´s and the Parent Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s and the Parent 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 Parent 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.

Independent Auditor's report

Herning, 14 June 2024

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 Holding A/S Kjeldgaardsvej 3 9300 Sæby CVR No: 39 08 42 79 Financial period: 1 January - 31 December Municipality of reg. office: Frederikshavn
Board of Directors	Rasmus Sandorff Jacobsen, chairman Morten Rosager Andersen Torben Axelsen
Executive Board	Morten Rosager Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	835,199	1,050,212	1,203,374	987,711	632,556
Gross profit	308,807	295,206	465,601	377,607	215,564
Profit/loss of primary operations	-53,695	-77,611	33,060	-270	-86,666
Profit/loss of financial income and expenses	-71,128	-46,566	-36,207	-15,812	-17,496
Net profit/loss for the year	-161,586	-117,999	-14,130	-24,773	-89,004
Balance sheet					
Balance sheet total	1,401,310	1,541,545	1,716,934	1,691,120	1,020,734
Investment in property, plant and equipment	15,918	20,008	20,008	44,570	33,963
Equity	-1,840	158,575	278,054	292,894	314,688
Cash flows					
Cash flows from:					
- operating activities	-96,312	21,772	58,752	-29,137	-14,040
- investing activities	-19,423	-15,861	-494,882	-126,970	-643,357
- financing activities	106,292	-38,252	465,814	146,816	606,380
Change in cash and cash equivalents for the year	-9,443	-32,341	29,684	-9,291	-51,017
Number of employees	583	727	650	605	531
Ratios					
Gross margin	37.0%	28.1%	38.7%	38.2%	34.1%
Profit margin	-6.4%	-7.4%	2.7%	0.0%	-13.7%
Return on assets	-3.8%	-5.0%	1.9%	0.0%	-8.5%
Solvency ratio	-0.1%	10.3%	16.2%	17.3%	30.8%
Return on equity	-206.2%	-54.1%	-4.9%	-8.2%	-56.6%

Management's review

Key activities

SKIOLD's primary activities are the development, production and sales of innovative and market leading solutions for the global agroindustry and the servicing of our large installed base. SKIOLD competes in three segments: Pig Equipment, Feed and Milling Technologies, and Poultry Equipment.

SKIOLD strives to equip our customers with innovative and value-adding products and solutions that support environmental sustainability, animal welfare, and operational profitability. We are committed to integrating global sustainability goals into our offerings, minimising environmental impact across the entire value chain from field to livestock.

Development during the year

In 2023, SKIOLD's revenue decreased by 21% driven by the lower activity in the European pig industry. Fluctuating pork prices and high interest rates negatively impacted investments in new farms and retrofits.

In recent years, SKIOLD has been diligently working towards creating a more scalable and efficient business, a transformation that progressed well in 2023. The Group has invested in the consolidation, standardisation, and modularisation of its product programme, and in further streamlining our manufacturing and warehousing operations and footprint.

As a part of the transformation, the Spanish subsidiary Bemvig and the Danish factory in Bur have been sold. A total one-time negative impact of DKK 15 million has been included in the 2023 figures.

In addition, the 2023 result has been negatively impacted by the write down of tax assets with DKK 49 million.

Earnings before Amortisation and Depreciation (EBITDA) has improved from DKK 13 million in 2022 to DKK 41 million in 2023.

Pretax result shows a loss of DKK 125 million, compared to a loss of DKK 124 million in 2022, with an equity of DKK - 2 million.

In January 2024, a new loan agreement has been signed with the main lenders securing the financial facilities for 2024 and 2025, including a conversion of subordinated loans to equity of DKK 74.3 million.

Operating risks

The Group is exposed to the developments in global meat, grain, seed, steel, polymer and freight 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. The Group mostly trades in DKK and EUR.

Targets and expectations for the year ahead

The outlook for 2024 is clouded by the geopolitical and economic uncertainty, not least the ongoing conflict in Ukraine, heightened interest rates and inflation, and price volatility of scarce raw materials.

Despite these challenges, we anticipate that our revenue in 2024 will hold steady at 2023 levels. We expect to see an improvement in our net result, thanks to the cost-saving initiatives we have implemented.

Research and development & Intellectual capital resources

SKIOLD supplies equipment and solutions for feed production, seed processing, grain handling, and pig and poultry production. SKIOLD solutions include digital management and automation solutions that help our customers achieve optimal and cost-effective feed production and livestock feeding. To sustain our competitive edge, SKIOLD is committed to continuous investment in product development and our people.

Statement of corporate social responsibility

Business model

SKIOLD's primary activities are the development, production and sales of innovative and market leading solutions for the global agroindustry and the servicing of our large installed base. SKIOLD competes in three segments: Pig Equipment, Feed and Milling Technologies, and Poultry Equipment.

SKIOLD strives to equip our customers with innovative and value-adding products and solutions that support environmental sustainability, animal welfare, and operational profitability. We are committed to integrating global sustainability goals into our offerings, minimising environmental impact across the entire value chain from field to livestock.

Main risks in connection with corporate social responsibility

At SKIOLD, we have identified the following primary risks within the areas of environment, energy efficiency and working environment:
- Working environment, encompassing health, safety, and attraction of qualified labour.
- Environment and energy efficiency, including the overall impact of the livestock production that our products contribute to.

Currently, we have not identified any risks in the areas of human rights, anti-corruption, and bribery, as our business primarily operates within the EU and adheres to strict payment policies and segregation of duties. All areas undergo regular evaluation.

Environment and energy efficiency

SKIOLD's engineering principles lead to optimal use of feed ingredients and livestock nutrients, enhancing animal health and welfare. These factors contribute to food security through efficient resource utilisation and increased food production. SKIOLD's solutions ensure safe livestock production using best practices and advanced biosecurity technology. Our waste management technology supports sustainable livestock farming with minimal environmental impact.

SKIOLD's in-house production methods have no significant environmental impact. We increasingly utilise suppliers operating with higher energy efficiency than our in-house production. All our sites in Denmark undergo executive energy inspections under the EU energy directive.

In 2023, we collected data to aid in reducing our business's environmental impact. This data will inform an ambitious plan to reduce our environmental footprint, with work continuing in 2024 and the strategy expected to be finalised that year.

As part of our CO2e-emissions reduction initiatives, we decided to consolidate three production sites into one. One site has already been closed, and the consolidation is expected to be completed by the end of 2024.

SKIOLD has appointed a Head of ESG and established an ESG Ambassador group, comprising employees from Production, Quality, R&D, Procurement, and Product Management. We have also partnered with an external provider to expedite and optimise the process.

The ESG group ensures that ESG work is embedded across the organisation. The group proposes continuous ESG development and sets targets for top management review and approval.

SKIOLD has implemented a whistleblower system, enabling both internal and external parties to easily alert the appropriate stakeholders if an issue arises.

Minimising raw material consumption and wastage

At SKIOLD, we are continuously working to minimise the consumption of raw material and waste to lessen our environmental impact.

In 2023, SKIOLD continued rationalising its product range, resulting in more efficient material use due to economies of scale. Value engineering contributed to waste reduction and improved product design. Additionally, SKIOLD repurposes scrap material from other industries, transforming it into durable products with reduced 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.

In 2023, SKIOLD has collected data to support the improvement of the working environment. The data includes accidents and sickness absence and are used to set up action plans to improve these areas. In 2024, SKIOLD will develop initiatives to improve these areas.

In 2024, a new HR-system will be rolled out to secure reliable live data to support the improvement of the working environment.

A global CoC is distributed to all employees describing what god working environment means in SKIOLD and how we improve it.

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. The human rights and labour policy is being evaluated regular to ensure that they are relevant and in line with internal laws and conventions.

In 2022, a whistleblower system was introduced. There have not been any reports within human rights in 2023.

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.

In 2022, a whistleblower system was introduced, and no irregularities have been detected during 2023.

The anti-financial crime policy is being evaluated regularly to ensure that it is relevant and in line with internal laws and conventions.

Statement on gender composition

SKIOLD believes that employee diversity, including 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. Therefore SKIOLD has set specific targets for the proportion of that underrepresented gender in Group Management. The long-term goal is to have a 50/50 representation of genders in SKIOLD.

The Group's current target is that at least 25% of management positions in the Group be held by women by 2025.

Management positions include the Board of Directors, the Executive Board, middle management and Divisional and department managers.

SKIOLD Holding A/S' specific target relates to the Board of Directors. As there are less than 50 employees in the company, SKIOLD Holding A/S is, cf. the Companies Act §139 c, subsection 7 not required to prepare a policy to increase the proportion of the underrepresented gender at other management levels.

The current rate at top management positions is unchanged 0% women - with a target of 33% in 2025. The gender of the candidate is not an assessment factor in this process, so there is no gender discrimination. The board of directors consist of 3 members elected on general assembly, 0 of them female and 3 of them male. In 2023 there has not been any changes in the board, but it has been agreed to actively seek for women when it is time for replacements in the board.

Other management level positions is 0% women. The gender of the candidate is not an assessment factor in this process, so there is no gender discrimination. Other management levels consist of 3 employees, 0 of them female and 3 of them male. In 2023 there has been focus on educating women to be managers in a male- dominated line of business through individual coaching by HR.

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

The aim is to achieve equal career opportunities for all 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.

Management's review

The Group is working on a Diversity, Equity, and Inclusion Policy, and will publish the final version in 2024.

Top Management Body	***2023***	***2024***	***2025***	***2026***	***2027***
Total number of members	***3***				
Underrepresented gender in %	***0%***				
Target in %	***33%***				
Year for achieving target	***2025***				
Other Management Levels					
Total number of members	***3***				
Underrepresented gender in %	***0%***				
Target in %					
Year for achieving target					

Statement on data ethics

The group has during 2023 updated and conducted several policies including a data ethics policy.

The Group has described how data is protected and what good IT-behavior is as a part of the employee hand-book, and a more detailed policy covering data ethics has been launched in 2023.

In addition, in determining the company’s business strategies and when carrying out the company’s activities, management considers generally accepted principles and good business morale and applicable legislation in constantly ensured compliance with.

ESG is core to our overall strategy, and we are working on making it a part of our everyday mindset.

Income statement 1 January - 31 December

	Note	Group 2023	Group 2022	Parent company 2023	Parent company 2022
		TDKK	TDKK	TDKK	TDKK
Revenue	3	835,199	1,050,212	5,254	5,195
Other operating income		5,552	4,847	0	0
Expenses for raw materials and consumables		-421,184	-615,781	0	0
Other external expenses		-110,760	-144,072	-148	-391
Gross profit		**308,807**	**295,206**	**5,106**	**4,804**
Staff expenses	4	-260,242	-278,999	-8,321	-5,694
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	5	-95,006	-90,733	0	0
Other operating expenses		-7,254	-3,085	0	0
Profit/loss before financial income and expenses		**-53,695**	**-77,611**	**-3,215**	**-890**
Income from investments in subsidiaries		0	0	-132,802	-106,522
Financial income	6	3,233	2,648	14,573	13,628
Financial expenses	7	-74,361	-49,214	-36,640	-27,452
Profit/loss before tax		**-124,823**	**-124,177**	**-158,084**	**-121,236**
Tax on profit/loss for the year	5,8	-36,763	6,178	-3,502	3,237
Net profit/loss for the year	9	**-161,586**	**-117,999**	**-161,586**	**-117,999**

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Completed development projects		15,424	13,137	0	0
Acquired patents		610	1,194	0	0
Acquired licenses		6,963	3,798	0	0
Goodwill		823,149	877,063	0	0
Development projects in progress		1,832	5,486	0	0
Intangible assets	10	**847,978**	**900,678**	**0**	**0**
Land and buildings		113,449	126,907	0	0
Plant and machinery		25,989	32,289	0	0
Other fixtures and fittings, tools and equipment		9,823	10,153	0	0
Leasehold improvements		1,417	1,416	0	0
Property, plant and equipment in progress		0	0	0	0
Property, plant and equipment	11	**150,678**	**170,765**	**0**	**0**
Investments in subsidiaries	12	0	0	300,849	432,480
Other investments	13	25	25	0	0
Deposits	13	1,805	1,899	0	0
Fixed asset investments		**1,830**	**1,924**	**300,849**	**432,480**
Fixed assets		**1,000,486**	**1,073,367**	**300,849**	**432,480**
Inventories	14	**206,484**	**258,431**	**0**	**0**
Trade receivables		101,466	104,487	0	0
Contract work in progress		12,721	10,392	0	0
Receivables from group enterprises		13,225	9,089	443,682	364,079
Other receivables		19,244	11,939	0	0
Deferred tax asset	15	13,799	30,445	2,168	6,714
Corporation tax		157	157	0	0
Prepayments	16	2,992	4,311	0	0
Receivables		**163,604**	**170,820**	**445,850**	**370,793**

Balance sheet 31 December

Assets

		Group		Parent company	
	Note	2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Current asset investments		**8**	**8**	**0**	**0**
Cash at bank and in hand		**30,728**	**38,919**	**420**	**21**
Current assets		**400,824**	**468,178**	**446,270**	**370,814**
Assets		**1,401,310**	**1,541,545**	**747,119**	**803,294**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Share capital		41,464	41,464	41,464	41,464
Reserve for exchange rate conversion		-3,306	-3,306	0	0
Retained earnings		-39,998	120,417	-43,304	117,111
Equity		**-1,840**	**158,575**	**-1,840**	**158,575**
Provision for deferred tax	15	8,279	0	0	0
Other provisions	17	8,253	17,193	0	0
Provisions		**16,532**	**17,193**	**0**	**0**
Mortgage loans		41,334	424,476	0	152,572
Lease obligations		10,122	453	0	0
Other payables		19,495	16,592	0	0
Long-term debt	18	**70,951**	**441,521**	**0**	**152,572**
Mortgage loans	18	383,523	22,371	152,378	11,925
Credit institutions		112,916	111,664	0	0
Lease obligations	18	662	139	0	0
Prepayments received from customers		68,684	82,339	0	0
Trade payables		81,802	134,290	53	2,760
Contract work in progress		0	7,319	0	0
Payables to group enterprises		594,918	479,731	594,918	477,130
Corporation tax		6,662	4,739	0	0
Other payables	18	62,245	76,205	1,610	332
Deferred income	19	4,255	5,459	0	0
Short-term debt		**1,315,667**	**924,256**	**748,959**	**492,147**
Debt		**1,386,618**	**1,365,777**	**748,959**	**644,719**
Liabilities and equity		**1,401,310**	**1,541,545**	**747,119**	**803,294**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2023	Group 2022	Parent company 2023	Parent company 2022
		TDKK	TDKK	TDKK	TDKK
Uncertainty relating to recognition and measurement	1				
Subsequent events	2				
Contingent assets, liabilities and other financial obligations	22				
Related parties	23				
Fee to auditors appointed at the general meeting	24				
Accounting Policies	25				

Statement of changes in equity

Group

	Share capital	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	41,464	-3,306	120,417	158,575
Exchange adjustments relating to foreign entities	0	0	1,171	1,171
Net profit/loss for the year	0	0	-161,586	-161,586
Equity at 31 December	**41,464**	**-3,306**	**-39,998**	**-1,840**

Parent company

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	41,464	117,111	158,575
Exchange adjustments relating to foreign entities	0	1,171	1,171
Net profit/loss for the year	0	-161,586	-161,586
Equity at 31 December	**41,464**	**-43,304**	**-1,840**

Cash flow statement 1 January - 31 December

	Note	Group 2023	Group 2022
		TDKK	TDKK
Result of the year		-161,586	-117,999
Adjustments	20	203,820	127,979
Change in working capital	21	-57,503	65,519
Cash flow from operations before financial items		**-15,269**	**75,499**
Financial income		3,233	2,549
Financial expenses		-74,361	-47,034
Cash flows from ordinary activities		**-86,397**	**31,014**
Corporation tax paid		-9,915	-9,242
Cash flows from operating activities		**-96,312**	**21,772**
Purchase of intangible assets		-10,630	-7,193
Purchase of property, plant and equipment		-15,919	-18,545
Fixed asset investments made etc		-15	0
Sale of property, plant and equipment		7,032	9,430
Sale of fixed asset investments made etc		109	447
Cash flows from investing activities		**-19,423**	**-15,861**
Repayment of mortgage loans		-21,990	-75,178
Reduction of lease obligations		0	-78
Repayment of payables to group enterprises		0	37,004
Lease obligations incurred		10,192	0
Raising of payables to group enterprises		115,187	0
Raising of other long-term debt		2,903	0
Cash flows from financing activities		**106,292**	**-38,252**
Change in cash and cash equivalents		**-9,443**	**-32,341**
Cash and cash equivalents at 1 January		-72,736	-40,395
Cash and cash equivalents at 31 December		**-82,179**	**-72,736**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		30,728	38,919
Current asset investments		8	8
Overdraft facility		-112,915	-111,663
Cash and cash equivalents at 31 December		**-82,179**	**-72,736**

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

Determining the carrying value of certain assets and liabilities requires judgments, estimates and assumptions about future events. The estimates and assumptions carried out are i.e. based on historical experiences and other factors which the Management assesses to be reliable but which inherently are uncertain and unpredictable. The assumptions can change, and unexpected events or circumstances may occur. As a result of the risks and uncertainties that the Group is subject to, actual results may differ from these estimates. It may be necessary to change previous estimates as a result of changes in the factors underlying these estimates due to new information or as a result of subsequent events.

Estimates, which are specific essential for the presentation of the financial statements for SKIOLD, are carried out by recognition of development projects and recognition of goodwill.

Development projects

Development projects relate to new products developed in SKIOLD. The market is dynamic and constantly developing. The fierce competition, combined with the customers' desire for the best solutions, means that if we are not among the best on the market, it must be expected that certain development projects will fall away. This will cause costs for the development project to be lost. Incurred costs are only recognized to the extent that the management assesses that they can be capitalized. For a more detailed description of development projects, please refer to note 10.

Goodwill

By an impairment test of investments, including goodwill, an estimation is made of how the parts of the business, which the goodwill relates to, will be able to generate sufficient positive cash flows in the future to support the value of goodwill and other net assets. Due to the nature of the business, estimation of expected cash flow must be made many years into the future, leading to some uncertainty.

The most essential assumptions used for the impairment test besides expected revenue and margins on this in 2024 - 2028 - is an after tax WACC of 8,7% and expectations of growth of 2.0% in the terminal period after 2028.

2. Subsequent events

In January 2024 a new loan agreement has been signed with the main lenders securing the financial facilities for 2024 and 2025 including a conversion of subordinated loans to equity of DKK 74.3 million.

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
3. Revenue				
Geographical segments				
Revenue, EU	531,062	653,463	5,254	5,195
Revenue, outside EU	304,137	396,749	0	0
	835,199	**1,050,212**	**5,254**	**5,195**
Business segments				
Processing plant and equipment	268,824	253,981	5,254	5,195
Livestock farming and equipment	566,375	796,231	0	0
	835,199	**1,050,212**	**5,254**	**5,195**

Notes to the Financial Statements

4. Staff Expenses

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Wages and salaries	210,781	226,407	7,697	5,262
Pensions	24,945	28,059	610	420
Other social security expenses	21,352	23,286	14	12
Other staff expenses	3,164	1,247	0	0
	260,242	**278,999**	**8,321**	**5,694**
Including remuneration to the Executive Board:				
Executive board	5,019	0	5,019	0
Board of directors	0	0	0	0
	5,019	**0**	**5,019**	**0**
Average number of employees	**583**	**727**	**3**	**2**

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.

Remuneration to the Executive Board has not been disclosed for 2022 in accordance with section 98 B(3) of the Danish Financial Statements Act.

5. Special items

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Impairment of land and buildings	9,025	0	0	0
Impairment of plant and machinery	1,513	0	0	0
Write-downs of deferred tax asset, previous year	19,077	0	3,502	0
Not recognised deferred tax asset current year	30,170	0	5,562	0
	59,785	**0**	**9,064**	**0**

Impairment of land and buildings, plant and machinery relates to the shutdown of production at the location in Bur.

Notes to the Financial Statements

6. Financial income

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Interest received from group enterprises	389	185	14,573	13,628
Other financial income	528	2,463	0	0
Exchange gains	2,316	0	0	0
	3,233	**2,648**	**14,573**	**13,628**

7. Financial expenses

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Interest paid to group enterprises	20,637	17,496	20,547	17,396
Other financial expenses	53,724	31,310	16,093	10,056
Exchange loss	0	408	0	0
	74,361	**49,214**	**36,640**	**27,452**

8. Income tax expense

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	17,921	16,136	0	0
Deferred tax for the year	18,848	-22,314	3,502	-3,237
Adjustment of tax concerning previous years	-6	0	0	0
	36,763	**-6,178**	**3,502**	**-3,237**

9. Profit allocation

	Parent company	
	2023	2022
	TDKK	TDKK
Retained earnings	-161,586	-117,999
	-161,586	**-117,999**

Notes to the Financial Statements

10. Intangible fixed assets

Group

	Completed develop-ment projects	Acquired patents	Acquired licenses	Goodwill	Develop-ment projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	70,048	10,014	30,573	1,080,044	5,486
Exchange adjustment	20	19	30	4	0
Additions for the year	1,212	0	5,384	0	4,035
Disposals for the year	0	0	-257	0	-10
Transfers for the year	7,679	0	0	0	-7,679
Cost at 31 December	78,959	10,033	35,730	1,080,048	1,832
Impairment losses and amortisation at 1 January	56,911	8,820	26,774	202,981	0
Exchange adjustment	18	18	31	1	0
Amortisation for the year	6,606	585	2,210	53,917	0
Reversal of impairment and amortisation of sold assets	0	0	-248	0	0
Impairment losses and amortisation at 31 December	63,535	9,423	28,767	256,899	0
Carrying amount at 31 December	**15,424**	**610**	**6,963**	**823,149**	**1,832**

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 1.831 at 31 December 2023. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 2,200 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 2023, 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

11. Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	208,531	205,304	46,903	1,977
Exchange adjustment	2,356	1,408	-36	3
Additions for the year	33	12,796	2,919	171
Disposals for the year	-110	-13,849	-8,405	0
Cost at 31 December	210,810	205,659	41,381	2,151
Impairment losses and depreciation at 1 January	81,624	173,015	36,750	561
Exchange adjustment	471	1,201	105	0
Impairment losses for the year	9,025	1,513	159	0
Depreciation for the year	6,324	11,531	2,113	173
Reversal of impairment and depreciation of sold assets	-83	-7,590	-7,569	0
Impairment losses and depreciation at 31 December	97,361	179,670	31,558	734
Carrying amount at 31 December	**113,449**	**25,989**	**9,823**	**1,417**
Including assets under finance leases amounting to	0	6,348	923	0

Notes to the Financial Statements

	Parent company	
	2023	2022
	TDKK	TDKK

12. Investments in subsidiaries

	2023 TDKK	2022 TDKK
Cost at 1 January	685,423	685,423
Cost at 31 December	685,423	685,423
Value adjustments at 1 January	-252,943	-144,145
Exchange adjustment	1,171	-1,480
Net profit/loss for the year	-109,811	-81,619
Amortisation of goodwill	-22,991	-25,699
Value adjustments at 31 December	-384,574	-252,943
Carrying amount at 31 December	**300,849**	**432,480**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
SKIOLD A/S	Sæby, Denmark	TDKK 20,865	100%
SKIOLD Ukrain LLC	Cherkasy, Ukrain	TEUR 13	100%
SKIOLD France SAS	Pontivy, France	TEUR 1,575	100%
SKIOLD Acemo SAS	Pontivy, France	TEUR 218	100%
SKIOLD AB	Ängelholm, Sweden	TSEK 100	100%
SKIOLD (Qingdao) Machinery Co., Ltd.	Shandong, China	TRMB 1,299	100%
SKIOLD BL Sp. z.o.o.	Kutno, Poland	TPLN 4,429	100%
SKIOLD Bemvig S.L. (sold in 2023)	Barcelona, Spain	TEUR 62	100%
SKIOLD GmbH	Fockberg, Germany	TEUR 26	100%
LLC SKIOLD	Moscow, Russia	TRUB 500	100%
SKIOLD Landmeco. Ølgod A/S	Ølgod, Denmark	TDKK 2,000	100%
Rotecna S.A.	Agramunt, Spain	TEUR 2,006	100%
SKIOLD Jyden China Holding A/S	Holstebro, Denmark	TDKK 1,000	100%
SKIOLD Jyden Animal Housing (Qingdao) Co., Ltd.	Shandong, China	TRMB 3,350	100%
SKIOLD & Vacuum Milling Solution Pty Ltd.	Jimboomba, Australia	TAUD 140	100%
Skiold South East Asia Company Ltd.(Vietnam)	Ho Chi Minh City, Vietnam	TVND 300	100%

Notes to the Financial Statements

13. Other fixed asset investments
Group

	Other investments	Deposits
	TDKK	TDKK
Cost at 1 January	25	1,899
Additions for the year	0	15
Disposals for the year	0	-109
Cost at 31 December	25	1,805
Carrying amount at 31 December	**25**	**1,805**

14. Inventories

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	70,542	73,329	0	0
Work in progress	24,354	24,166	0	0
Finished goods and goods for resale	110,941	160,424	0	0
Prepayments for goods	647	512	0	0
	206,484	**258,431**	**0**	**0**

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
15. Deferred tax asset				
Deferred tax asset at 1 January	30,445	16,626	6,714	6,089
Other movements in deferred tax for the year	-6,077	-8,495	-1,044	-2,612
Amounts recognised in the income statement for the year	-18,848	22,314	-3,502	3,237
Deferred tax asset at 31 December	**5,520**	**30,445**	**2,168**	**6,714**
Recognised in the balance sheet as follows:				
Assets	13,799	30,445	2,168	6,714
Provisions	-8,279	0	0	0
	5,520	**30,445**	**2,168**	**6,714**

The Parent Company has a not recognised tax asset regarding tax loss carry-forwards in Denmark of DKK 9,1 mio. (Group DKK 44,0 mio.)

16. Prepayments

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

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

17. 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.

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Other provisions	8,253	17,193	0	0
	8,253	**17,193**	**0**	**0**
The provisions are expected to mature as follows:				
After 5 years	8,253	17,193	0	0
	8,253	**17,193**	**0**	**0**

Notes to the Financial Statements

18. 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:

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	28,504	30,798	0	0
Between 1 and 5 years	12,830	393,678	0	152,572
Long-term part	41,334	424,476	0	152,572
Within 1 year	383,523	22,371	152,378	11,925
	424,857	**446,847**	**152,378**	**164,497**
Lease obligations				
After 5 years	2,619	214	0	0
Between 1 and 5 years	7,503	239	0	0
Long-term part	10,122	453	0	0
Within 1 year	662	139	0	0
	10,784	**592**	**0**	**0**
Other payables				
After 5 years	12,971	0	0	0
Between 1 and 5 years	6,524	16,592	0	0
Long-term part	19,495	16,592	0	0
Other short-term payables	62,245	76,205	1,610	332
	81,740	**92,797**	**1,610**	**332**

19. Deferred income

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

20. Cash flow statement - Adjustments

	Group 2023	Group 2022
	TDKK	TDKK
Financial income	-3,233	-2,648
Financial expenses	74,361	49,214
Depreciation, amortisation and impairment losses, including losses and gains on sales	94,758	89,071
Tax on profit/loss for the year	36,763	-6,178
Exchange adjustments	1,171	-1,480
	203,820	**127,979**

21. Cash flow statement - Change in working capital

	Group 2023	Group 2022
	TDKK	TDKK
Change in inventories	51,947	11,534
Change in receivables	-11,884	93,116
Change in other provisions	-8,940	1,305
Change in trade payables, etc	-88,626	-40,436
	-57,503	**65,519**

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

22. Contingent assets, liabilities and other financial obligations

Charges and security

	2023	2022	2023	2022
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	45,552	57,000	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:	28,951	39,149	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	206,621	260,067	0	0

All shares in SKIOLD 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 original dated 28 November 2017 and later amended in respect of a Facilities Agreement of TDKK 352,500 + TEUR 39,000. 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.

Rental and lease obligations

	2023	2022	2023	2022
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4,432	4,527	0	0
Between 1 and 5 years	7,608	6,923	0	0
	12,040	**11,450**	**0**	**0**
Rent obligations, period of non-terminability 1-56 months	32,884	38,236	0	0

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

22. Contingent assets, liabilities and other financial obligations

Guarantee obligations

The Parent Company and Group has issued guarantee to its bankers equal to no more than TDKK 172,661

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 is disclosed in the Annual Report of Skiold Group A/S, which is the management company of the joint taxation purposes. 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.

23. Related parties

	Basis
Controlling interest	
SKIOLD Group A/S, CVR 39 08 38 92	Parent Company
Plemont Co-Investment No. 1 Seperate Limited Partnership	Majority shareholder in Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Apart from the above, 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 and normal management remuneration.

24. Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act and to the note concerning fee to auditors appointed at the general meeting in the consolidated financial statements of SKIOLD Group A/S, the company has not prepared the note.

Notes to the Financial Statements

25. Accounting policies

The Annual Report of Skiold Holding A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Skiold Holding 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.

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. 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.
- 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.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

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

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Segment information on revenue

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

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

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.

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

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

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance sheet

Intangible fixed assets

Goodwill

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

Development projects

Costs of development projects comprise salaries, amortisation and other expenses 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 enterprise 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 cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower 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.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

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.

Property, plant and equipment

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

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

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

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

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

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

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

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.

Current Asset Investments

Current Asset Investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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 of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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.

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

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
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