Hardi International A/S
Central Business Registration No 55274517

Annual report 2018/19

The Annual General Meeting adopted the annual report on 13 January 2020

Chairman of the General Meeting

Name: Yves Belegaud

Contents

Entity details

Entity
Hardi International A/S
Herthadalvej 10
4840 Nørre Alslev

Central Business Registration No: 55274517
Registered in: Nørre Alslev
Financial year: 01.10.2018 - 30.09.2019

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Board of Directors
Guerric Ballu, Chairman
Daniel Tragus, Vice Chairman
Sophie Bouheret
Jan Ole Andersen
John Christian Werneburg

Executive Board
Sten Kjelstrup, CEO and President

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

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Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hardi International A/S for the financial year 01.10.2018 - 30.09.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2019 and of the results of its operations for the financial year 01.10.2018 - 30.09.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Nørre Alslev, 26.11.2019

Executive Board

Sten Kjelstrup
CEO and President

Board of Directors

Guerric Ballu
Chairman

Daniel Tragus
Vice Chairman

Sophie Bouheret

Jan Ole Andersen

John Christian Werneburg

Independent auditor's reports

To the shareholder of Hardi International A/S

Opinion

We have audited the financial statements of Hardi International A/S for the financial year 01.10.2018 - 30.09.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2019 and of the results of its operations for the financial year 01.10.2018 - 30.09.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the financial statement

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statement

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.

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Independent auditor's reports

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent auditor's reports

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 26.11.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Tim Kjær-Hansen
State Authorised Public Accountant
Identification number (MNE) mne23295

Management commentary

	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	September 2016 DKK'000	2015/16 DKK'000
Financial highlights					
Key figures					
Revenue	426.154	503.704	489.744	23.307	515.635
Gross profit/loss	59.393	69.473	99.172	2.074	92.929
Earnings before interest, tax, depreciation and amortisation	(17.036)	(8.649)	17.290	(4.512)	(3.746)
Operating profit/loss	(27.474)	(19.241)	7.749	(5.334)	(14.370)
Net financials before restructuring expenses	(25.783)	(39.854)	(33.156)	(7.476)	(11.479)
Restructuring expenses before tax effects	(80.208)	0	0	0	0
Profit/loss for the year	(128.496)	(54.840)	(25.508)	(11.329)	(22.722)
Total assets	509.640	595.657	589.414	625.517	678.400
Investments in property, plant and equipment	1.166	1.608	14.247	777	32.557
Equity	78.724	157.715	217.721	244.115	254.456
Ratios					
EBITDA margin(%)	(4,0)	(1,7)	3,5	(19,4)	(0,7)

Primary activities

The principal activities of the Company are development, production and sales of sprayers and spraying equipment primarily to the agricultural industry.

Vision and mission

Vision

We will take a leading role worldwide in responsible plant care.

Mission

With the customer in focus, we will - by means of innovation and teamwork – design, produce and market quality products adding value to our stakeholders.

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Management commentary

Development in activities and finances

The global harvest results for the current financial year has been overall been at the same level as the year before. The results have however been very different region by region. The result in EU has increased marginally from the previous year especially on the French, Northern and Eastern European markets saw lower harvest. The CIS region has had a satisfactory harvest. Two other big markets for Hardi Group, North America and Australia, have experienced extreme weather conditions resulting in very low harvest yields. The overall world consumption has increased slightly and are for the second year in a row exceeding the world production resulting in a decrease of the world's grain stock. The reduced stock has not yet resulted in increased commodity prices and these are expected to remain stable at the current level.

The overall farm economy has still not recovered from the last year's low harvest results and low market prices. With the continued stressed farmers' economy, it has been further more difficult for them to obtain financing for new investments and the world market for farm machinery has dropped further from the already lower level. This more moderate investment level for farm machinery is further putting financial pressure on the farm machinery dealers as especially their used machinery stock is still too high which in turn presses their working capital. This pressure has resulted in a generally lower demand from the dealers for new equipment.

It is estimated that the total world market for agricultural machines over the period has been dropping further but the drop has been very different from market to market and equipment type to equipment type.

Sales and distribution

Hardi Group started the period with a lower order book than the year before. Over the financial year the order intake continued at a low level due to the uncertainty by the farmers because of the bad weather situation in various parts of the world. The order book at the end of the year is substantially similar to the opening order book.

Product development and production

The efforts to improve the efficiency and to increase the flexibility in the factory so that seasonal fluctuations can be coped with saw improvements over the year due to better market knowledge coupled with enhanced resource and production planning. Further improvements in these areas are expected in the coming year as production efficiencies are still at a too low level. The efforts to reduce working capital have been successful and management plans to further improve in the coming year.

The groups future product range based on a newly developed platform strategy has toward the end of the year, been introduced first in a new trailer which, over time, will replace the existing high-end range of trailers and self-propelled sprayers worldwide. This together with implementation of a common new electronic platform

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prepared for customers future demand has been introduced and will create the future base for the entire Hardi group's product range.

Restructure of Hardi Group's production facilities world-wide

On 3rd July 2019, the Group announced a wide ranging restructure of its production sites by introducing technology centres in order to consolidate competencies of trailer, lift-mounted, self-propelled and mist sprayers on fewer factories and through this lower the break-even point for the Hardi Group.

The objective of the restructuring initiative is to consolidate future product development within technology centres, ensure commonality in our product offering and optimise manufacturing processes. The initiative is a necessary basis achieve the overriding objective, which is to lower the break-even point and bring the Group back in profit.

This initiative will impact our two factories in France which today make up Groupe Hardi France S.A and our site in Lleida in Spain, Ilemo-Hardi S.A. in the following way:

1. Our Noyers-Saint-Martin site in France will close down after transferring all manufacturing of the Matrot brand units (Helios and Rubicon) to our Beaurainville site. Noyers-Saint-Martin will hereafter close down in July 2020.

2. Our site in Beaurainville will receive the Matrot brand units and will continue to develop and manufacture the Alpha and Saritor units and in receiving these products will outsource cutting, bending and welding activities as well as transfer production of the French market Meteor trailer to our site in Nørre Alslev in Denmark. The Beaurainville site will hereafter become technology centre for Self-Propelled sprayer development and production in the Hardi Group and the Nørre Alslev site will become technology centre for all trailer and lift-mounted sprayers.

3. Our site in Lleida, Spain sells, develops and manufactures mist blowers for vineyard and orchards. We will transfer all mistblower production activities to a company owned by our parent, Exel Industries S.A. and establish a sales and service centre in Lleida. Production of trailers and lift-mounted sprayers will be transferred to our Nørre Alslev site. Hereafter, our Spanish company will continue as a sales office.

The initiative is well under way and the expected costs hereof have been included within the income statements and balance sheets of our subsidiaries involved in the restructuring, Groupe Hardi France S.A and Ilemo-Hardi S.A. and in the below income statement of Hardi International A/S, an amount of DKK 80.2 million before tax effects is included within Income from investments in group enterprises and thus effects the Profit and loss before tax with the same amount. No exceptional items were included in previous year.

The amount for restructuring is based on final negotiations with trade as well as management's assessments for writedown on inventories and other assets and other project costs, thus the accounting estimate of provision for restructuring costs is subject to uncertainty.

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Management commentary

Results and balance sheet

Figures in brackets are for 2017/18

Revenue amounts to DKK 426.2 million (DKK 503.7 million). EBITDA was DKK -17.0 million (DKK -8.6 million) corresponding to -4.0% (-1.7%) of the revenue. Depreciation and amortisation of goodwill was DKK 10.3 million (DKK 10.5 million). Subsequently, EBIT was DKK -27.5 million (DKK -19.2 million) corresponding to an EBIT margin of -6.5% (-3.8%).

Net financials were DKK 2.3 million (DKK -2.2 million) of which DKK 4.2 million (DKK 0.2 million) is due to exchange rate gains on receivables in foreign currencies. Result before tax and exceptional items was DKK -53.3 million (DKK -59.1 million) which is lower than expected at the beginning of the financial statement period.

The balance sheet decreased by 14.5% to DKK 509.6 million (DKK 595.7 million) primarily due to working capital and intragroup borrowings.

Capital funding and Liquidity resources

It is Group policy to continuously ensure the existence of adequate financial resources. The liquidity risk is monitored by the utilisation of short-term credit facilities combined with long-term, fixed credit facilities with a number of banks and other financial institutions. On 30 September 2019, the Company had an interest-bearing debt of DKK 364.4 million (DKK 370.2 million) of which DKK 270.6 million (DKK 158.5 million) is long-term.

The Company is currently discussing a sale and subsequent lease of the buildings and land in Nørre Alslev to the Parent, EXEL Industries S.A. or a company owned thereby. Such sale will generate substantial cash next year as well as the proceeds from sale is expected to exceed net book value.

The Parent, EXEL Industries S.A, will ensure that any needed interim financing is provided for the Group.

Outlook

As was the case last year, the outlook for agriculture in 2019/20 is looking uncertain mainly due to expected lower than average commodity prices. With the increased environmental pressures which the farm communities especially in the EU countries are facing coupled with severe climatic changes seen in some parts of the world, the farmers are still showing a "wait and see attitude", which makes it difficult for farm machinery manufactures such as Hardi Group to predict the future. Although the stock levels at several of our importers and dealers has come down during the year, many are still facing high stock levels. With the many uncertainties we see at the moment in the farming sector, we expect activity levels next year to be slightly lower that 2018/19.

Albeit, we expect to continue the journey of efficiency improvements and further reductions in capacity costs next year, as mentioned above, the Group is in a transition to restructure into centres of excellence, which will

Management commentary

change the manufacturing landscape. We do not envisage exceptional items in the next fiscal year. We expect to see losses next year in line with or better than 2018/19 before exceptional items.

Particular risks

The activities of the Hardi Group are exposed to a number of business and financial risks. To the greatest extent possible, the Group tries to meet and to limit the risks that can be influenced by the Company through own actions.

Commercial risks

Market and competition situations

The Group is affected by climatic conditions and the general supply and demand situation within the agricultural sector is also of great importance. Other risk factors are an increasing tendency towards consolidation in the business as well as introduction of new products and new technology, including bio-technology. Furthermore, the competitive situation may also be affected by changes in the regulatory and environmental approvals of the products and production facilities of the Group.

Insurance

It is Group policy to insure against risks that may threaten the financial position of the Group. Product liability and consequential loss insurances have been taken out whereas properties, machinery and equipment as well as inventories are insured on an all-risk basis at replacement cost.

No production liability suits have been brought against the Company in the financial period that are assumed to affect or have a significant impact on the financial position of the Company.

Financial exposure

Hardi Group's international activities imply that the performance and equity of the Group are affected by financial exposure, including liquidity, interest rate, currency, credit and debtor risks.

Currency risk

Hardi Group is an internationally-oriented Group with a considerable currency exposure. In 2018/19, approx. 90% of the Group's revenue was settled in other currencies than DKK (mainly EUR) which is in line with 2017/18. Part of the currency risk is reduced to the extent that the Group has assets, equity and liabilities or operating expenses in foreign currencies equivalent to the sales in whole or in part.

Management commentary

Credit risk

The credit risk relating to cash and cash equivalents and ongoing financing is minimised by exclusively co-operating with financial institutions with a high credit rating.

Debtor risk

The Company's trade receivables have – primarily as a result of high sales to export customers in September – increased to DKK 51.8 million at the end of September 2019 (DKK 63.0 million). The Company actively uses credit insurance or letters of credit to secure the trade receivables. Traditionally, the Company has experienced few losses and steps are taken to minimise the loss risk through a thorough credit rating and an extensive use of safe terms of payment.

Intellectual capital resources

Knowledge of product and market

Hardi Group works closely together with the final users of the Company's products in order to build a knowledge of market demands. Together with information about competitors, regulatory initiatives, etc., this knowledge is currently directed to the Company's headquarters in Denmark and contributes to the current product development and marketing.

Knowledge management and knowledge sharing

To ensure coordinated knowledge management and knowledge sharing, intranet and internet as well as the Company's project management systems and manuals are used. Finally, a structured meeting activity across the functional areas and companies ensures that knowledge is currently exchanged.

Staff development

An ongoing development of the staff takes place in the Group based on the individual subsidiaries' vision, mission and values. As part of the employees' competence development, annual appraisal interviews take place with the aim of discussing future career prospects, tasks and training and education.

Corporate social responsibility

The parent company of Hardi, EXEL Industries, reports on CSR according to the requirement in France for listed companies and also as a reflection of one of the Group´s core values "Acting Responsible"

The outcome is reported in the Annual Group Accounts of EXEL Industries according to the French Corporate Social Responsibilities reporting requirements. With reference to section 99a of the Danish Financial Statement Act, Hardi International A/S makes use of the exemption to refer to EXEL Industries Annual Report. The annual report of EXEL Industries can be required at "52, rue de la Victoire 75009 PARIS FRANCE" or can be downloaded on https://www.exel-industries.com/en/media-library-documents/?wpdmc=mediatheque-documents-en&filtre_an=2018-2019

Management commentary

Diversity policy

Hardi Group always tries to attract and develop the best talents from all over the world and offers equal possibilities of career development and a non-discriminating work environment. As Hardi Group globalises, it is of vital importance to promote diversity at all levels. Today, women are under-represented in the Board of Directors and in the top management teams. It is the objective by 2019 to have achieved a representation of women of 40% in the Board of Directors and in the top management teams. There has been no development in the representation of women in the Board of Directors since last year. To achieve a 40% representation in the top management teams, the recruitment policy is created with the focus of ensuring a more equal recruitment of women and men in future in the top management teams. Compared to last year, there is no significant development in the representation of women in the top management teams.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

The accounting policies applied for these financial statements are consistent with those applied last year.

The annual report is presented in Danish currency (DKK).

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, and the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. As at 1 October 2018, the Company applies the interpretative aid to IFRS 15 Revenue from Contracts with Customers when recognising and measuring revenue. The effect of adopting IFRS 15 to Equity is -475k. The reported financial information for 2017/18 has not been restated for comparative purposes.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Research and development costs

Research and development costs include costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Accounting policies

Other operating income and expenses

Other operating income and expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises including costs for restructuring

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses. Included herein are costs for restructuring expenses incurred in group enterprises.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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Accounting policies

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc. comprise software, development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 10 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, sub suppliers and labour costs.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is straight-line depreciation, made on the basis of the following estimated useful lives of the assets:

Buildings	10-30 years
Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired.

Goodwill is amortised over its estimated useful life which is normally five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Inventories

Inventories are measured at the lower of average cost and net realizable cost.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

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Accounting policies

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income
Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
Referring to section 86(4) of the Danish Financial Statement Act, the Company has not prepared a cash flow statement.

Financial highlights
Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
EBITDA margin(%)	Operating profit/loss excl amortisation of goodwill (EBITDA) x 100 / Revenue	The enterprise´s operating profitability.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as operating profit plus the year's amortisation of goodwill. The year's impairment losses on goodwill are not added.

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Income statement for 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Revenue	1	426.154	503.704
Production costs	2,3	(366.761)	(434.231)
Gross profit/loss		**59.393**	**69.473**
Research and development costs	2,3	(26.529)	(24.151)
Distribution costs	2,3	(26.267)	(30.516)
Administrative costs	2,3	(34.590)	(32.123)
Other operating income	4	30.061	33.240
Other operating expenses	4	(29.542)	(35.164)
Operating profit/loss		**(27.474)**	**(19.241)**
Income from investments in group enterprises including costs for restructuring	5	(108.269)	(37.631)
Other financial income	6	23.288	18.741
Other financial expense	7	(21.009)	(20.964)
Profit/loss before tax		**(133.464)**	**(59.095)**
Tax on profit/loss	8	4.968	4.255
Profit/loss for the year		**(128.496)**	**(54.840)**

Proposed distribution of profit/loss

Retained earnings	(128.496)	(54.840)
	(128.496)	**(54.840)**

Balance Sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Acquired licences		12.120	14.814
Intangible assets	9	**12.120**	**14.814**
Land and buildings		38.943	40.434
Plant and machinery		13.789	17.339
Other fixtures and fittings, tools and equipment		3.530	3.206
Property, plant and equipment in progress		6.969	8.764
Property, plant and equipment	10	**63.231**	**69.743**
Investments in group enterprises		57.340	66.918
Deferred tax	12	19.203	12.561
Fixed asset investments	11	**76.543**	**79.479**
Fixed assets		**151.894**	**164.036**
Raw materials and consumables		19.544	20.155
Work in progress		6.354	4.073
Manufactured goods and goods for resale		41.329	48.168
Inventories		**67.227**	**72.396**
Trade receivables		51.830	62.969
Receivables from group enterprises		177.537	246.239
Other short-term receivables		4.797	3.403
Income tax receivable		2.342	3.513
Prepayments	13	1.041	1.444
Receivables		**237.547**	**317.568**
Cash		**52.972**	**41.657**
Current assets		**357.746**	**431.621**
Assets		**509.640**	**595.657**

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Balance Sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital		100.000	100.000
Retained earnings		-21.276	57.715
Equity		**78.724**	**157.715**
Other provisions	14	4.133	5.768
Provisions		**4.133**	**5.768**
Debt to group enterprises		270.635	158.471
Non Current liabilities		**270.635**	**158.471**
Bank loans		39.020	36.457
Trade payables		35.118	36.391
Debt to group enterprises		54.717	175.282
Other payables	15	26.511	24.636
Deferred income	16	782	937
Current liabilities other than provisions		**156.148**	**273.703**
Liabilities other than provisions		**426.783**	**432.174**
Equity and liabilities		**509.640**	**595.657**

	Notes
Unrecognised rental and lease commitments	17
Contingent liabilities	18
Assets charged and collateral	19
Related parties with control	20
Transactions with related parties	21
Ownership	22
Consolidation	23

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Statement of changes in equity for September 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100.000	57.715	157.715
Group contribution	0	50.000	50.000
Exchange rate adjustments	0	(21)	(21)
IFRS HSV, HIN	0	(475)	(475)
Profit/loss for the year	0	(128.496)	(128.496)
Equity end of year	**100.000**	**(21.276)**	**78.724**

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	2018/19 DKK'000	2017/18 DKK'000
1. Revenue		
Europe	294.493	359.377
Countries under the North American Free Trade Agreement (USA, Canada and Mexico)	27.244	31.980
Other countries	104.417	112.347
	426.154	**503.704**

	2018/19 DKK'000	2017/18 DKK'000
2. Staff costs		
Wages and salaries	137.821	145.530
Pension costs	10.633	11.048
Other social security costs	2.741	2.504
	151.195	**159.082**
Average number of employees	**357**	**393**

In accordance with the Danish Financial Statement Act § 98 b, 3 the remuneration of management for the current financial statement period has not been disclosed.

	2018/19 DKK'000	2017/18 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.694	2.963
Depreciation on property, plant and equipment	7.744	7.629
Profit/loss from sale of intangible assets and property, plant and equipment	(95)	(71)
	10.343	**10.521**

4. Other operating income/expenses

Other operating income/expenses relates to trademark, patents, management fee.

Notes

5. Income from investments in group enterprises including costs for restructuring

	2018/19 DKK'000	2017/18 DKK'000
Income from investments in group enterprises	(28.061)	(37.631)
Costs for closing down factories before tax effects	(80.208)	0
	(108.269)	**(37.631)**

6. Other financial income

	2018/19 DKK'000	2017/18 DKK'000
Financial income arising from group enterprises	6.364	4.619
Interest income	253	200
Exchange rate adjustments	16.671	13.922
	23.288	**18.741**

7. Other financial expenses

	2018/19 DKK'000	2017/18 DKK'000
Financial expenses from group enterprises	8.127	6.698
Interest expenses	180	148
Exchange rate adjustments	12.437	13.674
Other financial expenses	265	444
	21.009	**20.964**

8. Tax on ordinary profit/loss for the year

	2018/19 DKK'000	2017/18 DKK'000
Current tax	(489)	(440)
Change in deferred tax for the year	6.642	4.695
Prior year adjustment from taxation with Auriga	(1.185)	0
	4.968	**4.255**

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9. Intangible assets

	Acquired licences DKK'000
Cost beginning of year	28.885
Reclassifications	0
Adjustment beginning of year	0
Additions	0
Cost end of year	**28.885**
Amortisation and impairment losses beginning of year	(14.071)
Adjustment beginning of year	0
Amortisation for the year	(2.694)
Amortisation and impairment losses end of year	**(16.765)**
Carrying amount end of year	**12.120**

10. Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	130.462	224.389	68.002	8.764
Reclassifications	764	54	2.113	(2.932)
Additions	29	0	0	1.231
Disposals	0	0	(502)	(93)
Cost end of year	**131.255**	**224.443**	**69.613**	**6.969**
Depreciation and impairment losses beginning of the year	(90.028)	(207.050)	(64.796)	0
Depreciation for the year	(2.284)	(3.604)	(1.789)	0
Reversal regarding disposals	0	0	502	0
Depreciation and impairment losses end of the year	**(92.312)**	**(210.654)**	**(66.083)**	**0**
Carrying amount end of year	**38.943**	**13.789**	**3.530**	**6.969**

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11. Fixed asset investments

	Investments in group enterprises DKK'000	Deferred tax DKK'000
Cost beginning of year	302.532	12.561
Additions	99.958	6.642
Disposals	(1.233)	0
Cost end of year	**401.256**	**19.203**
Impairment losses beginning of year	(235.614)	0
Exchange rate adjustments	(21)	0
Amortisation of goodwill	(760)	0
Internal profit of stocks	4.228	0
Opening adjustment IFRS HSV HIN	(475)	0
Share of profit/loss after tax	(110.118)	0
Dividend	(1.925)	0
Investments with negative equity value depreciated over receivables	769	0
Impairment losses end of year	**(343.916)**	**0**
Carrying amount end of year	**57.340**	**19.203**

	Registered in	Corporate form	Equity interest %
Subsidiaries:			
Svenska Hardi Försälljnings AB	Sweden	AB	100,00
Hardi Norge AS	Norway	AS	100,00
Groupe Hardi France S.A	France	S.A	100,00
Hardi Service S.A	France	S.A	100,00
Ilemo-Hardi S.A	Spain	S.A	100,00
Hardi North America Inc.	USA	Inc.	100,00
Hardi Australia Pty. Ltd.	Australia	Ltd.	100,00
Hardi GmbH	Germany	GmbH	100,00
Hardi Agricultural Equipment (Shanghai) Co., Ltd.	China	Ltd.	100,00
Owned by Groupe Hardi France S.A.:			
Pommier	France	S.C.E.P.	47,33

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	2018/19 DKK'000	2017/18 DKK'000
12. Deferred tax		
Property, plant and equipment	5.149	3.212
Inventories	(1.519)	(1.653)
Provisions	1.108	1.269
Other taxable temporary differences	14.465	9.733
	19.203	**12.561**

The deferred tax asset is expected to be used next year due to sale of building.

13. Prepayments

Prepayments relates to prepaid insurance and prepaid MS Dynamics license agreement.

14. Other provisions

Other provisions relate to guarantee commitments.

	2018/19 DKK'000	2017/18 DKK'000
15. Other short-term payables		
Wages and salaries, personal income taxes, social security costs, etc. payable	6.619	6.248
Holiday pay obligation	16.763	16.630
Other costs payable	3.129	1.758
	26.511	**24.636**

16. Short-term deferred income

Short-term deferred income consists of prepayments from customers.

	2018/19 DKK'000	2017/18 DKK'000
17. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	**1.698**	**2.228**

	2018/19 DKK'000	2017/18 DKK'000
18. Contingent liabilities		
Other contingent liabilities towards Parent and fellow subsidiaries	8.413	8.413
Contingent liabilities related to Parent and fellow subsidiaries	**8.413**	**8.413**

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Notes

19. Assets charged and collateral

The Entity has obtained a credit line at the Entity's bank and may allocate amounts under the credit line to its wholly owned subsidiary secured by suretyship from the Entity. At 30 September 2019, the credit line allocated to the subsidiary amounts to DKK 8.1 million.

20. Related parties with control

EXEL INDUSTRIES S.A, 54, rue Marcel Paul F5 200 EPERNAY, France, owns all of the shares in the Entity and thus has control over the Entity.

21. Transactions with related parties

Only non-arm's-length transactions with related parties are disclosed in the financial statements. All related party transactions carried out during the financial year have been made on an arm's length basis.

22. Ownership

The Entity has registed the following shareholder to holding more than 5% of the voting share capital or of the nominal value of the share capital:

EXEL INDUSTRIES S.A, 54, rue Marcel Paul F5 200 EPERNAY, France – owning 100% of the shares

23. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

EXEL INDUSTRIES S.A., RCS EPERNAY B 095 550 356 (www.exel-industries.com)