SKIOLD A/S

Kjeldgaardsvej 3
9300 Sæby
Central Business Registration
No 57081112

Annual report 2017

The Annual General Meeting adopted the annual report on 26.04.2018

Chairman of the General Meeting

Martin Gadensgaard

Name: Martin Gadensgaard

Contents

Entity details

Entity
SKIOLD A/S
Kjeldgaardsvej 3
9300 Sæby

Central Business Registration No (CVR): 57081112
Registered in: Frederikshavn
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Denis Jean Jørgen Viet-Jacobsen, Chairman
Michael Pontoppidan Frost
Johan Olof Cervin
Carsten Isgreen Sørensen, Elected by employees
Bent Engelhardt Kristensen, Elected by employees

Executive Board
Samuel Waldorph Andreasen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4. sal
9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SKIOLD A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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.

Sæby, 13.03.2018

Executive Board

Samuel Waldorph Andreasen

Board of Directors

Denis Jean Jørgen Viet-Jacobsen Chairman	Michael Pontoppidan Frost	Johan Olof Cervin
Carsten Isgreen Sørensen Elected by employees	Bent Engelhardt Kristensen Elected by employees	

Independent auditor's report

To the shareholders of SKIOLD A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of SKIOLD A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group’s and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Aalborg, 13.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Thomas Skovsgaard
State Authorised Public Accountant
Identification No (MNE) mne34333

Jakob Olesen
State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	592,656	602,104	508,683	440,187	478,537
Gross profit/loss	234,311	216,125	200,673	194,402	207,928
Operating profit/loss	50,908	42,345	23,827	26,407	44,876
Net financials	3,896	1,498	923	-1,159	-1,319
Profit/loss for the year	48,546	34,584	20,877	19,286	33,278
Total assets	360,996	313,870	287,845	269,246	257,981
Investments in property, plant and equipment	1,849	9,797	5,874	3,402	8,206
Equity	127,404	114,434	99,914	91,475	97,575
Ratios					
Gross margin (%)	39.5	35.9	39.4	44.2	43.5
Net margin (%)	8.2	5.7	4.1	4.4	7.0
Return on equity (%)	40.1	32.3	21.8	20.4	38.5
Equity ratio (%)	35.3	36.5	34.7	34.0	37.8

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

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities
The company's main activities are the development, manufacturing, sales and service of feed milling solutions, pig faming solutions, and grain and seed handling solutions for the animal production sector and feed and grain industry.

Development in activities and finances
In 2017, SKIOLD has strengthened its position further in sales and implementation of projects, and increased our presence on export markets.

The political, financial and market situation in the CIS region still has an impact on SKIOLD Group's activity level in the region. At the same time SKIOLD has increased its market presence in Asia and Oceania.

The pre-tax group profit amounts to DKK 54.8m, which gives a return on the average equity of 40.1%. The result is considered satisfactory, and according to the expectation at the beginning of the year.

At the end of 2017 the investment company Solix Group, acquired SKIOLD Group, who together with the previous owners, as minority shareholders, will execute the strategic plan for growth and strengthening of SKIOLD Group in the coming years.

Outlook
The company has a comprehensive and coherent product range in the field of technical solutions for livestock farmers and the grain, feed and seed industry. The range of products, along with continuous market development, contributes to maintaining and expanding our market position.

For 2018 a new strategic plan for the next three years will be implemented, which will increase the level of activity compared to 2017. Averages prices for grain, meat- and milk is expected to be stable. Global stability in the agricultural financial situation is necessary for maintaining a good level of investments in the industry.

The management expects a pre-tax profit in the level of DKK 50 in 2018.

Particular risks
The company is affected by the development in meat, milk, grain and seed prices globally. If the average prices globally are low, this affects our customer's financial situation and investment levels. Currency risk is balanced by selling and buying in the same currency, and occasionally by use of financial instruments on fixed contracts.

Besides the above, the company is affected by general business and economic risks.

Intellectual capital resources
SKIOLD supplies technology and solutions within the field of feed production, seed processing, grain handling and pig production. In order to maintain a strong position, SKIOLD constantly seeks to be updated with the latest knowhow and knowledge of the development within these business segments.

Management commentary

Research and development activities

The company's products are subject to continuous development. A range of new products was introduced to the market during 2017.

Statutory report on corporate social responsibility

Improved energy efficiency

The most energy saving components is generally chosen when replacing new equipment in the production facilities.

SKIOLD is covered by the EU energy directive and executive order on energy inspection of locations in Denmark. During 2018 an energy report will be finalized describing energy optimisation possibilities to be implemented during the next five years.

SKIOLD has introduced energy saving electric motors in its products, which has a positive impact on the energy consumption for our customers.

Minimising of raw material consumption and wastage

SKIOLD is continuously working to optimize the use of materials to reduce its environmental impact and wastage. In practice it e.g. means metal cutting methods are improved, reducing wastage and energy consumption. We believe that these efforts have contributed positively to our environmental impact, and we will continue such efforts in 2018.

Working environment

The SKIOLD Group policy for health and safety follows the local legislation in place and focuses on creating a positive and healthy working environment for all employees. In each location health and safety is coordinated by a health and safety manager.

Also in 2017 we have been focusing on our health and safety practices. Targeted efforts have been made to train the working environment groups in analysing and improving safety and health routines.

During 2017 the Danish Working Environment Authority Made an inspection visit to our locations in Denmark and efforts are constantly made to ensure a high safety level for our employees.

As a result of our social responsibility policies, SKIOLD has employees with reduced working ability, and we are constantly working to reduce sickness absence among employees.

Human rights

In SKIOLD we respect the international conventions regarding the protection of human rights and the corresponding national laws. At the moment we have not found the need to form a specific company policy in this area.

Statutory report on the underrepresented gender

Gender distribution in the Company's Management

Overall, the employment of management as well as staff will always be based on qualifications.

Management commentary

Gender distribution in the supreme governing body and other management levels
SKIOLD has adopted a policy according to which both genders should be represented in the board of directors and on other levels of the management.

The gender composition at the board of directors at the end of the year was unbalanced, with no female members. The goal is to have an equal gender composition of the board of directors based on relevant experience and merit, within five years. The company was acquired by Solix Group at the end of 2017, and a temporary board of directors was formed.

In the management team, the gender composition is more balanced with two female managers in the company, a composition that has been valid throughout 2017. Within five years the company's goal is to have four female members of the management team.

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.

Events after the balance sheet date
No significant events have occurred after closing the financial year.

Consolidated income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	592,656	602,104
Other operating income		1,497	1,820
Cost of sales		-276,928	-311,355
Other external expenses	2	-82,914	-76,444
Gross profit/loss		**234,311**	**216,125**
Staff costs	3	-169,326	-159,308
Depreciation, amortisation and impairment losses		-13,405	-13,934
Other operating expenses		-672	-538
Operating profit/loss		**50,908**	**42,345**
Income from investments in associates		5,359	3,232
Other financial income		618	346
Other financial expenses		-2,081	-2,080
Profit/loss before tax		**54,804**	**43,843**
Tax on profit/loss for the year		-6,258	-9,238
Profit/loss from continuing operations		**48,546**	**34,605**
Profit/loss from discontinued operations		**0**	**-21**
Profit/loss for the year	4	**48,546**	**34,584**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		10,704	12,330
Acquired intangible assets		3,137	3,766
Goodwill		888	2,460
Development projects in progress		5,875	3,091
Intangible assets	5	**20,604**	**21,647**
Land and buildings		39,445	41,758
Plant and machinery		10,055	11,868
Other fixtures and fittings, tools and equipment		1,578	2,147
Leasehold improvements		132	185
Property, plant and equipment	6	**51,210**	**55,958**
Investments in associates		12,876	8,690
Deposits		509	523
Deferred tax	9, 12	5,154	1,136
Fixed asset investments	7	**18,539**	**10,349**
Fixed assets		**90,353**	**87,954**
Raw materials and consumables		28,935	24,503
Work in progress		17,381	17,471
Manufactured goods and goods for resale		61,169	54,014
Inventories		**107,485**	**95,988**
Trade receivables		96,399	92,662
Contract work in progress	10	1,748	3,060
Receivables from group enterprises		0	2,040
Receivables from associates		8,303	6,142
Other receivables		13,517	5,568
Income tax receivable		222	142
Prepayments	11	2,258	2,276
Receivables		**122,447**	**111,890**
Cash		**40,711**	**18,038**
Current assets		**270,643**	**225,916**
Assets		**360,996**	**313,870**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		12,000	12,000
Retained earnings		114,137	66,073
Proposed dividend		0	35,000
Equity attributable to the Parent's owners		**126,137**	**113,073**
Share of equity attributable to minority interests		**1,267**	**1,361**
Equity		**127,404**	**114,434**
Deferred tax	9, 12	5,610	3,948
Other provisions	13	12,287	17,925
Provisions		**17,897**	**21,873**
Mortgage debt		33,154	35,517
Bank loans		312	6,054
Other payables		260	412
Non-current liabilities other than provisions	14	**33,726**	**41,983**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Current portion of long-term liabilities other than provisions	14	1,922	5,405
Bank loans		2,619	7,000
Prepayments received from customers		43,920	24,851
Contract work in progress	10	1,737	2,692
Trade payables		64,857	36,571
Payables to group enterprises		5,263	0
Income tax payable		6,413	6,654
Other payables		50,105	45,815
Deferred income	15	5,133	6,592
Current liabilities other than provisions		**181,969**	**135,580**
Liabilities other than provisions		**215,695**	**177,563**
Equity and liabilities		**360,996**	**313,870**

	Notes
Associates	8
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Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Share of equity attributable to minority interests DKK'000
Equity beginning of year	12,000	66,073	35,000	1,361
Effect of mergers and business combinations	0	0	0	-490
Ordinary dividend paid	0	0	-35,000	0
Exchange rate adjustments	0	-82	0	-4
Profit/loss for the year	0	48,146	0	400
Equity end of year	**12,000**	**114,137**	**0**	**1,267**

	Total DKK'000
Equity beginning of year	114,434
Effect of mergers and business combinations	-490
Ordinary dividend paid	-35,000
Exchange rate adjustments	-86
Profit/loss for the year	48,546
Equity end of year	**127,404**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		50,901	42,343
Amortisation, depreciation and impairment losses		13,405	13,934
Other provisions		-5,638	8,484
Working capital changes	16	32,527	-21,388
Profit from discontinued operations		0	-21
Cash flow from ordinary operating activities		**91,195**	**43,352**
Financial income received		618	346
Financial income paid		-2,018	-2,080
Income taxes refunded/(paid)		-8,935	-1,464
Cash flows from operating activities		**80,860**	**40,154**
Acquisition etc of intangible assets		-7,033	-8,841
Acquisition etc of property, plant and equipment		-1,849	-9,501
Sale of property, plant and equipment		678	0
Acquisition of fixed asset investments		0	-1,464
Sale of fixed asset investments		14	0
Acquisition of enterprises		-271	0
Dividends received from associates		2,500	6,868
Cash flows from investing activities		**-5,961**	**-12,938**
Repayments of loans etc		-11,740	-8,434
Dividend paid		-35,000	-18,500
Cash flows from financing activities		**-46,740**	**-26,934**
Increase/decrease in cash and cash equivalents		**28,159**	**282**
Cash and cash equivalents beginning of year		11,038	10,756
Currency translation adjustments of cash and cash equivalents		-1,105	0
Cash and cash equivalents end of year		**38,092**	**11,038**
Cash and cash equivalents at year-end are composed of:			
Cash		40,711	18,038
Short-term debt to banks		-2,619	-7,000
Cash and cash equivalents end of year		**38,092**	**11,038**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Revenue by geographical market		
Revenue EU	342,419	323,031
Revenue outside EU	250,237	279,073
	592,656	**602,104**
Revenue by activity		
Processing plant and equipment	315,114	354,784
Livestock farming and equipment	277,542	247,320
	592,656	**602,104**

	2017 DKK'000	2016 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	195	204
Tax services	25	25
Other services	137	45
	357	**274**

	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	142,678	131,079
Pension costs	14,960	14,778
Other social security costs	11,688	13,451
	169,326	**159,308**
Average number of employees	**459**	**446**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	3,748	3,561
	3,748	**3,561**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	35,000
Retained earnings	48,146	-817
Minority interests' share of profit/loss	400	401
	48,546	**34,584**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
5. Intangible assets				
Cost beginning of year	35,423	13,670	1,304	3,091
Transfers	658	0	0	-658
Additions	2,596	996	0	3,442
Disposals	0	-72	0	0
Cost end of year	**38,677**	**14,594**	**1,304**	**5,875**
Amortisation and impairment losses beginning of year	-23,093	-9,904	-286	0
Exchange rate adjustments	6	8	0	0
Amortisation for the year	-4,886	-1,636	-130	0
Reversal regarding disposals	0	75	0	0
Amortisation and impairment losses end of year	**-27,973**	**-11,457**	**-416**	**0**
Carrying amount end of year	**10,704**	**3,137**	**888**	**5,875**

Development projects

Development project 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 DKK 5,875k at 31 December 2017. The projects in progress are expected to be completed within the next two years. Management expects additional costs of approx. DKK 17,000k relating to the projects in progress before they can be completed.

Completed development projects

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

Notes to consolidated financial statements

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 2017, 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.

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
6. Property, plant and equipment				
Cost beginning of year	69,887	76,358	12,479	470
Additions	15	1,438	396	0
Disposals	0	-1,892	-452	0
Cost end of year	**69,902**	**75,904**	**12,423**	**470**
Revaluations beginning of year	21,956	0	0	0
Revaluations end of year	**21,956**	**0**	**0**	**0**
Depreciation and impairment losses beginning of year	-50,085	-64,490	-10,332	-285
Exchange rate adjustments	503	382	-6	0
Depreciation for the year	-2,831	-3,131	-783	-53
Reversal regarding disposals	0	1,390	276	0
Depreciation and impairment losses end of year	**-52,413**	**-65,849**	**-10,845**	**-338**
Carrying amount end of year	**39,445**	**10,055**	**1,578**	**132**

Notes to consolidated financial statements

	Investments in associates DKK'000	Deposits DKK'000	Deferred tax DKK'000
7. Fixed asset investments			
Cost beginning of year	9,084	523	1,136
Additions	0	0	4,018
Disposals	0	-14	0
Cost end of year	**9,084**	**509**	**5,154**
Revaluations beginning of year	1,048	0	0
Exchange rate adjustments	-114	0	0
Amortisation of goodwill	-321	0	0
Share of profit/loss for the year	5,679	0	0
Dividend	-2,500	0	0
Revaluations end of year	**3,792**	**0**	**0**
Carrying amount end of year	**12,876**	**509**	**5,154**

	Registered in	Equity interest %
8. Associates		
SKIOLD & Vacuum Milling Solutions Plt. Ltd.	Jimboomba, Australia	50.0

9. Deferred tax

Deferred tax is recognized in accordance with management expectations of utilization within 3-5 years as a part of the ordinary operations in the group enterprises.

	2017 DKK'000	2016 DKK'000
10. Contract work in progress		
Contract work in progress	1,540	2,754
Progress billings regarding contract work in progress	-1,529	-2,386
Transferred to liabilities other than provisions	1,737	2,692
	1,748	**3,060**

11. Prepayments

Prepayments comprise incurred cost relating to subsequent financial year. Prepayments is prepaid insurance and other prepaid costs.

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
12. Deferred tax		
Intangible assets	5,564	4,791
Property, plant and equipment	3,245	4,268
Inventories	259	77
Receivables	337	12
Provisions	-1,735	-2,716
Tax losses carried forward	-7,214	-3,620
	456	**2,812**

Changes during the year	
Beginning of year	2,812
Recognised in the income statement	-2,356
End of year	**456**

Deferred tax is recognised DKK 5,154k as assets and DKK 5,610k as liabilities.

13. Other provisions

Other provisions comprise anticipated cost of non-recourse guarantee commitments, loss on contract work in progress etc.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debt	1,671	5,405	33,154	26,129
Bank loans	251	0	312	0
Other payables	0	0	260	0
	1,922	**5,405**	**33,726**	**26,129**

15. Short-term deferred income

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

	2017 DKK'000	2016 DKK'000
16. Change in working capital		
Increase/decrease in inventories	-11,497	-2,958
Increase/decrease in receivables	16	-20,406
Increase/decrease in trade payables etc	44,008	1,945
Other changes	0	31
	32,527	**-21,388**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**13,699**	**12,390**

18. Contingent liabilities

The Entity has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to DKK 39,400k.

19. Assets charged and collateral

The Entity has issued a mortgage deed registered to mortgagor of DKK 34,825k, which is secured on land and buildings for mortgage debts. The carrying amount of the secured land and buildings amount to DKK 26,743k.

The Entity has provided security for all monies due or to become due from Nordea Denmark A/S, which is secured on certain tools, equipment, machinery, goodwill, inventory and trade receivables. The carrying amount of the secured assets exceeds the nominal value.

20. Transactions with related parties

Only related party transactions that have not been conducted on an arm’s length basis are disclosed in the annual report. There have not been any transactions in the financial year which have not been conducted on an arm’s length basis.

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
SKIOLD Group A/S, Copenhagen, CVR.nr. 39083892
The consolidated financial statements are available at www.cvr.dk

	Registered in	Corporate form	Equity interest %
22. Subsidiaries			
SKIOLD Ukrain LLC	Cherkasy, Ukrain	LLC	100.0
SKIOLD France SAS	Pontivy, France	SAS	100.0
SKIOLD Acemo SAS	Pontivy, France	SAS	100.0
SKIOLD Datamix AB	Ängelholm, Sweden	AB	100.0
SKIOLD (Qingdao) Machinery Co., Ltd.	Shandong, China	Ltd.	98.0
SKIOLD BL Sp. z.o.o.	Kutno, Poland	Sp. z.o.o.	100.0
SKIOLD Bemvig S.L.	Barcelona, Spain	S.L.	50.0
SKIOLD GmbH	Fockberg, Germany	GmbH	100.0
LLC SKIOLD	Moscow, Russia	LLC	100.0

Parent income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	418,255	445,756
Other operating income		461	582
Costs of raw materials and consumables		-221,553	-270,009
Other external expenses		-35,905	-33,164
Gross profit/loss		**161,258**	**143,165**
Staff costs	2	-115,913	-108,587
Depreciation, amortisation and impairment losses		-8,377	-8,425
Other operating expenses		-590	-674
Operating profit/loss		**36,378**	**25,479**
Income from investments in group enterprises		15,639	11,836
Income from investments in associates		5,359	2,911
Other financial income	3	358	334
Other financial expenses	4	-1,387	-793
Profit/loss before tax		**56,347**	**39,767**
Tax on profit/loss for the year		-8,201	-5,584
Profit/loss for the year	5	**48,146**	**34,183**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		6,018	7,290
Acquired intangible assets		2,892	3,401
Development projects in progress		5,243	2,369
Intangible assets	6	**14,153**	**13,060**
Land and buildings		26,743	28,766
Plant and machinery		1,670	3,212
Other fixtures and fittings, tools and equipment		580	1,047
Leasehold improvements		132	185
Property, plant and equipment	7	**29,125**	**33,210**
Investments in group enterprises		52,596	40,359
Receivables from group enterprises		12,695	357
Investments in associates		12,877	10,132
Deposits		509	523
Fixed asset investments	8	**78,677**	**51,371**
Fixed assets		**121,955**	**97,641**
Raw materials and consumables		9,710	7,476
Work in progress		12,937	12,383
Manufactured goods and goods for resale		51,952	44,824
Inventories		**74,599**	**64,683**
Trade receivables		54,509	59,306
Contract work in progress	9	1,240	2,434
Receivables from group enterprises		13,736	16,523
Receivables from associates		8,302	6,142
Other receivables		1,816	858
Prepayments	10	1,065	1,573
Receivables		**80,668**	**86,836**
Cash		**20,504**	**1,077**
Current assets		**175,771**	**152,596**
Assets		**297,726**	**250,237**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		12,000	12,000
Revaluation reserve		8,680	9,717
Reserve for net revaluation according to the equity method		14,875	0
Reserve for development expenditure		6,243	2,954
Retained earnings		84,338	53,401
Proposed dividend		0	35,000
Equity		**126,136**	**113,072**
Deferred tax	11	6,029	4,479
Other provisions	12	10,320	16,219
Provisions		**16,349**	**20,698**
Mortgage debt		33,154	35,516
Non-current liabilities other than provisions	13	**33,154**	**35,516**
Current portion of long-term liabilities other than provisions	13	1,671	2,000
Bank loans		303	2,109
Prepayments received from customers		35,613	12,349
Contract work in progress	9	1,737	2,597
Trade payables		40,485	21,700
Payables to group enterprises		8,236	1,110
Income tax payable		4,412	6,314
Other payables		29,630	32,772
Current liabilities other than provisions		**122,087**	**80,951**
Liabilities other than provisions		**155,241**	**116,467**
Equity and liabilities		**297,726**	**250,237**
Contingent liabilities	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Revaluation reserve DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000
Equity beginning of year	12,000	9,717	0	2,954
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	0	0	0
Transfer to reserves	0	-1,037	14,875	3,289
Profit/loss for the year	0	0	0	0
Equity end of year	**12,000**	**8,680**	**14,875**	**6,243**

	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	53,401	35,000	113,072
Ordinary dividend paid	0	-35,000	-35,000
Exchange rate adjustments	-82	0	-82
Transfer to reserves	-17,127	0	0
Profit/loss for the year	48,146	0	48,146
Equity end of year	**84,338**	**0**	**126,136**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Revenue by geographical market		
Revenue EU	222,074	189,131
Revenue outside EU	196,181	256,625
	418,255	**445,756**
Revenue by activity		
Processing plant and equipment	264,834	283,288
Livestock farming and equipment	153,421	162,468
	418,255	**445,756**

	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	99,618	93,356
Pension costs	14,479	13,427
Other social security costs	1,816	1,804
	115,913	**108,587**
Average number of employees	**235**	**232**

	Remunera-tion of manage-ment 2017 DKK'000	Remunera-tion of manage-ment 2016 DKK'000
Total amount for management categories	3,748	3,561
	3,748	**3,561**

	2017 DKK'000	2016 DKK'000
3. Other financial income		
Financial income arising from group enterprises	161	80
Other financial income	197	254
	358	**334**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	37	48
Other financial expenses	1,350	745
	1,387	**793**

	2017 DKK'000	2016 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	35,000
Retained earnings	48,146	-817
	48,146	**34,183**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Develop-ment projects in progress DKK'000
6. Intangible assets			
Cost beginning of year	25,435	11,551	2,369
Additions	1,785	995	2,943
Disposals	0	0	-69
Cost end of year	**27,220**	**12,546**	**5,243**
Amortisation and impairment losses beginning of year	-18,145	-8,150	0
Amortisation for the year	-3,057	-1,504	0
Amortisation and impairment losses end of year	**-21,202**	**-9,654**	**0**
Carrying amount end of year	**6,018**	**2,892**	**5,243**

Development projects

Development project 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 DKK 5,243k at 31 December 2017. The projects in progress are expected to be completed within the next two years. Management expects additional costs of approx. DKK 12,600K relating to the projects in progress before they can be completed.

Notes to parent financial statements

Completed development projects

Completed development projects comprise milling components, pig house solutions, grain handling 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 2017, 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.

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
7. Property, plant and equipment				
Cost beginning of year	42,121	55,269	8,086	470
Additions	0	337	85	0
Disposals	0	-1,778	-352	0
Cost end of year	**42,121**	**53,828**	**7,819**	**470**
Revaluations beginning of year	21,956	0	0	0
Revaluations end of year	**21,956**	**0**	**0**	**0**
Depreciation and impairment losses beginning of year	-35,312	-52,056	-7,039	-285
Depreciation for the year	-2,022	-1,365	-376	-53
Reversal regarding disposals	0	1,263	176	0
Depreciation and impairment losses end of year	**-37,334**	**-52,158**	**-7,239**	**-338**
Carrying amount end of year	**26,743**	**1,670**	**580**	**132**

Notes to parent financial statements

8. Fixed asset investments	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000	Deposits DKK'000
Cost beginning of year	20,280	357	9,084	523
Additions	271	12,338	0	0
Disposals	0	0	0	-14
Cost end of year	**20,551**	**12,695**	**9,084**	**509**
Revaluations beginning of year	20,076	0	1,048	0
Exchange rate adjustments	32	0	-114	0
Amortisation of goodwill	-130	0	-321	0
Share of profit/loss for the year	15,413	0	5,680	0
Adjustment of intra-group profits	356	0	0	0
Dividend	-3,702	0	-2,500	0
Revaluations end of year	**32,045**	**0**	**3,793**	**0**
Carrying amount end of year	**52,596**	**12,695**	**12,877**	**509**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Registered in	Corporate form	Equity interest %
Investments in associates comprise:			
SKIOLD & Vacuum Milling Solutions Plt. Ltd.	Jimboomba, Australia	Plt. Ltd.	50.0

9. Contract work in progress	2017 DKK'000	2016 DKK'000
Contract work in progress	1,032	2,129
Progress billings regarding contract work in progress	-1,529	-2,292
Transferred to liabilities other than provisions	1,737	2,597
	1,240	**2,434**

10. Prepayments

Prepayments comprise incurred cost relating to subsequent financial year. Prepayments is prepaid insurance and other prepaid costs.

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
11. Deferred tax		
Intangible assets	2,988	2,873
Property, plant and equipment	3,174	3,409
Inventories	795	718
Receivables	386	-50
Provisions	-1,314	-2,471
	6,029	**4,479**

Changes during the year	
Beginning of year	4,479
Recognised in the income statement	1,550
End of year	**6,029**

12. Other provisions

Other provisions comprise anticipated cost of non-recourse guarantee commitments, loss on contract work in progress etc.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstandin g after 5 years DKK'000
13. Liabilities other than provisions				
Mortgage debt	1,671	2,000	33,154	26,129
	1,671	**2,000**	**33,154**	**26,129**

14. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Skiold Group A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The Entity has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to DKK 39,400k.

Notes to parent financial statements

15. Assets charged and collateral

The entity has issued a mortgage deed registered to mortgagor of DKK 34,825k, which is secured on land and buildings for mortgage debts. The carrying amount of the secured land and buildings amount to DKK 26,743k

The entity has provided security for all monies due or to become due from Nordea Denmark A/S, which is secured on certain tools, equipment, machinery, goodwill, inventory and trade receivables. The carrying amount of the secured assets exceeds the nominal value.

16. Related parties with controlling interest

Skiold Holding A/S, Copenhagen, CVR-nr. 39084279 owns all shares in the company and thus has controlling interest on this.

17. Transactions with related parties

Only related party transactions that have not been conducted on an arm's length basis are disclosed in the annual report. There have not been any transactions in the financial year which have not been conducted on an arm's length basis.

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 (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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 rate in effect at the payment date, or 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other operating income

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the

Accounting policies

basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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

Income from investments in group enterprises
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.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

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 or exchange 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 or exchange 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.

Tax on profit/loss for the year
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.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Accounting policies

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

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly 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 project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-7 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, subsuppliers and labour costs.

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

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Residual value of property plant equipment is 0 DKK.

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
In the parent financial statements, 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 unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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

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

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

Accounting policies

Upon distribution of profit or loss, net revaluation of investments in associates 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 pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are stratically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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

Inventories

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

Cost 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 on of and impairment losses relating to machinery, factory buildings and equipment used in 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 equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Accounting policies

Costs of sales work and of securing contracts as well as financecosts are recognised in the income statement as incurred.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests
Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

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

Deferred tax assets, including the tax base of tax loss carryforwards, 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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Accounting policies

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank loans.