
SKIOLD A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 1 January - 31 December 2018

CVR No 57 08 11 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2019

Martin Gadensgaard
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKIOLD A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Sæby, 25 March 2019

Executive Board

Lasse Viegand Hansen
CEO

Board of Directors

Denis Viet-Jacobsen
Chairman

Jørn Mørkeberg Nielsen

Michael Pontoppidan Frost

Thure Bo Thomas Thuresson

Lars Radoor Sørensen

Carsten Isgreen Sørensen
Staff Representative

Pia Merete Madsen
Staff Representative

Independent Auditor's Report

To the Shareholder of SKIOLD A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SKIOLD A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

Independent Auditor's Report

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Herning, 25 March 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
State Authorised Public Accountant
mne23324

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

Company Information

The Company

SKIOLD A/S
Kjeldgaardsvej 3
DK-9300 Sæby

CVR No: 57 08 11 12
Financial period: 1 January - 31 December
Municipality of reg. office: Frederikshavn

Board of Directors

Denis Viet-Jacobsen, Chairman
Jørn Mørkeberg Nielsen
Michael Pontoppidan Frost
Thure Bo Thomas Thuresson
Lars Radoor Sørensen
Carsten Isgreen Sørensen
Pia Merete Madsen

Executive Board

Lasse Viegand Hansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

Financial Highlights

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

	Group				
	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	704,739	592,656	602,104	508,683	440,187
Gross profit/loss	238,911	234,311	216,125	200,673	194,402
Profit/loss before financial income and expenses	20,453	50,908	42,345	23,827	26,407
Net financials	2,447	3,896	1,498	923	-1,159
Net profit/loss for the year	17,649	48,546	34,584	20,877	19,286
Balance sheet					
Balance sheet total	507,775	360,996	313,870	287,845	269,246
Equity	184,123	127,403	114,434	99,914	91,475
Cash flows					
Cash flows from:					
- operating activities	-30,252	80,861	40,154	11,568	39,788
- investing activities	-71,292	-5,962	-12,938	-9,123	-19,434
including investment in property, plant and equipment	-46,122	-1,849	-9,501	-3,361	-13,792
- financing activities	13,225	-46,740	-26,934	2,595	-29,988
Change in cash and cash equivalents for the year	-88,319	28,159	282	5,040	-9,634
Number of employees	528	459	446	454	439
Ratios					
Gross margin	33.9%	39.5%	35.9%	39.4%	44.2%
Profit margin	2.9%	8.6%	7.0%	4.7%	6.0%
Return on assets	4.0%	14.1%	13.5%	8.3%	9.8%
Solvency ratio	36.3%	35.3%	36.5%	34.7%	34.0%
Return on equity	11.3%	40.1%	32.3%	21.8%	20.4%

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

Management's Review

Key activities

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

Development in the year

In 2018, SKIOLD organically grew its sales, driven by an increased presence in markets outside the Nordics. Further, SKIOLD acquired the Danish company Landmecco. Ølgod A/S during the year to expand into the poultry sector.

The spread of African Swine Fever combined with drought in some of SKIOLD's important geographies negatively affected market activity during the second half of the year.

The pre-tax group profit for the year amounts to mDKK 23, and total equity of mDKK 184.

Special risks - operating risks and financial risks

Operating risks

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

Foreign exchange risks

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

Targets and expectations for the year ahead

The outlook for 2019 is positive, due to the expected benefits of strategic and operational activities initiated in 2018 and an expected market improvement relative to 2018.

Research and development

The Group's products are subject to continuous development. A range of new products was introduced to the market during 2018.

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 continually invests to remain a knowledge leader within these business segments.

Management's Review

Statement of corporate social responsibility

Environment and energy efficiency

SKIOLD has not drawn up an official environment policy because production methods do not have a significant environmental impact, but the most energy saving machines are generally chosen when replacing new equipment in the production facilities.

SKIOLD is covered by the EU energy directive and executive energy inspections on all locations in Denmark. During 2018, an energy report has been finalised and energy optimisation possibilities have been identified, which will be implemented during the next five years.

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

Minimising of raw material consumption and wastage

SKIOLD is continuously working to optimise the use of materials to reduce environmental impact and wastage. In practice it for example means improving metal cutting methods and reducing wastage and energy consumption. We believe that the efforts have contributed to our continuous focus on environmental protection, which will be continued in 2019.

Working environment

In 2018, SKIOLD initiated an update of the Group's policy for working environment, which will be completed in 2019. SKIOLD is following local legislation and focuses on creating a positive and healthy working environment for all employees. The working environment protection is guided by the safety work teams at each location coordinated by our safety manager. Additionally, targeted efforts have been made to improve health and safety practices, including training the working environment groups in analysing and improving safety and health routines.

During 2018 the Danish Working Environment Authority made an inspection visit to our locations in Denmark. Efforts are constantly made to ensure a high safety level for our employees.

As a result of our social responsibility, SKIOLD has employees with reduced working ability. At the same time, the Group strives to continuously reduce absence due to sickness among employees.

Human rights

In SKIOLD we respect the international conventions regarding the protection of human rights and the corresponding national laws. Currently, the Group does not find it necessary to form a specific Group policy in this area.

Management's Review

Financial crime and compliance

SKIOLD has during 2018 implemented an anti-financial crime policy to encourage employees to act upon suspicion of unlawful acts or bad conduct which is inconsistent with our values. The policy instructs our employees to follow decent and honest business practices, and not violate any national laws or reasonable standards imposed on us by society.

Statement on gender composition

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

SKIOLD has adopted a policy according to which both genders should be represented on the board of directors and 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, which is based on relevant experience and merit, within five years.

On management level the gender composition is more balanced with two female managers in the Group, a composition that has been valid throughout 2018. Within five years the Group's goal is four female management members.

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

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2018 of the Group and the results of the activities and cash flows of the Group for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Revenue	1	704,739	592,656	499,851	418,255
Other operating income		1,203	1,494	378	458
Expenses for raw materials and consumables		-368,630	-276,928	-296,157	-221,553
Other external expenses		-98,401	-82,911	-54,255	-35,902
Gross profit/loss		238,911	234,311	149,817	161,258
Staff expenses	2	-201,880	-169,326	-126,269	-115,913
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-15,653	-13,405	-8,969	-8,377
Other operating expenses		-925	-672	-818	-590
Profit/loss before financial income and expenses		20,453	50,908	13,761	36,378
Income from investments in subsidiaries		0	0	3,348	15,639
Income from investments in associates		4,666	5,359	4,666	5,359
Financial income	3	248	618	659	358
Financial expenses	4	-2,467	-2,081	-1,894	-1,387
Profit/loss before tax		22,900	54,804	20,540	56,347
Tax on profit/loss for the year	5	-5,251	-6,258	-2,826	-8,201
Net profit/loss for the year		17,649	48,546	17,714	48,146

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Completed development projects		7,166	10,704	3,891	6,018
Acquired patents		473	0	473	0
Acquired licenses		3,942	3,137	2,665	2,892
Goodwill		58,630	888	0	0
Development projects in progress		17,745	5,875	16,304	5,243
Intangible assets	6	87,956	20,604	23,333	14,153
Land and buildings		56,889	39,445	24,973	26,743
Plant and machinery		10,425	10,055	922	1,670
Other fixt. and fit., tools and eqp.		4,961	1,578	1,466	580
Leasehold improvements		79	132	79	132
Property, plant and equipment	7	72,354	51,210	27,440	29,125
Investments in subsidiaries	8	0	0	139,217	52,596
Investments in associates	9	14,026	12,877	14,026	12,877
Receivables from group ent.	10	0	0	4,603	12,695
Deposits	10	534	509	509	509
Fixed asset investments		14,560	13,386	158,355	78,677
Fixed assets		174,870	85,200	209,128	121,955
Inventories	11	119,760	107,485	58,717	74,599
Trade receivables		128,030	96,399	87,646	54,509
Contract work in progress		36,304	1,748	34,943	1,240
Receivables from group ent.		10,450	0	26,060	13,736
Receivables from associates		5,378	8,303	5,378	8,302
Other receivables		11,368	13,516	643	1,822
Deferred tax asset	14	4,909	5,154	0	0
Corporation tax		0	222	0	0
Prepayments	12	1,975	2,258	1,257	1,065
Receivables		198,414	127,600	155,927	80,674
Cash at bank and in hand		14,731	40,711	465	20,504
Currents assets		332,905	275,796	215,109	175,777
Assets		507,775	360,996	424,237	297,732

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Share capital		16,670	12,000	16,670	12,000
Revaluation reserve		0	0	7,549	8,680
Reserve for net revaluation under the equity method		0	0	18,805	14,875
Reserve for development costs		0	0	14,812	6,243
Retained earnings		166,245	114,136	125,079	84,338
Equity attributable to shareholders of the Parent Company		182,915	126,136	182,915	126,136
Minority interests		1,208	1,267	0	0
Equity		184,123	127,403	182,915	126,136
Provision for deferred tax	14	8,801	5,610	8,073	6,029
Other provisions	15	29,444	12,287	28,172	10,320
Provisions		38,245	17,897	36,245	16,349
Mortgage loans		36,357	33,154	31,298	33,154
Credit institutions		124	312	0	0
Lease obligations		315	0	0	0
Other payables		489	260	0	0
Long-term debt	16	37,285	33,726	31,298	33,154

Balance Sheet 31 December *(continued)*

Liabilities and equity

	Note	Group		Parent Company	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	16	2,192	1,922	1,741	1,671
Credit institutions	16	66,047	2,619	57,065	303
Lease obligations	16	80	0	0	0
Prepayments received from customers		25,275	43,920	12,025	35,613
Trade payables		95,718	64,858	72,696	40,491
Contract work in progress, liabilities		0	1,737	0	1,737
Payables to group enterprises		0	5,263	301	8,236
Corporation tax		5,555	2,001	3,314	0
Payables to group enterprises relating to corporation tax		2,046	4,412	768	4,412
Other payables	16	46,707	50,105	25,869	29,630
Deferred income	17	4,502	5,133	0	0
Short-term debt		248,122	181,970	173,779	122,093
Debt		285,407	215,696	205,077	155,247
Liabilities and equity		507,775	360,996	424,237	297,732
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	20				
Related parties	21				
Fee to auditors appointed at the general meeting	22				
Accounting Policies	23				

Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net re-valuation under the equity method	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	12,000	0	0	0	114,136	126,136	1,267	127,403
Cash capital increase	4,670	0	0	0	42,031	46,701	0	46,701
Extraordinary dividend paid	0	0	0	0	-6,000	-6,000	0	-6,000
Exchange adjustments relating to foreign entities	0	0	0	0	-1,419	-1,419	6	-1,413
Other equity movements	0	0	0	0	-217	-217	0	-217
Net profit/loss for the year	0	0	0	0	17,714	17,714	-65	17,649
Equity at 31 December	16,670	0	0	0	166,245	182,915	1,208	184,123

Parent Company

Equity at 1 January	12,000	8,680	14,875	6,243	84,338	126,136	0	126,136
Cash capital increase	4,670	0	0	0	42,031	46,701	0	46,701
Extraordinary dividend paid	0	0	0	0	-6,000	-6,000	0	-6,000
Exchange adjustments relating to foreign entities	0	0	-1,419	0	0	-1,419	0	-1,419
Other equity movements	0	0	-217	0	0	-217	0	-217
Development costs for the year	0	0	0	9,866	-9,866	0	0	0
Depreciation, amortisation and impairment for the year	0	-1,131	0	-1,297	2,428	0	0	0
Net profit/loss for the year	0	0	5,566	0	12,148	17,714	0	17,714
Equity at 31 December	16,670	7,549	18,805	14,812	125,079	182,915	0	182,915

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2018 TDKK	2017 TDKK
Net profit/loss for the year		17,649	48,546
Adjustments	18	19,078	15,767
Change in working capital	19	-62,379	26,884
Cash flows from operating activities before financial income and expenses		-25,652	91,197
Financial income		249	617
Financial expenses		-2,436	-2,018
Cash flows from ordinary activities		-27,839	89,796
Corporation tax paid		-2,413	-8,935
Cash flows from operating activities		-30,252	80,861
Purchase of intangible assets etc.		-27,637	-7,033
Purchase of property, plant and equipment		-46,122	-1,849
Fixed asset investments made etc		-25	-272
Sale of property, plant and equipment		42	678
Sale of fixed asset investments etc		0	14
Dividends received from associates		2,450	2,500
Cash flows from investing activities		-71,292	-5,962
Repayment of mortgage loans		-2,011	-5,846
Repayment of loans from credit institutions		-250	-5,742
Reduction of lease obligations		-90	0
Repayment of payables to group enterprises		-15,713	0
Repayment of other long-term debt		-12,337	-152
Repayment of loans to associates		2,925	0
Cash capital increase		46,701	0
Dividend paid		-6,000	-35,000
Cash flows from financing activities		13,225	-46,740
Change in cash and cash equivalents		-88,319	28,159
Cash and cash equivalents at 1 January		38,092	11,038
Exchange adjustment of current asset investments		-900	-1,105
Cash and cash equivalents at 31 December		-51,127	38,092
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		14,731	40,711
Overdraft facility		-65,858	-2,619
Cash and cash equivalents at 31 December		-51,127	38,092

Notes to the Financial Statements

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
1 Revenue				
Geographical segments				
Revenue, EU	437,132	342,419	251,188	222,074
Revenue, outside EU	267,607	250,237	248,663	196,181
	704,739	592,656	499,851	418,255
Business segments				
Processing plant and equipment	353,442	315,114	302,525	264,834
Livestock farming and equipment	351,297	277,542	197,326	153,421
	704,739	592,656	499,851	418,255
2 Staff expenses				
Wages and salaries	166,569	142,678	108,737	99,618
Pensions	19,480	14,960	15,457	14,479
Other social security expenses	15,831	11,688	2,075	1,816
	201,880	169,326	126,269	115,913
Including remuneration to the Executive Board and Board of Directors	300	3,748	300	3,748
Average number of employees	528	459	257	235

As regards the Parent Company and the Group, remuneration of the Executive Board in 2018 was paid by Skiold Holding A/S, which invoices SKIOLD A/S for management services received.

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

The warrant programme contains 31.5 million warrants.

Notes to the Financial Statements

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
3 Financial income				
Interest received from group enterprises	40	0	585	161
Other financial income	208	618	74	197
	248	618	659	358
4 Financial expenses				
Interest paid to group enterprises	0	0	7	37
Other financial expenses	2,467	2,081	1,887	1,350
	2,467	2,081	1,894	1,387
5 Tax on profit/loss for the year				
Current tax for the year	2,887	8,673	783	6,710
Deferred tax for the year	2,364	-2,356	2,043	1,550
Adjustment of tax concerning previous years	0	-59	0	-59
	5,251	6,258	2,826	8,201

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired pa- tents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	38,688	0	14,594	1,305	5,874
Exchange adjustment	35	0	-1	0	2
Net effect from merger and acquisition	0	0	0	59,357	0
Additions for the year	1,830	473	2,540	0	11,888
Disposals for the year	0	0	-168	0	0
Transfers for the year	19	0	0	0	-19
Cost at 31 December	40,572	473	16,965	60,662	17,745
Impairment losses and amortisation at 1 January	27,985	0	11,457	418	0
Exchange adjustment	20	0	1	0	0
Amortisation for the year	5,401	0	1,733	1,614	0
Impairment and amortisation of sold assets for the year	0	0	-168	0	0
Impairment losses and amortisation at 31 December	33,406	0	13,023	2,032	0
Carrying amount at 31 December	7,166	473	3,942	58,630	17,745

Notes to the Financial Statements

6 Intangible assets (continued)

Group

Development projects in progress

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

The carrying amount of development projects in progress amounts to TDKK 17,745 at 31 December 2018. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 28,000 relating to projects in progress before they can be completed.

Completed development projects

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

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

Impairment testing of development projects

In 2018, Management made an impairment test of the carrying amount of the development projects. It is assessed that the recoverable amount by way of value in use exceeds the carrying amount. The value in use is calculated based on estimated earnings on the basis of expectations for the coming years.

Notes to the Financial Statements

6 Intangible assets (continued)

Parent Company

	Completed development projects	Acquired pa- tents	Acquired licenses	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	27,220	0	12,546	5,243
Additions for the year	1,569	473	1,434	11,080
Transfers for the year	19	0	0	-19
Cost at 31 December	<u>28,808</u>	<u>473</u>	<u>13,980</u>	<u>16,304</u>
Impairment losses and amortisation at 1 January	21,202	0	9,654	0
Amortisation for the year	<u>3,715</u>	<u>0</u>	<u>1,661</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>24,917</u>	<u>0</u>	<u>11,315</u>	<u>0</u>
Carrying amount at 31 December	<u>3,891</u>	<u>473</u>	<u>2,665</u>	<u>16,304</u>

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	70,676	76,675	12,425	470
Exchange adjustment	-321	-428	-39	0
Net effect from merger and acquisition	21,357	15,834	4,241	0
Additions for the year	1,100	1,155	2,435	0
Disposals for the year	-348	-396	-508	0
Transfers for the year	0	224	-100	0
Cost at 31 December	<u>92,464</u>	<u>93,064</u>	<u>18,454</u>	<u>470</u>
Revaluations at 1 January	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revaluations at 31 December	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January	53,187	66,618	10,847	338
Exchange adjustment	-100	-244	-36	0
Net effect from merger and acquisition	1,772	13,347	1,883	0
Depreciation for the year	3,020	3,076	1,377	53
Impairment and depreciation of sold assets for the year	-348	0	0	0
Reversal of impairment and depreciation of sold assets	0	-355	-505	0
Transfers for the year	<u>0</u>	<u>197</u>	<u>-73</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>57,531</u>	<u>82,639</u>	<u>13,493</u>	<u>391</u>
Carrying amount at 31 December	<u>56,889</u>	<u>10,425</u>	<u>4,961</u>	<u>79</u>
Including assets under finance leases amounting to	<u>0</u>	<u>481</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	42,121	53,828	7,819	470
Additions for the year	359	138	1,411	0
Kostpris at 31 December	<u>42,480</u>	<u>53,966</u>	<u>9,230</u>	<u>470</u>
Revaluations at 1 January	21,956	0	0	0
Revaluations at 31 December	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January	37,334	52,158	7,239	338
Depreciation for the year	<u>2,129</u>	<u>886</u>	<u>525</u>	<u>53</u>
Impairment losses and depreciation at 31 December	<u>39,463</u>	<u>53,044</u>	<u>7,764</u>	<u>391</u>
Carrying amount at 31 December	<u>24,973</u>	<u>922</u>	<u>1,466</u>	<u>79</u>

Notes to the Financial Statements

	Parent Company	
	2018	2017
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	20,551	20,280
Additions for the year	83,839	271
Cost at 31 December	<u>104,390</u>	<u>20,551</u>
Value adjustments at 1 January	32,045	20,076
Exchange adjustment	-566	32
Net profit/loss for the year	4,989	15,413
Dividend to the Parent Company	0	-3,702
Other equity movements, net	0	0
Amortisation of goodwill	-1,614	-130
Change in intercompany profit on inventories	-27	0
Other adjustments	0	356
Value adjustments at 31 December	<u>34,827</u>	<u>32,045</u>
Carrying amount at 31 December	<u>139,217</u>	<u>52,596</u>
Positive differences arising on initial measurement of subsidiaries at net asset value	<u>59,357</u>	<u>0</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>58,629</u>	<u>887</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SKIOLD Ukrain LLC	Cherkasy, Ukrain	TEUR 14	100%
SKIOLD France SAS	Pontivy, France	TEUR 1,575	100%
SKIOLD Acemo SAS	Pontivy, France	TEUR 239	100%
SKIOLD Datamix AB	Ängelholm, Sweden	TSEK 100	100%
SKIOLD (Qingdao) Machinery Co., Ltd.	Shandong, China	TRMB 1,299	98%
SKIOLD BL Sp. z.o.o.	Kutno, Poland	TPLN 4,429	100%
SKIOLD Bemvig S.L.	Barcelona, Spain	TEUR 62	50%
SKIOLD GmbH	Fockberg, Germany	TEUR 26	100%
LLC SKIOLD	Moscow, Russia	TRUB 500	100%
Landmeco. Ølgod A/S	Ølgod, Denmark	TDKK 2,000	100%

Notes to the Financial Statements

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
9 Investments in associates				
Cost at 1 January	9,082	9,082	9,082	9,082
Cost at 31 December	9,082	9,082	9,082	9,082
Value adjustments at 1 January	3,795	1,048	3,795	1,048
Exchange adjustment	-850	-114	-850	-114
Net profit/loss for the year	4,987	5,680	4,987	5,680
Dividends received	-2,450	-2,498	-2,450	-2,498
Other equity movements, net	-217	0	-217	0
Amortisation of goodwill	-321	-321	-321	-321
Value adjustments at 31 December	4,944	3,795	4,944	3,795
Carrying amount at 31 December	14,026	12,877	14,026	12,877
Remaining positive difference included in the above carrying amount at 31 December	1,040	1,122	1,040	1,122

Investments in associates are specified as follows:

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

Notes to the Financial Statements

10 Other fixed asset investments

	Group	Parent Company	
	Deposits	Receivables	Deposits
	TDKK	from group ent. TDKK	TDKK
Cost at 1 January	509	12,695	509
Additions for the year	25	0	0
Disposals for the year	0	-8,092	0
Cost at 31 December	534	4,603	509
Carrying amount at 31 December	534	4,603	509

11 Inventories

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	41,347	28,935	7,120	9,710
Work in progress	23,241	17,381	14,216	12,937
Finished goods and goods for resale	54,921	61,169	37,130	51,952
Prepayments for goods	251	0	251	0
	119,760	107,485	58,717	74,599

12 Prepayments

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

Notes to the Financial Statements

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
13 Distribution of profit				
Extraordinary dividend paid	6,000	0	6,000	0
Reserve for net revaluation under the equity method	0	0	5,566	14,875
Minority interests' share of net profit/loss of subsidiaries	-65	400	0	0
Retained earnings	11,714	48,146	6,148	33,271
	17,649	48,546	17,714	48,146

14 Provision for deferred tax

Provision for deferred tax at 1 January	456	2,812	6,029	4,479
Amounts recognised in the income statement for the year	2,364	-2,356	2,043	1,550
Amounts recognised in equity for the year	1,072	0	1	0
Provision for deferred tax at 31 December	3,892	456	8,073	6,029

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

15 Other provisions

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

Other provisions	29,444	12,287	28,172	10,320
	29,444	12,287	28,172	10,320

Notes to the Financial Statements

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Mortgage loans				
After 5 years	27,734	26,129	24,478	26,129
Between 1 and 5 years	8,623	7,025	6,820	7,025
Long-term part	<u>36,357</u>	<u>33,154</u>	<u>31,298</u>	<u>33,154</u>
Within 1 year	<u>2,192</u>	<u>1,922</u>	<u>1,741</u>	<u>1,671</u>
	38,549	35,076	33,039	34,825
Credit institutions				
Between 1 and 5 years	124	312	0	0
Long-term part	<u>124</u>	<u>312</u>	<u>0</u>	<u>0</u>
Within 1 year	189	0	0	0
Other short-term debt to credit institutions	65,858	2,619	57,065	303
Short-term part	<u>66,047</u>	<u>2,619</u>	<u>57,065</u>	<u>303</u>
	66,171	2,931	57,065	303
Lease obligations				
Between 1 and 5 years	315	0	0	0
Long-term part	<u>315</u>	<u>0</u>	<u>0</u>	<u>0</u>
Within 1 year	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>
	395	0	0	0
Other payables				
Between 1 and 5 years	489	260	0	0
Long-term part	<u>489</u>	<u>260</u>	<u>0</u>	<u>0</u>
Other short-term payables	46,707	50,105	25,869	29,630
	47,196	50,365	25,869	29,630

Notes to the Financial Statements

17 Deferred income

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

18 Cash flow statement - adjustments

	Group	
	2018	2017
	TDKK	TDKK
Financial income	-248	-618
Financial expenses	2,467	2,081
Depreciation, amortisation and impairment losses, including losses and gains on sales	16,274	13,405
Income from investments in associates	-4,666	-5,359
Tax on profit/loss for the year	5,251	6,258
	19,078	15,767

19 Cash flow statement - change in working capital

Change in inventories	4,810	-11,497
Change in receivables	-54,031	23
Change in other provisions	-4,367	-5,638
Change in trade payables, etc	-8,791	43,996
	-62,379	26,884

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
20 Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	44,373	26,743	24,973	26,743
The following assets have been placed as security with bankers:				
Mortgages registered to the owner of TDKK 2,450, providing security on land and buildings with a carrying amount of	19,400	0	0	0
A floating charge of TDKK 8,000. The floating charge includes tangible fixes assets, inventory and trade receivables with a carrying amount of	32,619	0	0	0
All shares in Landmeco. Ølgod A/S and SKIOLD BL Sp. z.o.o. have been pledged with first ranking priority to Nordea Danmark, Filial af Nordea Bank AB (publ), Sweden, as agent and representative for the benefit of certain Secured Parties (as defined in the share pledge agreement) pursuant to a share pledge agreement dated 30 November 2017 in respect of a Facilities Agreement of TDKK 320,000. Furthermore pledge through floating charge of all asset in SKIOLD BL Sp. z.o.o. and charge over intercompany loans - both in respect of the Facilities agreement.				
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	2,054	2,164	1,395	1,630
Between 1 and 5 years	6,236	6,847	5,117	6,113
	8,290	9,011	6,512	7,743

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
20 Contingent assets, liabilities and other financial obligations (continued)				
Rental obligations, period of non-terminability 1-24 months	2,756	4,941	1,192	3,391

Guarantee obligations

The Parent Company has issued guarantee to its parent company's bankers equal to no more than TDKK 132,500.

The Group has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to TDKK 25,040.

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SKIOLD Group A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

21 Related parties

Basis

Controlling interest

Skiold Holding A/S, CVR 39 08 42 79
Skiold Group A/S, CVR 39 08 38 92

Parent Company
Majority shareholder in Parent Company

Notes to the Financial Statements

21 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions on an arm's length basis and normal management remuneration.

22 Fee to auditors appointed at the general meeting

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

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of SKIOLD A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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

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

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in "Amortisation, depreciation and impairment losses".

Minority interests

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

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Translation policies

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

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

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

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

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

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

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Balance Sheet

Intangible assets

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

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

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

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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

Buildings	25-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

23 Accounting Policies (continued)

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

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

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

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

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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

Receivables

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

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Notes to the Financial Statements

23 Accounting Policies (continued)

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

Deferred income

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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