SKIOLD A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 1 January - 31 December 2021

CVR No 57 08 11 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/06 2022

Rasmus Sandorff Jacobsen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKIOLD A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

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, 10 June 2022

Executive Board

Søren Overgaard
CEO

Board of Directors

Denis Viet-Jacobsen Chairman	Michael Pontoppidan Frost	Thure Bo Thomas Thuresson
Jørn Mørkeberg Nielsen	Lars Radoor Sørensen	Henriette Holmberg Olsen
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 2021 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 2021 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 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”the Financial Statements”).

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

Statement on Management’s Review
Management is responsible for Management’s Review.

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

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

Moreover, it is our responsibility to consider whether Management’s Review provides the information required under the Danish 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.

Management’s responsibilities for the Financial Statements

Independent Auditor's Report

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 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, 10 June 2022
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 Michael Pontoppidan Frost Thure Bo Thomas Thuresson Jørn Mørkeberg Nielsen Lars Radoor Sørensen Henriette Holmberg Olsen Carsten Isgreen Sørensen Pia Merete Madsen
Executive Board	Søren Overgaard
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				
	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,203,374	987,711	632,556	704,739	592,656
Gross profit/loss	457,927	373,135	206,929	238,911	234,311
Profit/loss before financial income and expenses	57,496	23,026	-62,209	20,453	50,908
Net financials	-25,483	-5,236	-5,416	2,447	3,896
Net profit/loss for the year	18,511	6,814	-55,722	17,649	48,546
Balance sheet					
Balance sheet total	1,329,125	1,296,542	585,068	507,775	360,996
Equity	166,143	142,342	132,548	184,123	127,403
Cash flows					
Cash flows from:					
- operating activities	56,183	69,754	-16,203	-27,327	80,861
- investing activities	-36,674	-494,880	-126,970	-71,292	-5,962
including investment in property, plant and equipment	-20,008	-44,568	-33,963	-46,122	-1,849
- financing activities	-30,150	455,923	133,718	10,300	-46,740
Change in cash and cash equivalents for the year	-10,641	30,797	-9,455	-88,319	28,159
Number of employees	816	648	602	528	459
Ratios					
Gross margin	38.1%	37.8%	32.7%	33.9%	39.5%
Profit margin	4.8%	2.3%	-9.8%	2.9%	8.6%
Return on assets	4.3%	1.8%	-10.6%	4.0%	14.1%
Solvency ratio	12.5%	11.0%	22.7%	36.3%	35.3%
Return on equity	12.0%	5.0%	-35.2%	11.3%	40.1%

Management’s Review

Key activities

The Group’s main activities are the development, manufacturing, sales and service of feed milling solutions; pig, cattle, and poultry- farming solutions; and grain and seed handling solutions.

Development in the year

In 2021 the SKIOLD realized positive organic revenue growth of 22% as a result of the implemented strategic initiatives and a full integration of the acquisitions done prior to 2021. Despite fluctuating pork prices and negative impact on the global supply chain due to Covid19 SKIOLD has increased the profitability during 2021.

In 2021 Skiold Jyden A/S has been merged into Skiold A/S. The merger has been carried out retroactively from 1 January 2021 and thus presented as one company. In the Annual Report for SKIOLD A/S, the parent company's comparative figures have also been adjusted, so that the company's presented revenue, costs etc. includes both SKIOLD A/S and SKIOLD Jyden A/S in both 2021 and 2020.

Earnings before Amortization and Depreciation improved to DKK 133 million from 71 million in 2020. Pre tax result shows a profit of 32 million, and increase of 14 million compared to 2020, with a total equity of DKK 166 million.

Operating risks

The Group is exposed to the developments in global meat, milk, grain, seed, steel, polymer and freight prices, as these affect the investment appetite of the Group’s customers and the Group’s material costs.

Foreign exchange risks

Currency risk is balanced by selling and buying in the same currency. The Group mostly trades in EUR.

Targets and expectations for the year ahead

The outlook for 2022 is positive due to the expected benefit of strategic and operational activities already implemented, hereunder order and revenue growth in Asia Pacific from large integrated solution orders.

The war in Ukraine and the global uncertainty from this could impact the Groups performance due to scarcity and increased prices on raw materials as well as the fact that Ukraine and Russia are two main markets within feed and pig.

Research and development & Intellectual capital resources

SKIOLD supplies technology and solutions in the fields of feed production, seed processing, grain handling and pig, cattle and poultry production. To maintain a strong position, SKIOLD continually invests in both product development and our people so as to maintain its knowledge leadership in these business segment.

Management's Review

Statement of corporate social responsibility

Environment and energy efficiency

SKIOLD's engineering principles regarding product and solution design result in the optimal use of feed ingredients and livestock nutrients, as well as optimizing animal health and welfare. Both are factors in ensuring food security with a better utilization of resources with higher food production efficiency. In addition, SKIOLD's solutions allow for safe livestock production using good practice and the latest biosecurity technology. SKIOLD's waste management technology support sustainable livestock farming with minimal environmental impact.

The structure and production methods of SKIOLD's in-house production within the Group does not have any significant environmental impact. The Group has increasingly also made use of suppliers which operate with a higher degree of energy efficiency than that feasible in SKIOLD's in-house production.

SKIOLD is covered by the EU energy directive and executive energy inspections take place in all of its sites in Denmark.

An energy report was finalised in 2018, identifying energy optimisation opportunities which are currently being implemented.

Minimising of raw material consumption and wastage

SKIOLD works continuously to optimise the use of materials so as to reduce environmental impact and wastage. In 2021 SKIOLD is continuing its product range rationalisation, leading to a more efficient use of materials based on economies of scale. Value engineering has also led to less waste and more efficient product design. In addition, SKIOLD reuses scrap material from other industries, and reprocesses this material to create highly durable products with a lower environmental impact.

Working environment

SKIOLD follows local legislation and focuses on creating a positive and healthy working environment for all employees. Work environment protection is managed by the health and safety teams at each site and is coordinated by our Safety Manager.

SKIOLD continues to employ staff with reduced working abilities. At the same time, the Group strives to continuously reduce absence due to sickness among its employees. A continuous improvement process is in place in the health and safety committee, which acts to avoid the repetition of specific accidents, whenever they occur.

Management's Review

Human rights

At SKIOLD we respect the international conventions regarding the protection of human rights and corresponding national legislation.

SKIOLD's Human Rights and Labour Policy requires the Group's employees to act with integrity and in accordance with acceptable ethical standards for human rights.

Financial crime and compliance

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

No irregularities have been reported or detected during the year.

Statement on gender composition

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

All SKIOLD staff are recruited based on professional skills without regard to religion, race, gender, handicap or age. As a Group, we look upon diversity as a strength, and we actively oppose discrimination and aspire to promote equal treatment. This applies at management level as well as at all other levels in the organisation.

The Group is working to increase the number of female managers it has. On the basis of this, it has set specific targets for the proportion of that underrepresented gender in Group Management.

The Group's target is that at least 25% of management positions in the Group be held by women by 2024. Management positions include the Board of Directors, the Executive Board, middle management and divisional and department managers.

The current distribution on the Board of Directors in group companies is 5% women, and in other management positions 23%. The target has not yet been achieved as, when recruiting employees, the Group chooses candidates based on their qualifications and competencies. The gender of the candidate is not an assessment factor in this process, so there is no gender discrimination.

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

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

Management's Review

Statement on data ethics

The group do not have a data ethics policy but expect to implement one in the coming years.

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 on 31 December 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2021 have not been affected by any unusual events except for the non-recurring operating expenses mentioned above.

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	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**1,203,374**	**987,711**	**607,656**	**569,721**
Other operating income		902	2,636	586	514
Expenses for raw materials and consumables		-634,875	-492,060	-361,688	-330,603
Other external expenses		-111,474	-125,152	-62,514	-53,284
Gross profit/loss		**457,927**	**373,135**	**184,040**	**186,348**
Staff expenses	2	-313,998	-282,345	-170,053	-164,967
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-75,926	-48,248	-15,435	-13,238
Other operating expenses		-10,507	-19,516	-1,729	-16,397
Profit/loss before financial income and expenses		**57,496**	**23,026**	**-3,177**	**-8,254**
Income from investments in subsidiaries		0	0	37,916	12,375
Income from investments in associates		0	15,808	0	15,808
Financial income	3	788	280	2,357	2,407
Financial expenses	4	-26,271	-21,324	-26,431	-17,383
Profit/loss before tax		**32,013**	**17,790**	**10,665**	**4,953**
Tax on profit/loss for the year	5	-13,502	-10,976	7,846	1,895
Net profit/loss for the year		**18,511**	**6,814**	**18,511**	**6,848**

Balance Sheet 31 December

Assets

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		TDKK	TDKK	TDKK	TDKK
Completed development projects		21,522	23,521	19,566	20,461
Acquired patents		1,309	481	210	314
Acquired licenses		4,087	5,090	4,016	2,262
Goodwill		587,221	619,605	43,783	0
Development projects in progress		3,289	3,834	2,007	3,833
Intangible assets	6	**617,428**	**652,531**	**69,582**	**26,870**
Land and buildings		96,460	84,830	37,180	40,056
Plant and machinery		34,284	41,954	4,466	3,944
Other fixt. and fit., tools and eqp.		9,664	11,775	954	1,269
Leasehold improvements		22	30	22	31
Property, plant and equipment	7	**140,430**	**138,589**	**42,622**	**45,300**
Investments in subsidiaries	8	0	0	717,657	747,899
Receivables from group ent.	9	0	0	2,096	125,584
Deposits	9	2,367	1,513	521	521
Fixed asset investments		**2,367**	**1,513**	**720,274**	**874,004**
Fixed assets		**760,225**	**792,633**	**832,478**	**946,174**
Inventories	10	**269,968**	**220,565**	**125,241**	**99,908**
Trade receivables		174,384	184,751	65,389	65,424
Contract work in progress		37,608	8,093	25,890	6,595
Receivables from group ent.		1,784	19,035	107,197	46,347
Other receivables		11,723	9,017	1,599	526
Deferred tax	13	20,488	13,381	12,253	4,799
Corporation tax		14	2	0	0
Prepayments	11	2,314	4,859	1,444	2,352
Receivables		**248,315**	**239,138**	**213,772**	**126,043**
Cash at bank and in hand		**50,617**	**44,206**	**981**	**606**
Currents assets		**568,900**	**503,909**	**339,994**	**226,557**
Assets		**1,329,125**	**1,296,542**	**1,172,472**	**1,172,731**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		TDKK	TDKK	TDKK	TDKK
Share capital		20,865	20,865	20,865	20,865
Revaluation reserve		0	0	4,156	5,287
Reserve for net revaluation under the equity method		0	0	57,497	11,719
Reserve for development costs		0	0	16,827	23,670
Reserve for exchange rate adjustments		-1,826	-1,116	0	0
Retained earnings		147,104	122,593	66,798	80,801
Equity		**166,143**	**142,342**	**166,143**	**142,342**
Provision for deferred tax	13	1,610	3,354	0	0
Other provisions	14	15,889	9,459	13,708	6,626
Provisions		**17,499**	**12,813**	**13,708**	**6,626**
Mortgage loans		298,154	323,160	288,352	311,258
Lease obligations		612	692	0	0
Other payables		18,410	7,742	15,726	4,303
Long-term debt	15	**317,176**	**331,594**	**304,078**	**315,561**
Mortgage loans	15	23,498	22,623	22,155	22,172
Credit institutions		91,044	73,992	88,302	64,527
Lease obligations	15	58	254	0	0
Prepayments received from customers		89,412	49,729	43,355	26,735
Trade payables		157,524	135,064	92,113	63,710
Payables to group enterprises		367,766	396,760	394,288	444,588
Corporation tax		0	1,248	0	0
Payables to group enterprises relating to corporation tax		5,401	3,394	0	0
Other payables	15	93,604	119,780	48,330	86,470
Deferred income	16	0	6,949	0	0
Short-term debt		**828,307**	**809,793**	**688,543**	**708,202**
Debt		**1,145,483**	**1,141,387**	**992,621**	**1,023,763**
Liabilities and equity		**1,329,125**	**1,296,542**	**1,172,472**	**1,172,731**
Distribution of profit	12				

Balance Sheet 31 December

Liabilities and equity

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Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate adjustments	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20,865	0	0	0	-1,116	122,593	142,342
Exchange adjustments	0	0	0	0	-710	0	-710
Contribution from group	0	0	0	0	0	6,000	6,000
Net profit/loss for the year	0	0	0	0	0	18,511	18,511
Equity at 31 December	**20,865**	**0**	**0**	**0**	**-1,826**	**147,104**	**166,143**

Parent Company

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate adjustments	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20,865	5,287	11,719	23,670	0	80,801	142,342
Contribution from group	0	0	0	0	0	6,000	6,000
Exchange adjustments relating to foreign entities	0	0	-710	0	0	0	-710
Depreciation, amortisation and impairment for the year	0	-1,131	0	-6,843	0	7,974	0
Net profit/loss for the year	0	0	46,488	0	0	-27,977	18,511
Equity at 31 December	**20,865**	**4,156**	**57,497**	**16,827**	**0**	**66,798**	**166,143**

Cash Flow Statement 1 January - 31 December

	Note	Group 2021	Group 2020
		TDKK	TDKK
Net profit/loss for the year		18,511	6,814
Adjustments	17	114,203	64,458
Change in working capital	18	-29,442	25,621
Cash flows from operating activities before financial income and expenses		**103,272**	**96,893**
Financial income		788	279
Financial expenses		-26,271	-21,328
Cash flows from ordinary activities		**77,789**	**75,844**
Corporation tax paid		-21,606	-6,090
Cash flows from operating activities		**56,183**	**69,754**
Purchase of intangible assets		-17,769	-450,312
Purchase of property, plant and equipment		-20,008	-44,568
Sale of property, plant and equipment		1,103	0
Cash flows from investing activities		**-36,674**	**-494,880**
Change in mortgage loans		-24,131	189,426
Change in lease obligations		-276	631
Change in payables to group enterprises		-5,743	300,746
Other payables (loan)		0	-34,880
Cash flows from financing activities		**-30,150**	**455,923**
Change in cash and cash equivalents		**-10,641**	**30,797**
Cash and cash equivalents at 1 January		-29,786	-60,583
Cash and cash equivalents at 31 December		**-40,427**	**-29,786**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		50,617	44,206
Overdraft facility		-91,044	-73,992
Cash and cash equivalents at 31 December		**-40,427**	**-29,786**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
1 Revenue				
Geographical segments				
Revenue, EU	843,999	808,295	348,590	448,008
Revenue, outside EU	359,375	179,416	259,066	121,713
	1,203,374	**987,711**	**607,656**	**569,721**
Business segments				
Processing plant and equipment	332,161	276,819	347,532	220,113
Livestock farmning and equipment	871,213	710,892	260,124	349,608
	1,203,374	**987,711**	**607,656**	**569,721**
2 Staff expenses				
Wages and salaries	271,519	237,641	147,432	144,970
Pensions	29,653	23,984	19,899	17,771
Other social security expenses	12,826	20,720	2,722	2,226
	313,998	**282,345**	**170,053**	**164,967**
including remuneration to the Board of Directors	**188**	**250**	**188**	**250**
Average number of employees	**816**	**648**	**241**	**203**

As regards the Parent Company and the Group, remuneration of the Executive Board in 2021 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	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
3	**Financial income**				
	Interest received from group enterprises	0	47	2,343	2,358
	Other financial income	788	233	14	49
		788	**280**	**2,357**	**2,407**
4	**Financial expenses**				
	Interest paid to group enterprises	10,564	6,614	11,137	7,092
	Other financial expenses	15,707	14,710	15,294	10,291
		26,271	**21,324**	**26,431**	**17,383**
5	**Tax on profit/loss for the year**				
	Current tax for the year	19,643	5,115	0	3,024
	Deferred tax for the year	-6,141	5,861	-7,846	-4,919
		13,502	**10,976**	**-7,846**	**-1,895**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	66,140	728	28,899	645,474	3,834
Exchange adjustment	-6	0	1	3	-1
Additions for the year	2,539	880	2,966	0	3,184
Disposals for the year	0	0	-2,744	0	0
Transfers for the year	3,728	0	0	0	-3,728
Cost at 31 December	72,401	1,608	29,122	645,477	3,289
Impairment losses and amortisation at 1 January	42,619	247	23,809	25,869	0
Exchange adjustment	-2	0	4	0	0
Amortisation for the year	8,262	52	1,222	32,387	0
Impairment losses and amortisation at 31 December	50,879	299	25,035	58,256	0
Carrying amount at 31 December	**21,522**	**1,309**	**4,087**	**587,221**	**3,289**

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 ledget in the ERP system.

The carryng amount of development projects in progress amounts to TDKK 3,289 at 31 December 2021. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 2,500 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 2021, Management made an impairment test of the carring amount of the development projects. It is assessed that the recoverable amount by way of value in use exceeds the carrying amount. The value in use is calculated based on estimated earnings on the basis of expectations for the coming years.

Notes to the Financial Statements

6 **Intangible assets** (continued)

Parent Company

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	57,255	519	16,918	0	3,833
Net effect from merger and acquisition	0	0	0	46,315	0
Additions for the year	2,514	0	2,942	0	1,902
Transfers for the year	3,728	0	0	0	-3,728
Cost at 31 December	63,497	519	19,860	46,315	2,007
Impairment losses and amortisation at 1 January	36,794	205	14,656	0	0
Amortisation for the year	7,137	104	1,188	2,532	0
Impairment losses and amortisation at 31 December	43,931	309	15,844	2,532	0
Carrying amount at 31 December	**19,566**	**210**	**4,016**	**43,783**	**2,007**

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	140,076	199,250	48,899	513
Exchange adjustment	115	-25	78	30
Additions for the year	15,922	2,254	1,567	265
Disposals for the year	-7	-4,394	-1,432	-303
Cost at 31 December	156,106	197,085	49,112	505
Revaluations at 1 January	21,956	0	0	0
Revaluations at 31 December	21,956	0	0	0
Impairment losses and depreciation at 1 January	77,202	157,296	37,124	483
Exchange adjustment	-34	-20	71	0
Depreciation for the year	4,434	7,525	2,495	0
Reversal of impairment and depreciation of sold assets	0	-2,000	-242	0
Impairment losses and depreciation at 31 December	81,602	162,801	39,448	483
Carrying amount at 31 December	**96,460**	**34,284**	**9,664**	**22**
Including assets under finance leases amounting to	0	299	0	0

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	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	45,102	27,792	9,069	515	82,478
Net effect from merger and acquisition	25,567	16,006	5,153	0	46,726
Additions for the year	58	1,385	348	0	1,791
Disposals for the year	0	-18	-50	0	-68
Kostpris at 31 December	70,727	45,165	14,520	515	130,927
Revaluations at 1 January	21,956	0	0	0	21,956
Revaluations at 31 December	21,956	0	0	0	21,956
Impairment losses and depreciation at 1 January	43,828	27,017	8,524	484	79,853
Net effect from merger and acquisition	8,740	12,833	4,429	0	26,002
Depreciation for the year	2,935	867	660	9	4,471
Reversal of impairment and depreciation of sold assets	0	-18	-47	0	-65
Impairment losses and depreciation at 31 December	55,503	40,699	13,566	493	110,261
Carrying amount at 31 December	**37,180**	**4,466**	**954**	**22**	**42,622**

Notes to the Financial Statements

8 Investments in subsidiaries

	Parent Company 2021 TDKK
Cost at 1 January	743,555
Net effect from merger and acquisition	-83,395
Additions for the year	0
Cost at 31 December	660,160
Value adjustments at 1 January	53,119
Net effect from merger and acquisition	13,253
Exchange adjustment	-710
Net profit/loss for the year	67,480
Dividend to the Parent Company	-45,662
Amortisation of goodwill	-29,662
Change in intercompany profit on inventories	-322
Other adjustments	1
Value adjustments at 31 December	57,497
Carrying amount at 31 December	**717,657**
Positive differences arising on initial measurement of subsidiaries at net asset value	643,434
Remaining positive difference included in the above carrying amount at 31 December	542,000

Notes to the Financial Statements

8 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SKIOLD Ukrain LLC	Cherkasy, Ukrain	TEUR 13	100%
SKIOLD France SAS	Pontivy, France	TEUR 1,575	100%
SKIOLD Acemo SAS	Pontivy, France	TEUR 239	100%
SKIOLD AB	Ängelholm, Sweden	TSEK 100	100%
SKIOLD (Qingdao) Machinery Co., Ltd.	Shandong, China	TRMB 1,299	100%
SKIOLD BL Sp. z.o.o.	Kutno, Poland	TPLN 4,429	100%
SKIOLD Bemvig S.L.	Barcelona, Spain	TEUR 62	100%
SKIOLD GmbH	Fockberg, Germany	TEUR 26	100%
LLC SKIOLD	Moscow, Russia	TRUB 500	100%
SKIOLD Landmeco. Ølgod A/S	Ølgod, Denmark	TDKK 2,000	100%
Rotecna S.A.	Agramunt, Spain	TEUR 2,006	100%
SKIOLD Jyden China Holding A/S	Holstebro, Denmark	TDKK 1,000	100%
SKIOLD Jyden Animal Housing (Qingdao) Co., Ltd.	Shandong, China	TRMB 2,374	100%
SKIOLD & Vacuum Milling Solution Pty Ltd.	Jimboomba, Australia	TAUD 140	100%

9 Other fixed asset investments

	Group	Parent Company	
	Deposits	Receivables from group ent.	Deposits
	TDKK	TDKK	TDKK
Cost at 1 January	1,513	125,584	491
Additions for the year	2,158	175	30
Disposals for the year	-1,304	-123,663	0
Cost at 31 December	2,367	2,096	521
Carrying amount at 31 December	**2,367**	**2,096**	**521**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK

10 Inventories

Raw materials and consumables	118,573	67,634	10,759	9,679
Work in progress	24,710	24,974	14,908	13,976
Finished goods and goods for resale	126,553	121,240	99,574	76,253
Prepayments for goods	132	6,717	0	0
	269,968	**220,565**	**125,241**	**99,908**

11 Prepayments

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

12 Distribution of profit

Reserve for net revaluation under the equity method	0	0	46,488	24,162
Minority interests' share of net profit/loss of subsidiaries	0	-34	0	0
Retained earnings	18,511	6,848	-27,977	-17,314
	18,511	**6,814**	**18,511**	**6,848**

13 Deferred tax

Deferred tax asset at 1 January	10,027	7,532	4,799	3,928
Amounts recognised in the income statement for the year	6,141	-5,861	7,846	4,919
Other movements in deferred tax for the year	2,710	8,356	-392	-4,048
Deferred tax net asset at 31 December	**18,878**	**10,027**	**12,253**	**4,799**

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.

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK

14 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.

	2021	2020	2021	2020
Other provisions	15,889	9,459	13,708	6,626
	15,889	**9,459**	**13,708**	**6,626**

15 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:

	2021	2020	2021	2020
Mortgage loans				
After 5 years	33,202	273,002	31,293	270,644
Between 1 and 5 years	264,952	50,158	257,059	40,614
Long-term part	298,154	323,160	288,352	311,258
Within 1 year	23,498	22,623	22,155	22,172
	321,652	**345,783**	**310,507**	**333,430**
Lease obligations				
Between 1 and 5 years	612	692	0	0
Long-term part	612	692	0	0
Within 1 year	58	254	0	0
	670	**946**	**0**	**0**
Other payables				
After 5 years	2,684	0	0	0
Between 1 and 5 years	15,726	7,742	15,726	4,303
Long-term part	18,410	7,742	15,726	4,303
Other short-term payables	93,604	119,780	48,330	86,470
	112,014	**127,522**	**64,056**	**90,773**

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

Notes to the Financial Statements

16 Deferred income

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

17 Cash flow statement - adjustments

	Group	
	2021	2020
	TDKK	TDKK
Financial income	-788	-280
Financial expenses	26,271	21,324
Depreciation, amortisation and impairment losses, including losses and gains on sales	75,928	48,248
Income from investments in associates	0	-15,808
Tax on profit/loss for the year	13,502	10,976
Other adjustments	-710	-2
	114,203	**64,458**

18 Cash flow statement - change in working capital

Change in inventories	-49,403	19,122
Change in receivables	36,777	-953
Change in other provisions	6,430	-8,209
Change in trade payables, etc	-23,246	15,661
	-29,442	**25,621**

19 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	61,145	63,724	37,180	23,230
The following assets have been placed as security with bankers:				
Mortgages registered to the owner of TDKK 6,650, providing securityon land and buildings with a carrying amount of	40,791	40,493	16,826	0
A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables with a carrying amount of	50,969	70,313	0	0

All shares in SKIOLD Landmeco A/S and SKIOLD BL Sp. z.o.o. have been pledged with first ranking priority to Nordea Danmark, Filial af Nordea Bank AB (publ), Sweden, as agent and representative for the benefit of certain Secured Parties (as defined in the share pledge agreement) pursuant to a share pledge agreement original dated 28 November 2017 and later amended in respect of a Facilities Agreement of TDKK 352,500 + TEUR 39,000. Furthermore pledge through floating charge of all asset in SKIOLD BL Sp. z.o.o. and charge over intercompany loans - both in respect of the Facilities agreement.

Rental and lease obligations

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4,580	4,603	2,594	3,185
Between 1 and 5 years	5,190	7,227	2,742	4,720
	9,770	**11,830**	**5,336**	**7,905**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
19 Contingent assets, liabilities and other financial obligations (continued)				
Rental obligations, period of non-terminability 1-56 months	21,587	27,504	655	1,578

Guarantee obligations

The Parent Company and Group has issued guarantee to its parent company's bankers equal to no more than TDKK 315,023.

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.

Notes to the Financial Statements

20 Related parties

	Basis
Controlling interest	
SKIOLD Holding A/S, CVR 39 08 42 79	Parent Company
SKIOLD Group A/S, CVR 39 08 38 92	Majority shareholder in Parent Company
Plemont Co-Investment No. 1 Seperate Limited Partnership	Majority shareholder in SKIOLD Group A/S

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.

21 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

22 Accounting Policies

The Annual Report of SKIOLD A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

In 2021 Skiold Jyden A/S has been merged into Skiold A/S. The merger has been carried out retroactively from 1 January 2021 and thus presented as one company. In the Annual Report for SKIOLD A/S, the parent company's comparative figures have also been adjusted, so that the company's presented revenue, costs etc. includes both SKIOLD A/S and SKIOLD Jyden A/S in both 2021 and 2020.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2021 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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

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

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised

22 Accounting Policies (continued)

in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

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

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the

Notes to the Financial Statements

22 Accounting Policies (continued)

entity acquired is recognised.

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

Translation policies

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

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

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

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

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

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with SKIOLD Group A/S 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

22 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.

Costs incurred on development projects comprise salaries, amortisation and other costs which are directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover production costs, selling costs and administrative expenses as well as the development costs.

Development projects that do not qualify for recognition in the balance sheet are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

Capitalised development costs are amortised as from the date of completion on a straight-line basis over the period during which development work is expected to generate economic benefits.

Property, plant and equipment

On acquisition assets are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed assets comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and sup-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

Notes to the Financial Statements

22 Accounting Policies (continued)

accumulated impairment losses.

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

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

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

The residual values are estimated at the following percentage of the cost:

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

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

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

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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”.

Notes to the Financial Statements

22 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

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