SKIOLD A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 1 January - 31 December 2019

CVR No 57 08 11 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/8 2020

Brian Frimor
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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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, 26 August 2020

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	Pia Merete Madsen Staff Representative
Carsten Isgreen Sørensen 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 2019 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 2019 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 2019, 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 on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions

Independent Auditor’s Report

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, 26 August 2020
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 Pia Merete Madsen Carsten Isgreen Sørensen
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				
	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	632,556	704,739	592,656	602,104	508,683
Gross profit/loss	206,929	238,911	234,311	216,125	200,673
Profit/loss before financial income and expenses	-62,209	20,453	50,908	42,345	23,827
Net financials	-5,416	2,447	3,896	1,498	923
Net profit/loss for the year	-55,722	17,649	48,546	34,584	20,877
Balance sheet					
Balance sheet total	585,068	507,775	360,996	313,870	287,845
Equity	132,548	184,123	127,403	114,434	99,914
Cash flows					
Cash flows from:					
- operating activities	-16,598	-27,327	80,861	40,154	11,568
- investing activities	-126,970	-71,292	-5,962	-12,938	-9,123
including investment in property, plant and equipment	-33,963	-46,122	-1,849	-9,501	-3,361
- financing activities	133,718	10,300	-46,740	-26,934	2,595
Change in cash and cash equivalents for the year	-9,850	-88,319	28,159	282	5,040
Number of employees	602	528	459	446	454
Ratios					
Gross margin	32.7%	33.9%	39.5%	35.9%	39.4%
Profit margin	-9.8%	2.9%	8.6%	7.0%	4.7%
Return on assets	-10.6%	4.0%	14.1%	13.5%	8.3%
Solvency ratio	22.7%	36.3%	35.3%	36.5%	34.7%
Return on equity	-35.2%	11.3%	40.1%	32.3%	21.8%

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-, cattle-, and poultry- farming solutions, and grain and seed handling solutions for the animal production sector and feed and grain industry.

Development in the year

In 2019, SKIOLD had declining sales, as the drought in 2018 and the continued spread of African Swine Fever negatively impacted the 2019 market activity in many of SKIOLD's most important geographic markets.

Significant non-recurring costs were incurred during the year related to the implementation of operational improvements. The manufacturing footprint has been optimized, which involved the closure of the manufacturing site in Vester Åby, a substantial downscaling of the production activities at the site in Pontivy, France, various capacity expansions and upgrades to the remaining production sites, and an increased use of outsourcing. Investments have been made in upgrading the existing ERP system and rolling it out to international subsidiaries. Investments were made in product development, with emphasis on development of SKIOLD's digital platform and solutions.

SKIOLD acquired the Danish company Jyden Bur A/S, Holstebro, Denmark, consolidating its position within pig farming solutions.

The pre-tax group loss for the year amounts to mDKK 68, and total equity of mDKK 133.

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 2020 is positive due to the expected benefits of strategic and operational activities implemented in 2019, and an expected market improvement compared to 2019, as customers are expected to experience above average prices for their products (e.g. pork) in 2020 compared to recent years.

The Group's outlook for the future is for the time being not negatively affected by the COVID-19 outbreak (see subsequent events disclosures in note 1).

Management's Review

Research and development

The Group's products are subject to continuous development. A range of new products was introduced to the market during 2019.

Intellectual capital resources

SKIOLD supplies technology and solutions within the field of feed production, seed processing, grain handling and pig, cattle and poultry production. In order to maintain a strong position, SKIOLD continually invests to remain a knowledge leader within these business segments.

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. The Group has also increasingly made use of sub suppliers who operate with a higher energy efficiency than feasible in SKIOLD´s own production, which ultimately benefits the environment. Skiold's engineering principles in product and solution designs result in optimal use of feed ingredients and animal nutrients as well as optimal animal health and welfare. Both are factors in ensuring food security with a better utilization of resource with higher efficiency in the food production. In addition Skiold solutions allow for safe livestock production using good practices and the latest technology in bio security.

SKIOLD is covered by the EU energy directive and executive energy inspections on all locations in Denmark. In 2019, a significant production site was closed down, which had lower energy efficiency (heating and power) than the rest of the Group's production sites. During 2018, an energy report was finalized and energy optimisation possibilities have been identified, which will be implemented during the next five years.

Minimising of raw material consumption and wastage

SKIOLD is continuously working to optimize the use of materials to reduce environmental impact and wastage. In 2019, SKIOLD´s product range has been rationalised, leading to more efficient use of materials due to economies of scale. Value engineering has also led to less waste and more efficient product designs. In addition, SKIOLD reuses scrap material, from other industries and re-process these material to create products with high durability and lower environmental impact.

Working environment

In 2019, SKIOLD implemented several targeted efforts as a consequence of the survey on working environment carried out in 2018.

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.

Management's Review

During 2019 the Danish Working Environment Authority made inspection audits to our locations in Denmark, with the result that each Danish site now has a "Green Smiley" label, indicating very good working conditions for our employees, and as a result, less strict audits in the future.

SKIOLD continues to have employees with reduced working ability. At the same time, the Group strives to continuously reduce absence due to sickness among employees. A continuous improvement process is in place in the work safety committee, acting to avoid repetition of specific accidents, whenever they occur.

Human rights

In SKIOLD we respect the international conventions regarding the protection of human rights and the corresponding national laws.

SKIOLD 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 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.

All SKIOLD staff is 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 combat discrimination and aspire to promote equal treatment. This applies to the management level as well as all other levels in the organization.

The Group is working to increase the number of female managers in the Group and, based on this, has set specific targets for the share of the underrepresented gender in the Group's Management in general. The Group has a target that at least 25% of the management positions in the Group should be held by women by 2024. Management positions cover the Board of Directors, the Executive Board, middle managers as well as divisional managers and department managers.

The current distribution on the Group's Board of Directors is 6% women and in the other management positions 21%. 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 discrimination against gender.

Management's Review

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.

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 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

We refer to note 1.

Income Statement 1 January - 31 December

	Note	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
		TDKK	TDKK	TDKK	TDKK
Revenue	2	**632,556**	**704,739**	**317,399**	**499,851**
Other operating income		2,958	1,203	2,218	378
Expenses for raw materials and consumables		-306,486	-368,630	-179,341	-296,157
Other external expenses		-122,099	-98,401	-61,846	-54,255
Gross profit/loss		**206,929**	**238,911**	**78,430**	**149,817**
Staff expenses	3	-244,695	-201,880	-132,403	-126,269
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-23,231	-15,653	-10,100	-8,969
Other operating expenses		-1,212	-925	-1,037	-818
Profit/loss before financial income and expenses		**-62,209**	**20,453**	**-65,110**	**13,761**
Income from investments in subsidiaries		0	0	-1,464	3,348
Income from investments in associates		1,649	4,666	1,649	4,666
Financial income	4	211	248	643	659
Financial expenses	5	-7,276	-2,467	-6,108	-1,894
Profit/loss before tax		**-67,625**	**22,900**	**-70,390**	**20,540**
Tax on profit/loss for the year	6	11,903	-5,251	15,286	-2,826
Net profit/loss for the year		**-55,722**	**17,649**	**-55,104**	**17,714**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Completed development projects		17,506	7,166	15,313	3,891
Acquired patents		627	473	418	473
Acquired licenses		5,026	3,942	3,456	2,665
Goodwill		108,461	58,630	0	0
Development projects in progress		12,555	17,745	10,735	16,304
Intangible assets	7	**144,175**	**87,956**	**29,922**	**23,333**
Land and buildings		78,832	56,889	24,657	24,973
Plant and machinery		12,112	10,425	836	922
Other fixt. and fit., tools and eqp.		5,997	4,961	975	1,466
Leasehold improvements		66	79	66	79
Property, plant and equipment	8	**97,007**	**72,354**	**26,534**	**27,440**
Investments in subsidiaries	9	0	0	224,059	139,217
Investments in associates	10	11,785	14,026	11,785	14,026
Receivables from group ent.	11	0	0	3,709	4,603
Deposits	11	572	534	517	509
Fixed asset investments		**12,357**	**14,560**	**240,070**	**158,355**
Fixed assets		**253,539**	**174,870**	**296,526**	**209,128**
Inventories	12	**163,713**	**119,760**	**73,290**	**58,717**

Balance Sheet 31 December *(continued)*

Assets

		Group		Parent Company	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Trade receivables		90,087	128,030	33,622	87,646
Contract work in progress		15,767	36,304	5,924	34,943
Receivables from group ent.		0	10,450	30,369	26,060
Receivables from associates		15,339	5,378	15,339	5,378
Other receivables		14,145	11,368	2,875	643
Deferred tax asset	15	9,872	4,909	5,526	0
Corporation tax		570	0	0	0
Corporation tax receivable from group enterprises		0	0	1,931	0
Prepayments	13	2,577	1,975	1,091	1,257
Receivables		**148,357**	**198,414**	**96,677**	**155,927**
Cash at bank and in hand		**19,459**	**14,731**	**743**	**465**
Currents assets		**331,529**	**332,905**	**170,710**	**215,109**
Assets		**585,068**	**507,775**	**467,236**	**424,237**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Share capital		20,865	16,670	20,865	16,670
Revaluation reserve		0	0	6,418	7,549
Reserve for net revaluation under the equity method		0	0	12,708	18,805
Reserve for development costs		0	0	20,318	14,812
Retained earnings		110,585	166,245	71,141	125,079
Equity attributable to shareholders of the Parent Company		**131,450**	**182,915**	**131,450**	**182,915**
Minority interests		1,098	1,208	0	0
Equity		**132,548**	**184,123**	**131,450**	**182,915**
Provision for deferred tax	15	2,340	8,801	0	8,073
Other provisions	16	17,668	29,444	15,174	28,172
Provisions		**20,008**	**38,245**	**15,174**	**36,245**
Mortgage loans		52,583	36,357	29,666	31,298
Credit institutions		0	124	0	0
Lease obligations		201	315	0	0
Other payables		7,152	489	4,609	0
Long-term debt	17	**59,936**	**37,285**	**34,275**	**31,298**

Balance Sheet 31 December *(continued)*

Liabilities and equity

		Group		Parent Company	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	17	2,809	2,192	1,780	1,741
Credit institutions	17	80,165	66,047	72,562	57,065
Lease obligations	17	114	80	0	0
Prepayments received from customers		35,440	25,275	15,455	12,025
Trade payables		82,548	95,718	46,818	72,696
Payables to group enterprises		76,979	0	90,782	301
Corporation tax		1,294	5,555	0	3,314
Payables to group enterprises relating to corporation tax		8	2,046	0	768
Other payables	17	89,399	46,707	58,940	25,869
Deferred income	18	3,820	4,502	0	0
Short-term debt		**372,576**	**248,122**	**286,337**	**173,779**
Debt		**432,512**	**285,407**	**320,612**	**205,077**
Liabilities and equity		**585,068**	**507,775**	**467,236**	**424,237**

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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	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	16,670	0	0	0	166,245	182,915	1,208	184,123
Cash capital increase	4,195	0	0	0	37,755	41,950	0	41,950
Ordinary dividend paid	0	0	0	0	0	0	-7	-7
Extraordinary dividend paid	0	0	0	0	-39,000	-39,000	0	-39,000
Exchange adjustments relating to foreign entities	0	0	0	0	648	648	0	648
Other equity movements	0	0	0	0	41	41	515	556
Net profit/loss for the year	0	0	0	0	-55,104	-55,104	-618	-55,722
Equity at 31 December	**20,865**	**0**	**0**	**0**	**110,585**	**131,450**	**1,098**	**132,548**

Parent Company

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	16,670	7,549	18,805	14,812	125,079	182,915	0	182,915
Cash capital increase	4,195	0	0	0	37,755	41,950	0	41,950
Extraordinary dividend paid	0	0	0	0	-39,000	-39,000	0	-39,000
Exchange adjustments relating to foreign entities	0	0	648	0	0	648	0	648
Other equity movements	0	0	41	0	0	41	0	41
Development costs for the year	0	0	0	9,092	-9,092	0	0	0
Depreciation, amortisation and impairment for the year	0	-1,131	0	-3,586	4,717	0	0	0
Net profit/loss for the year	0	0	-6,786	0	-48,318	-55,104	0	-55,104
Equity at 31 December	**20,865**	**6,418**	**12,708**	**20,318**	**71,141**	**131,450**	**0**	**131,450**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019 TDKK	Group 2018 TDKK
Net profit/loss for the year		-55,722	17,649
Adjustments	19	16,819	19,078
Change in working capital	20	37,911	-59,454
Cash flows from operating activities before financial income and expenses		**-992**	**-22,727**
Financial income		212	249
Financial expenses		-7,344	-2,436
Cash flows from ordinary activities		**-8,124**	**-24,914**
Corporation tax paid		-8,474	-2,413
Cash flows from operating activities		**-16,598**	**-27,327**
Purchase of intangible assets etc.		-97,481	-27,637
Purchase of property, plant and equipment		-33,963	-46,122
Fixed asset investments made etc		-8	-25
Sale of property, plant and equipment		360	42
Dividends received from associates		4,122	2,450
Cash flows from investing activities		**-126,970**	**-71,292**
Repayment of mortgage loans		-2,475	-2,011
Repayment of loans from credit institutions		-189	-250
Reduction of lease obligations		-80	-90
Repayment of payables to group enterprises		0	-15,713
Repayment of other long-term debt		0	-12,337
Raising of mortgage loans		11,210	0
Raising of loans from group enterprises		87,429	0
Other payables (loan)		34,880	0
Cash capital increase		41,950	46,701
Dividend paid		-39,007	-6,000
Cash flows from financing activities		**133,718**	**10,300**
Change in cash and cash equivalents		**-9,850**	**-88,319**
Cash and cash equivalents at 1 January		-51,127	38,092
Exchange adjustment of current asset investments		395	-900
Cash and cash equivalents at 31 December		**-60,582**	**-51,127**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		19,459	14,731
Overdraft facility		-80,041	-65,858
Cash and cash equivalents at 31 December		**-60,582**	**-51,127**

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to ”close down their countries” will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company and Group has not been negatively impacted by the effects of COVID-19. None of the Company’s customers have indicated that they will stop projects in progress, and order flow is not affected. There is a risk of some delays in deliveries from some sup-suppliers, but a material impact is not expected.

Per 31 January 2020 SKIOLD A/S acquired 50% of the associated company SKIOLD & Vacuum Milling Solutions PIT Ltd., Jimboomda, Australia, and SKIOLD A/S is from that date a 100% owner.

Per 3 July 2020 SKIOLD A/S acquired 50% of the company SKIOLD Bemvig SL, Barcelona, Spain, and SKIOLD A/S is from that date a 100% owner.

Per 17 July 2020 SKIOLD A/S acquired 100% of the Spanish company Rotecna s.a. Agramunt, Spain. With this acquisition the Group becomes one of the largest suppliers in Europe of pig farm solutions.

Besides the above, no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

2 Revenue

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Revenue, EU	510,036	437,132	235,211	251,188
Revenue, outside EU	122,520	267,607	82,188	248,663
	632,556	**704,739**	**317,399**	**499,851**
Business segments				
Processing plant and equipment	216,690	353,442	157,801	302,525
Livestock farmning and equipment	415,866	351,297	159,598	197,326
	632,556	**704,739**	**317,399**	**499,851**

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
3 Staff expenses				
Wages and salaries	203,473	166,569	114,101	108,737
Pensions	24,095	19,480	16,185	15,457
Other social security expenses	17,127	15,831	2,117	2,075
	244,695	**201,880**	**132,403**	**126,269**
including remuneration to the Board of Directors	**125**	**300**	**125**	**300**
Average number of employees	**602**	**528**	**241**	**257**

As regards the Parent Company and the Group, remuneration of the Executive Board in 2019 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.

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
4 Financial income				
Interest received from group enterprises	1	40	595	585
Other financial income	210	208	48	74
	211	**248**	**643**	**659**
5 Financial expenses				
Interest paid to group enterprises	953	0	1,057	7
Other financial expenses	6,323	2,467	5,051	1,887
	7,276	**2,467**	**6,108**	**1,894**

Notes to the Financial Statements

6 Tax on profit/loss for the year

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	1,336	2,887	-1,687	783
Deferred tax for the year	-13,239	2,364	-13,599	2,043
	-11,903	**5,251**	**-15,286**	**2,826**

7 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	40,572	473	16,965	60,662	17,745
Exchange adjustment	4	0	66	0	0
Net effect from merger and acquisition	0	0	0	54,858	0
Additions for the year	6,393	255	2,239	0	5,845
Transfers for the year	11,035	0	0	0	-11,035
Cost at 31 December	58,004	728	19,270	115,520	12,555
Impairment losses and amortisation at 1 January	33,406	0	13,023	2,032	0
Exchange adjustment	3	0	65	0	0
Amortisation for the year	7,089	101	1,156	5,027	0
Impairment losses and amortisation at 31 December	40,498	101	14,244	7,059	0
Carrying amount at 31 December	**17,506**	**627**	**5,026**	**108,461**	**12,555**

Notes to the Financial Statements

7 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 carrying amount of development projects in progress amounts to TDKK 12,555 at 31 December 2019. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 10,000 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 2019, 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

7 **Intangible assets** (continued)

Parent Company

	Completed development projects	Acquired patents	Acquired licenses	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	28,808	473	13,979	16,304
Additions for the year	6,190	46	1,863	5,466
Transfers for the year	11,035	0	0	-11,035
Cost at 31 December	46,033	519	15,842	10,735
Impairment losses and amortisation at 1 January	24,917	0	11,315	0
Amortisation for the year	5,803	101	1,071	0
Impairment losses and amortisation at 31 December	30,720	101	12,386	0
Carrying amount at 31 December	**15,313**	**418**	**3,456**	**10,735**

Notes to the Financial Statements

8 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	92,463	93,064	18,452	470
Exchange adjustment	162	198	-18	0
Net effect from merger and acquisition	25,511	15,282	5,937	0
Additions for the year	7,531	1,717	1,678	44
Disposals for the year	0	-16,555	-1,038	0
Transfers for the year	0	30	0	0
Cost at 31 December	125,667	93,736	25,011	514
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	57,531	82,639	13,493	390
Exchange adjustment	62	116	-7	0
Net effect from merger and acquisition	7,567	11,880	4,290	0
Depreciation for the year	3,631	3,284	2,146	58
Impairment and depreciation of sold assets for the year	0	0	-229	0
Reversal of impairment and depreciation of sold assets	0	-16,325	-679	0
Transfers for the year	0	30	0	0
Impairment losses and depreciation at 31 December	68,791	81,624	19,014	448
Carrying amount at 31 December	**78,832**	**12,112**	**5,997**	**66**
Including assets under finance leases amounting to	0	390	0	0

Notes to the Financial Statements

8 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	42,480	53,967	9,229	470
Additions for the year	1,805	445	69	44
Disposals for the year	0	-15,760	-229	0
Kostpris at 31 December	44,285	38,652	9,069	514
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	39,463	53,045	7,765	390
Depreciation for the year	2,121	388	558	58
Impairment and depreciation of sold assets for the year	0	0	-229	0
Reversal of impairment and depreciation of sold assets	0	-15,617	0	0
Impairment losses and depreciation at 31 December	41,584	37,816	8,094	448
Carrying amount at 31 December	**24,657**	**836**	**975**	**66**

Notes to the Financial Statements

	Parent Company	
	2019	2018
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 January	104,390	20,551
Additions for the year	88,611	83,839
Cost at 31 December	193,001	104,390
Value adjustments at 1 January	34,827	32,045
Exchange adjustment	456	-566
Net profit/loss for the year	3,546	4,989
Dividend to the Parent Company	-2,761	0
Amortisation of goodwill	-4,921	-1,614
Change in intercompany profit on inventories	-89	-27
Value adjustments at 31 December	31,058	34,827
Carrying amount at 31 December	**224,059**	**139,217**
Positive differences arising on initial measurement of subsidiaries at net asset value	111,281	60,662
Remaining positive difference included in the above carrying amount at 31 December	104,327	58,629

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	100%
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%
Jyden Bur A/S	Holstebro, Denmark	TDKK 9,200	100%
Jyden China Holding A/S	Holstebro, Denmark	TDKK 1,000	100%
Jyden Animal Housing (Qingdao) Co., Ltd.	Shandong, China	TRMB 1,353	100%

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
10 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	4,944	3,795	4,944	3,795
Exchange adjustment	191	-850	191	-850
Net profit/loss for the year	1,970	4,987	1,970	4,987
Dividends received	-4,122	-2,450	-4,122	-2,450
Other equity movements, net	41	-217	41	-217
Amortisation of goodwill	-321	-321	-321	-321
Value adjustments at 31 December	2,703	4,944	2,703	4,944
Carrying amount at 31 December	**11,785**	**14,026**	**11,785**	**14,026**
Remaining positive difference included in the above carrying amount at 31 December	480	801	480	801

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

11 Other fixed asset investments

	Group	Parent Company	
	Deposits	Receivables from group ent.	Deposits
	TDKK	TDKK	TDKK
Cost at 1 January	534	4,603	509
Net effect from merger and acquisition	30	0	0
Additions for the year	8	0	8
Disposals for the year	0	-894	0
Cost at 31 December	572	3,709	517
Carrying amount at 31 December	**572**	**3,709**	**517**

12 Inventories

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	47,653	41,347	2,025	7,120
Work in progress	25,686	23,241	18,168	14,216
Finished goods and goods for resale	90,374	54,921	53,097	37,130
Prepayments for goods	0	251	0	251
	163,713	**119,760**	**73,290**	**58,717**

13 Prepayments

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

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
14 Distribution of profit				
Extraordinary dividend paid	39,000	6,000	39,000	6,000
Reserve for net revaluation under the equity method	0	0	-6,786	5,566
Minority interests' share of net profit/loss of subsidiaries	-618	-65	0	0
Retained earnings	-94,104	11,714	-87,318	6,148
	-55,722	**17,649**	**-55,104**	**17,714**

15 Deferred tax asset

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Deferred tax asset at 1 January	-3,892	-456	-8,073	-6,029
Amounts recognised in the income statement for the year	13,239	-2,364	13,599	-2,044
Amounts recognised in equity for the year	-1,815	-1,072	0	0
Deferred tax asset at 31 December	**7,532**	**-3,892**	**5,526**	**-8,073**

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.

16 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.

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Other provisions	17,668	29,444	15,174	28,172
	17,668	**29,444**	**15,174**	**28,172**

Notes to the Financial Statements

17 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	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	40,716	27,734	22,586	24,478
Between 1 and 5 years	11,867	8,623	7,080	6,820
Long-term part	52,583	36,357	29,666	31,298
Within 1 year	2,809	2,192	1,780	1,741
	55,392	**38,549**	**31,446**	**33,039**
Credit institutions				
Between 1 and 5 years	0	124	0	0
Long-term part	0	124	0	0
Within 1 year	124	189	0	0
Other short-term debt to credit institutions	80,041	65,858	72,562	57,065
Short-term part	80,165	66,047	72,562	57,065
	80,165	**66,171**	**72,562**	**57,065**
Lease obligations				
Between 1 and 5 years	201	315	0	0
Long-term part	201	315	0	0
Within 1 year	114	80	0	0
	315	**395**	**0**	**0**
Other payables				
Between 1 and 5 years	7,152	489	4,609	0
Long-term part	7,152	489	4,609	0
Other short-term payables	89,399	46,707	58,940	25,869
	96,551	**47,196**	**63,549**	**25,869**

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

18 Deferred income

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

	Group	
	2019	2018
	TDKK	TDKK
19 Cash flow statement - adjustments		
Financial income	-211	-248
Financial expenses	7,276	2,467
Depreciation, amortisation and impairment losses, including losses and gains on sales	23,306	16,274
Income from investments in associates	-1,649	-4,666
Tax on profit/loss for the year	-11,903	5,251
	16,819	**19,078**

20 Cash flow statement - change in working capital

Change in inventories	-16,910	4,810
Change in receivables	56,087	-51,106
Change in other provisions	-2,252	-4,367
Change in trade payables, etc	986	-8,791
	37,911	**-59,454**

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
21 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	66,230	44,373	24,657	24,973
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	41,573	19,400	0	0
A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables with a carrying amount of	76,881	32,619	0	0

All shares in Jyden Bur A/S, Landmeco. Ølgod A/S and SKIOLD BL Sp. z.o.o. have been pledged with first ranking priority to Nordea Danmark, Filial af Nordea Bank AB (publ), Sweden, as agent and representative for the benefit of certain Secured Parties (as defined in the share pledge agreement) pursuant to a share pledge agreement 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

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4,276	2,054	2,596	1,395
Between 1 and 5 years	5,905	6,236	3,531	5,117
	10,181	**8,290**	**6,127**	**6,512**

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
21 Contingent assets, liabilities and other financial obligations (continued)				
Rental obligations, period of non-terminability 1-40 months	3,340	2,756	2,556	1,192

Guarantee obligations

The Parent Company and Group has issued guarantee to its parent company's bankers equal to no more than TDKK 125,000.

The Group has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to TDKK 9,282.

Bankers have on behalf of the Group provided guarantees with security in cash-deposits of TDKK 318.

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.

22 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

Notes to the Financial Statements

22 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.

23 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

24 Accounting Policies

The Annual Report of SKIOLD A/S for 2019 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 2019 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.

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

Notes to the Financial Statements

24 Accounting Policies (continued)

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 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:

Notes to the Financial Statements

24 Accounting Policies (continued)

- 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 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.

Notes to the Financial Statements

24 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

24 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

24 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.

Notes to the Financial Statements

24 Accounting Policies (continued)

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment 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 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 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.

Notes to the Financial Statements

24 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

24 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

24 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

24 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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$