
SKIOLD A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 1 January - 31 December 2020

CVR No 57 08 11 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/6 2021

Brian Frimor
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKIOLD A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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, 30 June 2021

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 2020 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 2020 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 2020, 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.

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 condi-

Independent Auditor's Report

tions 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, 30 June 2021

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				
	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Revenue	987,711	632,556	704,739	592,656	602,104
Gross profit/loss	373,135	206,929	238,911	234,311	216,125
Profit/loss before financial income and expenses	23,026	-62,209	20,453	50,908	42,345
Net financials	-5,236	-5,416	2,447	3,896	1,498
Net profit/loss for the year	6,814	-55,722	17,649	48,546	34,584
Balance sheet					
Balance sheet total	1,296,542	585,068	507,775	360,996	313,870
Equity	142,342	132,548	184,123	127,403	114,434
Cash flows					
Cash flows from:					
- operating activities	69,755	-16,203	-27,327	80,861	40,154
- investing activities	-494,882	-126,970	-71,292	-5,962	-12,938
including investment in property, plant and equipment	-44,570	-33,963	-46,122	-1,849	-9,501
- financing activities	455,923	133,718	10,300	-46,740	-26,934
Change in cash and cash equivalents for the year	30,796	-9,455	-88,319	28,159	282
Number of employees	648	602	528	459	446
Ratios					
Gross margin	37.8%	32.7%	33.9%	39.5%	35.9%
Profit margin	2.3%	-9.8%	2.9%	8.6%	7.0%
Return on assets	1.8%	-10.6%	4.0%	14.1%	13.5%
Solvency ratio	11.0%	22.7%	36.3%	35.3%	36.5%
Return on equity	5.0%	-35.2%	11.3%	40.1%	32.3%

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.

Development in the year

In 2020 the SKIOLD realised positive organic growth as a result of its previously implemented strategic initiatives. SKIOLD's most important geographic markets benefitted from higher pork prices, but were however at the same time impacted negatively by the COVID-19 related work- and travel restrictions.

Over the year the Group acquired a minority stake in two group companies and acquired the Spanish company Rotecna s.a. The acquisition of Rotecna positions SKIOLD Group as one of the largest suppliers of pig farming solutions in Europe.

- On 31 January 2020 SKIOLD A/S acquired 50% of the associated company SKIOLD & Vacuum Milling Solutions Pty Ltd., Jimboomda, Australia. From that date SKIOLD A/S is the outright owner of the company.
- On 3 July 2020 SKIOLD A/S acquired 50% of the associated company SKIOLD Bemvig SL, Barcelona, Spain. From that date SKIOLD A/S is the outright owner of the company .
- On 17 July 2020 SKIOLD A/S acquired 100% of Rotecna S.A. Agramunt, Spain.

Earnings before Amortisation and Depreciation improved to DKK 69 million from a loss of DKK 41 million. The Group's pre-tax loss for the year is DKK 12 million, with a total equity of DKK 718 million.

Special risks - operating risks and financial risks

Operating risks

The Group is exposed to the developments in global meat, milk, grain, seed, steel and polymer 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, and occasionally by use of financial instruments for fixed contracts. The Group mostly trades in EUR.

Management's Review

Targets and expectations for the year ahead

The outlook for 2021 is positive due to the expected benefit of strategic and operational activities implemented in 2020, hereunder order and revenue growth in Asian markets from large integrated solution orders.

While uncertainty still exists, it is currently expected that any potential negative impact of the COVID-19 outbreak on the Group's performance in 2021 will be limited.

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.

Many new products were introduced to the market in 2020:

- Pig: Sow Management – Herd efficiency through digitalisation
- Pig: Tecnapur –Sustainability-focused slurry systems
- Feed: Aqua Feed Solution – Efficient modularised aqua feed solutions
- Feed: SK780 DiscMill control system - Based on industrial PLC concepts and comprehensive machine monitoring
- Feed: Foreign Particle separator – Sorting out undesirable foreign particles
- Seed: Zeta upgrade – Sorting efficiency
- Poultry: Organic rearing system – a new system with manure removal, matching new requirements for organic rearing.

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 optimising animal health and welfare. Both are factors in ensuring food security with a better utilisation 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.

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. In 2020, SKIOLD started downscaling a large production site, which had a lower energy efficiency (heating and power) than the rest of the Group's production facilities.

An energy report was finalised in 2018, identifying energy optimisation opportunities which will be

Management's Review

implemented over the next five years.

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 2020 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.

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.

Management's Review

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.

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 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 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	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Revenue	1	987,711	632,556	409,445	317,399
Other operating income		2,636	2,958	436	2,218
Expenses for raw materials and consumables		-492,060	-306,486	-240,073	-179,341
Other external expenses		-125,152	-122,099	-45,942	-61,846
Gross profit/loss		373,135	206,929	123,866	78,430
Staff expenses	2	-282,345	-244,695	-119,608	-132,403
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-48,248	-23,231	-11,409	-10,100
Other operating expenses		-19,516	-1,212	-16,396	-1,037
Profit/loss before financial income and expenses		23,026	-62,209	-23,547	-65,110
Income from investments in subsidiaries		0	0	24,162	-1,464
Income from investments in associates		15,808	1,649	15,808	1,649
Financial income	3	280	211	2,062	643
Financial expenses	4	-21,324	-7,276	-16,863	-6,108
Profit/loss before tax		17,790	-67,625	1,622	-70,390
Tax on profit/loss for the year	5	-10,976	11,903	5,226	15,286
Net profit/loss for the year		6,814	-55,722	6,848	-55,104

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Completed development projects		23,521	17,506	20,461	15,313
Acquired patents		481	627	314	418
Acquired licenses		5,090	5,026	2,262	3,456
Goodwill		619,605	108,461	0	0
Development projects in progress		3,834	12,555	3,833	10,735
Intangible assets	6	652,531	144,175	26,870	29,922
Land and buildings		84,830	78,832	23,230	24,657
Plant and machinery		41,954	12,112	775	836
Other fixt. and fit., tools and eqp.		11,775	5,997	545	975
Leasehold improvements		30	66	31	66
Property, plant and equipment	7	138,589	97,007	24,581	26,534
Investments in subsidiaries	8	0	0	796,727	224,059
Investments in associates	9	0	11,785	0	11,785
Receivables from group ent.	10	0	0	125,584	3,709
Deposits	10	1,513	572	491	517
Fixed asset investments		1,513	12,357	922,802	240,070
Fixed assets		792,633	253,539	974,253	296,526
Inventories	11	220,565	163,713	73,586	73,290

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Trade receivables		184,751	90,087	58,779	33,622
Contract work in progress		8,093	15,767	1,282	5,924
Receivables from group ent.		19,035	0	40,181	30,369
Receivables from associates		0	15,339	0	15,339
Other receivables		9,017	14,145	392	2,875
Deferred tax	14	13,381	9,872	8,340	5,526
Corporation tax		2	570	0	0
Corporation tax receivable from group enterprises		0	0	0	1,931
Prepayments	12	4,859	2,577	1,943	1,091
Receivables		239,138	148,357	110,917	96,677
Cash at bank and in hand		44,206	19,459	78	743
Currents assets		503,909	331,529	184,581	170,710
Assets		1,296,542	585,068	1,158,834	467,236

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
Share capital		20,865	20,865	20,865	20,865
Revaluation reserve		0	0	5,287	6,418
Reserve for net revaluation under the equity method		-24,034	0	11,719	12,708
Reserve for development costs		0	0	23,670	20,318
Reserve for exchange rate adjustments		-1,116	0	0	0
Retained earnings		146,627	110,585	80,801	71,141
Equity attributable to shareholders of the Parent Company		142,342	131,450	142,342	131,450
Minority interests		0	1,098	0	0
Equity		142,342	132,548	142,342	131,450
Provision for deferred tax	14	3,354	2,340	0	0
Other provisions	15	9,459	17,668	4,892	15,174
Provisions		12,813	20,008	4,892	15,174
Mortgage loans		323,160	52,583	293,541	29,666
Lease obligations		692	201	0	0
Other payables		7,742	7,152	0	4,609
Long-term debt	16	331,594	59,936	293,541	34,275

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	16	22,623	2,809	21,585	1,780
Credit institutions		73,992	80,165	64,526	72,562
Lease obligations	16	254	114	0	0
Prepayments received from customers		49,729	35,440	20,384	15,455
Trade payables		135,064	82,548	48,511	46,818
Payables to group enterprises		396,760	76,979	486,423	90,782
Corporation tax		1,248	1,294	0	0
Payables to group enterprises relating to corporation tax		3,394	8	0	0
Other payables		119,780	89,399	76,630	58,940
Deferred income	17	6,949	3,820	0	0
Short-term debt		809,793	372,576	718,059	286,337
Debt		1,141,387	432,512	1,011,600	320,612
Liabilities and equity		1,296,542	585,068	1,158,834	467,236
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	20				
Related parties	21				
Fee to auditors appointed at the general meeting	22				
Accounting Policies	23				

Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate adjustments	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20,865	0	0	0	0	110,585	131,450	1,098	132,548
Contribution from group	0	0	0	0	0	6,892	6,892	0	6,892
Dividend from group enterprises	0	0	-24,034	0	0	24,034	0	0	0
Other equity movements	0	0	0	0	0	-1,732	-1,732	-1,064	-2,796
Transfers, reserves	0	0	0	0	-1,116	0	-1,116	0	-1,116
Net profit/loss for the year	0	0	0	0	0	6,848	6,848	-34	6,814
Equity at 31 December	20,865	0	-24,034	0	-1,116	146,627	142,342	0	142,342

Statement of Changes in Equity

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	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20,865	6,418	12,708	20,318	0	71,141	131,450	0	131,450
Contribution from group	0	0	0	0	0	6,893	6,893	0	6,893
Exchange adjustments relating to foreign entities	0	0	-1,117	0	0	0	-1,117	0	-1,117
Dividend from group enterprises	0	0	-24,034	0	0	24,034	0	0	0
Other equity movements	0	0	0	0	0	-1,732	-1,732	0	-1,732
Development costs for the year	0	0	0	7,151	0	-7,151	0	0	0
Depreciation, amortisation and impairment for the year	0	-1,131	0	-3,799	0	4,930	0	0	0
Net profit/loss for the year	0	0	24,162	0	0	-17,314	6,848	0	6,848
Equity at 31 December	20,865	5,287	11,719	23,670	0	80,801	142,342	0	142,342

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020	2019
		TDKK	TDKK
Net profit/loss for the year		6,814	-55,722
Adjustments	18	64,458	16,819
Change in working capital	19	25,618	38,306
Cash flows from operating activities before financial income and expenses		96,890	-597
Financial income		279	212
Financial expenses		-21,324	-7,344
Cash flows from ordinary activities		75,845	-7,729
Corporation tax paid		-6,090	-8,474
Cash flows from operating activities		69,755	-16,203
Purchase of intangible assets etc.		-450,312	-97,481
Purchase of property, plant and equipment		-44,570	-33,963
Fixed asset investments made etc		0	-8
Sale of property, plant and equipment		0	360
Dividends received from associates		0	4,122
Cash flows from investing activities		-494,882	-126,970
Repayment of mortgage loans		0	-2,475
Repayment of loans from credit institutions		0	-189
Reduction of lease obligations		631	-80
Raising of mortgage loans		189,426	11,210
Raising of loans from group enterprises		300,746	87,429
Other payables (loan)		-34,880	34,880
Cash capital increase		0	41,950
Dividend paid		0	-39,007
Cash flows from financing activities		455,923	133,718
Change in cash and cash equivalents		30,796	-9,455
Cash and cash equivalents at 1 January		-60,582	-51,127
Cash and cash equivalents at 31 December		-29,786	-60,582
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		44,206	19,459
Overdraft facility		-73,992	-80,041
Cash and cash equivalents at 31 December		-29,786	-60,582

Notes to the Financial Statements

1 Revenue	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Revenue, EU	808,295	510,036	287,732	235,211
Revenue, outside EU	179,416	122,520	121,713	82,188
	987,711	632,556	409,445	317,399
Business segments				
Processing plant and equipment	276,819	216,690	220,113	157,801
Livestock farming and equipment	710,892	415,866	189,332	159,598
	987,711	632,556	409,445	317,399

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
2 Staff expenses				
Wages and salaries	237,641	203,473	103,276	114,101
Pensions	23,984	24,095	14,598	16,185
Other social security expenses	20,720	17,127	1,734	2,117
	282,345	244,695	119,608	132,403
including remuneration to the Board of Directors	250	125	250	125
Average number of employees	648	602	203	241

As regards the Parent Company and the Group, remuneration of the Executive Board in 2020 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.

3 Financial income

Interest received from group enterprises	47	0	2,047	595
Other financial income	233	211	15	48
	280	211	2,062	643

4 Financial expenses

Interest paid to group enterprises	6,614	953	7,092	1,057
Other financial expenses	14,710	6,323	9,771	5,051
	21,324	7,276	16,863	6,108

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
5 Tax on profit/loss for the year				
Current tax for the year	5,115	1,336	0	-1,687
Deferred tax for the year	5,861	-13,239	-5,226	-13,599
	10,976	-11,903	-5,226	-15,286

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	58,004	728	19,270	115,520	12,555
Exchange adjustment	-49	0	-35	-7	-7
Net effect from merger and acquisition	0	0	7,960	0	0
Additions for the year	2,460	0	1,822	529,961	2,266
Disposals for the year	-5,255	0	-118	0	0
Transfers for the year	10,980	0	0	0	-10,980
Cost at 31 December	66,140	728	28,899	645,474	3,834
Impairment losses and amortisation at 1 January	40,498	101	14,244	7,059	0
Exchange adjustment	-40	0	-24	0	0
Net effect from merger and acquisition	0	0	7,201	0	0
Amortisation for the year	7,416	146	2,476	18,810	0
Impairment and amortisation of sold assets for the year	0	0	-88	0	0
Reversal of amortisation of disposals for the year	-5,255	0	0	0	0
Impairment losses and amortisation at 31 December	42,619	247	23,809	25,869	0
Carrying amount at 31 December	23,521	481	5,090	619,605	3,834

Notes to the Financial Statements

6 Intangible assets (continued)

Group

Development projects in progress

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

The carrying amount of development projects in progress amounts to TDKK 3,834 at 31 December 2020. 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 2020, Management made an impairment test of the carrying amount of the development projects. It is assessed that the recoverable amount by way of value in use exceeds the carrying amount. The value in use is calculated based on estimated earnings on the basis of expectations for the coming years.

Notes to the Financial Statements

6 Intangible assets (continued)

Parent Company

	Completed development projects	Acquired pa- tents	Acquired licenses	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	46,033	519	15,842	10,735
Additions for the year	2,054	0	1,076	2,266
Transfers for the year	9,168	0	0	-9,168
Cost at 31 December	<u>57,255</u>	<u>519</u>	<u>16,918</u>	<u>3,833</u>
Impairment losses and amortisation at 1 January	30,720	101	12,387	0
Amortisation for the year	<u>6,074</u>	<u>104</u>	<u>2,269</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>36,794</u>	<u>205</u>	<u>14,656</u>	<u>0</u>
Carrying amount at 31 December	<u>20,461</u>	<u>314</u>	<u>2,262</u>	<u>3,833</u>

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	125,667	93,736	25,011	513
Exchange adjustment	-1,105	-1,209	28	0
Net effect from merger and acquisition	13,910	116,224	21,876	0
Additions for the year	1,276	4,650	2,527	0
Disposals for the year	0	-13,580	-792	0
Transfers for the year	328	-571	249	0
Cost at 31 December	<u>140,076</u>	<u>199,250</u>	<u>48,899</u>	<u>513</u>
Revaluations at 1 January	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revaluations at 31 December	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January	68,791	81,624	19,014	448
Exchange adjustment	-446	-828	4	0
Net effect from merger and acquisition	4,232	82,392	15,373	0
Depreciation for the year	4,297	7,645	3,317	35
Reversal of impairment and depreciation of sold assets	328	-13,119	-659	0
Reversal for the year of previous years' impairment losses	0	0	-20	0
Transfers for the year	<u>0</u>	<u>-418</u>	<u>95</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>77,202</u>	<u>157,296</u>	<u>37,124</u>	<u>483</u>
Carrying amount at 31 December	<u>84,830</u>	<u>41,954</u>	<u>11,775</u>	<u>30</u>
Including assets under finance leases amounting to	<u>0</u>	<u>299</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	44,285	38,652	9,069	515
Additions for the year	817	227	0	0
Disposals for the year	0	-11,087	0	0
Kostpris at 31 December	<u>45,102</u>	<u>27,792</u>	<u>9,069</u>	<u>515</u>
Revaluations at 1 January	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revaluations at 31 December	<u>21,956</u>	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January	41,584	37,816	8,094	448
Depreciation for the year	2,244	252	430	36
Reversal of impairment and depreciation of sold assets	0	-11,051	0	0
Impairment losses and depreciation at 31 December	<u>43,828</u>	<u>27,017</u>	<u>8,524</u>	<u>484</u>
Carrying amount at 31 December	<u>23,230</u>	<u>775</u>	<u>545</u>	<u>31</u>

Notes to the Financial Statements

	Parent Company	
	2020	2019
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	193,002	104,390
Additions for the year	550,606	88,611
Cost at 31 December	<u>743,608</u>	<u>193,001</u>
Value adjustments at 1 January	31,058	34,827
Exchange adjustment	-1,117	456
Net profit/loss for the year	44,131	3,546
Dividend to the Parent Company	-1,454	-2,761
Amortisation of goodwill	-18,494	-4,921
Change in intercompany profit on inventories	-993	-89
Other adjustments	-12	0
Value adjustments at 31 December	<u>53,119</u>	<u>31,058</u>
Carrying amount at 31 December	<u>796,727</u>	<u>224,059</u>
Positive differences arising on initial measurement of subsidiaries at net asset value	<u>641,241</u>	<u>111,281</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>615,784</u>	<u>104,327</u>

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%
SKIOLD Jyden Bur A/S	Holstebro, Denmark	TDKK 9,200	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%
ODIONE XXI, S.L.	Agramunt, Spain	TEUR 1,000	100%
Rotechna S.A.	Agramunt, Spain	TEUR 2,006	100%

Notes to the Financial Statements

	Group		Parent Company	
	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
9 Investments in associates				
Cost at 1 January	9,082	9,082	9,082	9,082
Disposals for the year	-9,082	0	-9,082	0
Cost at 31 December	0	9,082	0	9,082
Value adjustments at 1 January	2,703	4,944	2,703	4,944
Disposals for the year	-2,341	0	-2,341	0
Exchange adjustment	0	191	0	191
Net profit/loss for the year	-349	1,970	-349	1,970
Dividends received	0	-4,122	0	-4,122
Other equity movements, net	0	41	0	41
Amortisation of goodwill	-13	-321	-13	-321
Value adjustments at 31 December	0	2,703	0	2,703
Carrying amount at 31 December	0	11,785	0	11,785
Remaining positive difference included in the above carrying amount at 31 December	0	480	0	480

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%

The company has acquired the remaining 50 % of SKIOLD & Vacuum Milling Solutions Plt. Ltd. during 2020.

Notes to the Financial Statements

10 Other fixed asset investments

	Group	Parent Company	
	Deposits	Receivables	Deposits
	TDKK	from group ent. TDKK	TDKK
Cost at 1 January	572	3,709	517
Net effect from merger and acquisition	736	0	0
Additions for the year	231	121,875	0
Disposals for the year	-26	0	-26
Cost at 31 December	1,513	125,584	491
Carrying amount at 31 December	1,513	125,584	491

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
11 Inventories				
Raw materials and consumables	67,634	47,653	2,761	2,025
Work in progress	24,974	25,686	12,317	18,168
Finished goods and goods for resale	121,240	90,374	58,508	53,097
Prepayments for goods	6,717	0	0	0
	220,565	163,713	73,586	73,290

12 Prepayments

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

Notes to the Financial Statements

	Group		Parent Company	
	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
13 Distribution of profit				
Extraordinary dividend paid	0	39,000	0	39,000
Reserve for net revaluation under the equity method	0	0	24,162	-6,786
Minority interests' share of net profit/loss of subsidiaries	-34	-618	0	0
Retained earnings	6,848	-94,104	-17,314	-87,318
	6,814	-55,722	6,848	-55,104

14 Deferred tax

Deferred tax asset at 1 January	7,532	-3,892	5,526	-8,073
Amounts recognised in the income statement for the year	-5,861	13,239	5,226	13,599
Amounts recognised in equity for the year	8,356	-1,815	-2,412	0
Deferred tax net asset at 31 December	10,027	7,532	8,340	5,526

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

15 Other provisions

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

Other provisions	9,459	17,668	4,892	15,174
	9,459	17,668	4,892	15,174

Notes to the Financial Statements

16 Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent Company	
	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
Mortgage loans				
After 5 years	273,002	40,716	256,725	22,586
Between 1 and 5 years	50,158	11,867	36,816	7,080
Long-term part	323,160	52,583	293,541	29,666
Within 1 year	22,623	2,809	21,585	1,780
	345,783	55,392	315,126	31,446
Lease obligations				
Between 1 and 5 years	692	201	0	0
Long-term part	692	201	0	0
Within 1 year	254	114	0	0
	946	315	0	0
Other payables				
Between 1 and 5 years	7,742	7,152	0	4,609
Long-term part	7,742	7,152	0	4,609
Other short-term payables	119,780	89,399	76,630	58,940
	127,522	96,551	76,630	63,549

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

17 Deferred income

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

Notes to the Financial Statements

	Group	
	2020	2019
	TDKK	TDKK
18 Cash flow statement - adjustments		
Financial income	-280	-211
Financial expenses	21,324	7,276
Depreciation, amortisation and impairment losses, including losses and gains on sales	48,248	23,306
Income from investments in associates	-15,808	-1,649
Tax on profit/loss for the year	10,976	-11,903
Other adjustments	-2	0
	64,458	16,819
19 Cash flow statement - change in working capital		
Change in inventories	19,121	-16,910
Change in receivables	-954	56,087
Change in other provisions	-8,209	-2,252
Change in trade payables, etc	15,660	1,381
	25,618	38,306

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
20 Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	63,724	66,230	23,230	24,657
The following assets have been placed as security with bankers:				
Mortgages registered to the owner of TDKK 6,650, providing security on land and buildings with a carrying amount of	40,493	41,573	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	70,313	76,881	0	0
All shares in SKIOLD Jyden Bur A/S, 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				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4,603	4,276	3,185	2,596
Between 1 and 5 years	7,227	5,905	4,720	3,531
	11,830	10,181	7,905	6,127

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
20 Contingent assets, liabilities and other financial obligations (continued)				

Rental obligations, period of non-terminability 1-40 months

	27,504	2,756	1,578	2,556
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Guarantee obligations

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

The Group has entered into agreements regarding outstanding debtors sold to a bank. The potential obligation in the notice amounts to TDKK 7,323.

Other contingent liabilities

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

21 Related parties

Basis

Controlling interest

SKIOLD Holding A/S, CVR 39 08 42 79
SKIOLD Group A/S, CVR 39 08 38 92
Plemont Co-Investment No. 1 Seperate Limited Partnership

Parent Company
Majority shareholder in Parent Company
Majority shareholder in SKIOLD Group A/S

Notes to the Financial Statements

21 Related parties (continued)

Transactions

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

22 Fee to auditors appointed at the general meeting

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

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of SKIOLD A/S for 2020 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 2020 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

23 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

23 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

23 Accounting Policies (continued)

Translation policies

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

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

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

Revenue

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

Income Statement

Revenue

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

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

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

Expenses for raw materials and consumables

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries and associates

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Balance Sheet

Intangible assets

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

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

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

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 suppliers up until the time when the asset is ready for use.

Notes to the Financial Statements

23 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 inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

Notes to the Financial Statements

23 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

23 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

23 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

23 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

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

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Pia Merete Madsen

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Hans Jørgen Andersen

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