SKIOLD A/S

Kjeldgaardsvej 3, DK-9300 Sæby

Annual Report for 1 January - 31 December 2022

CVR No 57 08 11 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/6 2023

Rasmus Sandorff Jacobsen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKIOLD A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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, 29 June 2023

Executive Board

Morten Rosager Andersen
CEO

Board of Directors

Denis Viet-Jacobsen Chairman	Michael Pontoppidan Frost	Thure Bo Thomas Thuresson
Jørn Mørkeberg Nielsen	Lars Radoor Sørensen	Henriette Holmberg Olsen
Martin Østergaard Staff Representative	Michael Harritz Markmann Olesen 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 2022 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 2022 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 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

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

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

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

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

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

Management's responsibilities for the Financial Statements

Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Herning, 29 June 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Poul Spencer Poulsen
State Authorised Public Accountant
mne23324

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

Company Information

The Company	SKIOLD A/S Kjeldgaardsvej 3 DK-9300 Sæby CVR No: 57 08 11 12 Financial period: 1 January - 31 December Municipality of reg. office: Frederikshavn
Board of Directors	Denis Viet-Jacobsen, Chairman Michael Pontoppidan Frost Thure Bo Thomas Thuresson Jørn Mørkeberg Nielsen Lars Radoor Sørensen Henriette Holmberg Olsen Martin Østergaard Michael Harritz Markmann Olesen
Executive Board	Morten Rosager Andersen
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				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,050,212	1,203,374	987,711	632,556	704,739
Gross profit/loss	291,599	457,927	373,135	206,929	238,911
Profit/loss before financial income and expenses	-49,765	57,496	23,026	-62,209	20,453
Net financials	-32,742	-25,483	-5,236	-5,416	2,447
Net profit/loss for the year	-81,620	18,511	6,814	-55,722	17,649
Balance sheet					
Balance sheet total	1,185,377	1,329,125	1,296,542	585,068	507,775
Equity	83,040	166,143	142,342	132,548	184,123
Cash flows					
Cash flows from:					
- operating activities	31,302	56,183	69,754	-16,203	-27,327
- investing activities	-15,861	-36,674	-494,880	-126,970	-71,292
including investment in property, plant and equipment	-18,545	-20,008	-44,568	-33,963	-46,122
- financing activities	-47,771	-30,150	455,923	133,718	10,300
Change in cash and cash equivalents for the year	-32,330	-10,641	30,797	-9,455	-88,319
Number of employees	725	816	648	602	528
Ratios					
Gross margin	27.8%	38.1%	37.8%	32.7%	33.9%
Profit margin	-4.7%	4.8%	2.3%	-9.8%	2.9%
Return on assets	-4.2%	4.3%	1.8%	-10.6%	4.0%
Solvency ratio	7.0%	12.5%	11.0%	22.7%	36.3%
Return on equity	-65.5%	12.0%	5.0%	-35.2%	11.3%

Management's Review

Key activities

The Group's main activities are to provide the optimal solutions to our customers, enabling them to produce food for the world's growing population, in the most logical locations with the least impact on the environment, gaining the best benefit from their own effort.

We provide our customers the most innovative solutions that are efficient, reliable, affordable and add value to their businesses. We put our best effort to incorporate the global goals for a sustainable world in our solutions & products with the least negative impact on the environment covering the complete value chain from field to livestock.

Development in the year

In 2022 SKIOLD realized a loss of revenue of 13% as a result of the lower activity in the European pig industry. The fluctuating pork prices and negative impact of the war in Ukraine has had a negative impact on investments in the industry leading to lower demand of SKIOLD products.

In 2022 it was decided to close down the legal entities in Russia, Germany and China and the negative impact has been included in the 2022 figures. The total negative impact in 2022 was DKK 7 million.

Further the 2022 result has been impacted by write down of projects that has been significantly worsened due to postponements caused by Covid19.

Earnings before Amortization and Depreciation was DKK 18 million from 133 million in 2021.
Pretax result shows a loss of DKK 83 million, compared to a profit of DKK 32 million in 2021, with a total equity of DKK 83 million.

Operating risks

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

Foreign exchange risks

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

Targets and expectations for the year ahead

The outlook for 2023 is negatively impacted by the low activity in the European market and the war in Ukraine. The global uncertainty from this could impact the Groups performance due to scarcity and fluctuating prices on raw materials as well as the high level of inflation on the core markets. It is expected that revenue in 2023 will decrease around 20% compared to 2022 and the impact on the net result will be offset by cost initiatives launched in 2021.

Management’s Review

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 continuously invests in both product development and our employees to ensure SKIOLD continue to be relevant to the market.

Statement of corporate social responsibility

Business model

The Group’s main activities are to provide the optimal solutions to our customers, enabling them to produce food for the world’s growing population, in the most logical locations with the least impact on the environment, gaining the best benefit from their own effort.

We provide our customers the most innovative solutions that are efficient, reliable, and add value to their businesses. We put our best effort to incorporate the global goals for a sustainable world in our solutions & products with the least negative impact on the environment covering the complete value chain from field to livestock.

Main risks in connection with corporate social responsibility

In SKIOLD we have identified the following main risks within the areas of environment,energy efficiency and working environment:
- Working environment, including health and safety and attraction of qualified labor.
- Environment and energy efficiency, including the total impact of the production of livestock that our products are a part of.

We currently don’t have any identified risks within the areas of human rights and anti-corruption and bribery, but all areas are being evaluated on a regular basis.

Environment and energy efficiency

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

The structure and production methods of SKIOLD’s in-house production within the Group does not have any significant environmental impact. The Group has increasingly also made use of suppliers which operate with a higher degree of energy efficiency than that feasible in SKIOLD's in-house production. SKIOLD is covered by the EU energy directive and executive energy inspections take place in all of its sites in Denmark.

Management’s Review

In 2022 we have started the process of collecting data to support the reduction of the environmental impact of the business. The data will form the base for an ambitious plan to reduce our environmental footprint. This work will continue in 2023 and the strategy for this area is expected to be finalized in 2024.

As a part of the initiative to reduce Co2-emmsission it has been decided to merge 3 production sites to 1. The work has already begun and is expected to be completed before the end of 2024.

In 2022, we took a big step to increase our ESG performance and implement ESG into the core business – across initiatives and departments. SKIOLD appointed a Head of ESG and established an ESG Ambassador group. The group is made up of employees from Production, Quality, R&D, Procurement and Product management. In addition, SKIOLD has teamed up with an external provider to accelerate and optimize the process.

The purpose of the ESG group is to make sure that the ESG work is grounded across the organization. The group is responsible for bringing forward proposals for continuous development of ESG and the target setting for the review and approval from top management. The ESG group meets up every month to discuss ongoing projects and activities. Besides the strategic work, SKIOLD has in 2022 started a project regarding policies and processes in the organization.

Furthermore, in 2022 a whistleblower system has been launched enabling both internal and external to easy notify the right stakeholders if a problem occurs.

Minimising of raw material consumption and wastage

In SKIOLD, there is a great focus on minimizing the consumption of raw material and waste. SKIOLD therefore works continuously to optimize the use of materials to reduce environmental.

In 2022 SKIOLD continue its product range rationalization, leading to a more efficient use of materials based on economies of scale. Value engineering has also led to less waste and more efficient product design. In addition, SKIOLD reuses scrap material from other industries, and reprocesses this material to create highly durable products with a lower environmental impact.

Working environment

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

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

Management's Review

In 2022 SKIOLD have started collection of data to support the improvement of the working environment. The data includes accidents and sickness absence and are used to set up action plans to improve these areas. In 2023, SKIOLD will continue to collect data.

A global CoC is distributed to all employees describing what god working environment means in SKIOLD and how we improve it.

Human rights

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

SKIOLD's Human Rights and Labor Policy requires the Group's employees to act with integrity and in accordance with acceptable ethical standards for human rights. The human rights and labor policy is being evaluated regular to ensure that they are relevant and in line with internal laws and conventions.

In 2022 a whistleblower system has been introduced. There has not been any reports within human rights in 2022.

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.

In 2022 a whistleblower system has been introduced and no irregularities have been reported or detected during 2022.

The anti-financial crime policy is being evaluated regularly to ensure that it is relevant and in line with internal laws and conventions.

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 organization.

The Group is working to increase the number of female managers Therefore SKIOLD has set specific targets for the proportion of that underrepresented gender in Group Management. The long-term goal is to have a 50/50 representation of genders in SKIOLD.

Management's Review

The Group's current target is that at least 25% of management positions in the Group be held by women by 2025.

Management positions include the Board of Directors, the Executive Board, middle management and divisional and department managers. The current rate at management positions has improved to 16% women, but 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 board of directors consist of 6 members elected on general assembly, 1 of them female and 5 of them male.

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.

The Group is working on a Diversity, Equity and Inclusion Policy, and will publish the final version in 2023.

Statement on data ethics

The group will during 2023 update and conduct several policies including a data ethics policy.

The Group has described how data is protected and what good IT-behavior is as a part of the employee handbook, but a more detailed policy covering data ethics will be launched in 2023.

In addition, in determining the company's business strategies and when carrying out the company's activities, management takes into account generally accepted principles and good business morale and applicable legislation in constantly ensured compliance with.

ESG is core to our overall strategy, and we are working on making it a part of our everyday mindset.

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 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 have not been affected by any unusual events except for the non-recurring operating expenses mentioned above.

Management's Review

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 2022	Group 2021	Parent Company 2022	Parent Company 2021
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**1,050,212**	**1,203,374**	**519,581**	**607,656**
Other operating income		6,045	902	554	586
Expenses for raw materials and consumables		-615,781	-634,875	-333,547	-361,688
Other external expenses		-148,877	-111,474	-70,532	-62,514
Gross profit/loss		**291,599**	**457,927**	**116,056**	**184,040**
Staff expenses	2	-270,892	-313,998	-158,670	-170,053
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-67,387	-75,926	-19,344	-15,435
Other operating expenses		-3,085	-10,507	-2,010	-1,729
Profit/loss before financial income and expenses		**-49,765**	**57,496**	**-63,968**	**-3,177**
Income from investments in subsidiaries		0	0	-5,359	37,916
Financial income	3	2,648	788	4,461	2,357
Financial expenses	4	-35,390	-26,271	-33,636	-26,431
Profit/loss before tax		**-82,507**	**32,013**	**-98,502**	**10,665**
Tax on profit/loss for the year	5	887	-13,502	16,882	7,846
Net profit/loss for the year		**-81,620**	**18,511**	**-81,620**	**18,511**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		13,137	21,522	12,263	19,566
Acquired patents		1,194	1,309	210	210
Acquired licenses		3,798	4,087	3,487	4,016
Goodwill		552,907	587,221	41,251	43,783
Development projects in progress		5,486	3,289	3,037	2,007
Intangible assets	6	**576,522**	**617,428**	**60,248**	**69,582**
Land and buildings		94,547	96,460	34,355	37,180
Plant and machinery		32,289	34,284	4,392	4,466
Other fixt. and fit., tools and eqp.		10,153	9,664	539	954
Leasehold improvements		1,416	22	13	22
Property, plant and equipment in progress		0	0	0	0
Property, plant and equipment	7	**138,405**	**140,430**	**39,299**	**42,622**
Investments in subsidiaries	8	0	0	692,355	717,657
Receivables from group ent.	9	0	0	1,341	2,096
Other investments	9	25	0	0	0
Deposits	9	1,899	2,367	475	521
Fixed asset investments		**1,924**	**2,367**	**694,171**	**720,274**
Fixed assets		**716,851**	**760,225**	**793,718**	**832,478**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Inventories	10	**258,431**	**269,968**	**126,830**	**125,241**
Trade receivables		104,487	174,384	39,381	65,389
Contract work in progress		10,392	37,608	8,737	25,890
Receivables from group ent.		9,089	1,784	82,175	107,197
Other receivables		11,939	11,723	3,578	1,599
Deferred tax	13	30,814	20,488	24,108	12,253
Corporation tax		157	14	0	0
Prepayments	11	4,311	2,314	997	1,444
Receivables		**171,189**	**248,315**	**158,976**	**213,772**
Current asset investments		**8**	**0**	**0**	**0**
Cash at bank and in hand		**38,898**	**50,617**	**217**	**981**
Currents assets		**468,526**	**568,900**	**286,023**	**339,994**
Assets		**1,185,377**	**1,329,125**	**1,079,741**	**1,172,472**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		20,865	20,865	20,865	20,865
Revaluation reserve		0	0	3,025	4,156
Reserve for net revaluation under the equity method		0	0	31,812	57,497
Reserve for development costs		0	0	14,006	16,827
Reserve for exchange rate conversion		-3,306	-1,826	0	0
Retained earnings		65,481	147,104	13,332	66,798
Equity		**83,040**	**166,143**	**83,040**	**166,143**
Provision for deferred tax	13	0	1,610	0	0
Other provisions	14	17,193	15,889	15,448	13,708
Provisions		**17,193**	**17,499**	**15,448**	**13,708**
Mortgage loans		271,904	298,154	267,814	288,352
Lease obligations		453	612	0	0
Other payables		16,592	18,410	15,336	15,726
Long-term debt	15	**288,949**	**317,176**	**283,150**	**304,078**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	15	10,446	23,498	9,994	22,155
Credit institutions		111,664	91,044	103,164	88,302
Lease obligations	15	139	58	0	0
Prepayments received from customers		82,339	89,412	52,463	43,355
Trade payables		131,530	157,524	85,166	92,113
Contract work in progress, liabilities		7,319	0	7,319	0
Payables to group enterprises		366,680	367,766	393,767	394,288
Corporation tax		4,739	0	0	0
Payables to group enterprises relating to corporation tax		0	5,401	0	0
Other payables	15	75,880	93,604	46,230	48,330
Deferred income	16	5,459	0	0	0
Short-term debt		**796,195**	**828,307**	**698,103**	**688,543**
Debt		**1,085,144**	**1,145,483**	**981,253**	**992,621**
Liabilities and equity		**1,185,377**	**1,329,125**	**1,079,741**	**1,172,472**

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Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20,865	0	0	0	-1,826	147,101	166,140
Exchange adjustments	0	0	0	0	-1,480	0	-1,480
Net profit/loss for the year	0	0	0	0	0	-81,620	-81,620
Equity at 31 December	**20,865**	**0**	**0**	**0**	**-3,306**	**65,481**	**83,040**

Parent Company

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20,865	4,156	57,497	16,827	0	66,795	166,140
Exchange adjustments relating to foreign entities	0	0	-1,480	0	0	0	-1,480
Development costs for the year	0	0	0	3,393	0	-3,393	0
Depreciation, amortisation and impairment for the year	0	-1,131	0	-6,214	0	7,345	0
Net profit/loss for the year	0	0	-24,205	0	0	-57,415	-81,620
Equity at 31 December	**20,865**	**3,025**	**31,812**	**14,006**	**0**	**13,332**	**83,040**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021
		TDKK	TDKK
Net profit/loss for the year		-81,620	18,511
Adjustments	17	92,489	114,203
Change in working capital	18	65,034	-29,442
Cash flows from operating activities before financial income and expenses		**75,903**	**103,272**
Financial income		2,549	788
Financial expenses		-35,296	-26,271
Cash flows from ordinary activities		**43,156**	**77,789**
Corporation tax paid		-11,854	-21,606
Cash flows from operating activities		**31,302**	**56,183**
Purchase of intangible assets		-7,193	-17,769
Purchase of property, plant and equipment		-18,545	-20,008
Fixed asset investments made etc		-25	0
Sale of property, plant and equipment		9,430	1,103
Sale of fixed asset investments etc		472	0
Cash flows from investing activities		**-15,861**	**-36,674**
Change in mortgage loans		-39,302	-24,131
Change in lease obligations		-78	-276
Change in payables to group enterprises		-8,391	-5,743
Cash flows from financing activities		**-47,771**	**-30,150**
Change in cash and cash equivalents		**-32,330**	**-10,641**
Cash and cash equivalents at 1 January		-40,427	-29,786
Cash and cash equivalents at 31 December		**-72,757**	**-40,427**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		38,898	50,617
Current asset investments		8	0
Overdraft facility		-111,663	-91,044
Cash and cash equivalents at 31 December		**-72,757**	**-40,427**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
1 Revenue				
Geographical segments				
Revenue, EU	653,463	843,999	302,887	348,590
Revenue, outside EU	396,749	359,375	216,694	259,066
	1,050,212	**1,203,374**	**519,581**	**607,656**
Business segments				
Processing plant and equipment	253,981	332,161	215,876	347,532
Livestock farmning and equipment	796,231	871,213	303,705	260,124
	1,050,212	**1,203,374**	**519,581**	**607,656**

Notes to the Financial Statements

2 Staff expenses

Wages and salaries	219,845	271,519	136,049	147,432
Pensions	27,639	29,653	19,732	19,899
Other social security expenses	23,274	12,826	2,889	2,722
Other staff expenses	1,247	0	0	0
	272,005	**313,998**	**158,670**	**170,053**
Activated salaries	-1,113	0	0	0
	270,892	**313,998**	**158,670**	**170,053**
including remuneration to the Board of Directors	**200**	**188**	**200**	**188**
Average number of employees	**725**	**816**	**277**	**241**

As regards the Parent Company and the Group, remuneration of the Executive Board in 2022 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

	Group		**Parent Company**	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Interest received from group enterprises	185	0	2,269	2,343
Other financial income	2,463	788	2,192	14
	2,648	**788**	**4,461**	**2,357**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
4 Financial expenses				
Interest paid to group enterprises	13,728	10,564	14,233	11,137
Other financial expenses	21,254	15,707	19,403	15,294
Exchange loss	408	0	0	0
	35,390	**26,271**	**33,636**	**26,431**

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
5 Tax on profit/loss for the year				
Current tax for the year	16,136	19,643	0	0
Deferred tax for the year	-17,023	-6,141	-16,882	-7,846
	-887	**13,502**	**-16,882**	**-7,846**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	72,401	9,808	29,122	645,477	3,289
Exchange adjustment	4	0	-19	2	0
Additions for the year	907	206	1,470	0	4,610
Disposals for the year	-5,677	0	0	0	0
Transfers for the year	2,413	0	0	0	-2,413
Cost at 31 December	70,048	10,014	30,573	645,479	5,486
Impairment losses and amortisation at 1 January	50,879	8,499	25,035	58,256	0
Exchange adjustment	0	0	-10	2	0
Amortisation for the year	9,053	321	1,750	34,314	0
Reversal of amortisation of disposals for the year	-3,021	0	0	0	0
Impairment losses and amortisation at 31 December	56,911	8,820	26,775	92,572	0
Carrying amount at 31 December	**13,137**	**1,194**	**3,798**	**552,907**	**5,486**

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 carryng amount of development projects in progress amounts to TDKK 5,486 at 31 December 2022. The projects in progress are expected to be completed within the next 5 years. Management expects additional costs of approx. TDKK 4,300 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 2022, Management made an impairment test of the carring amount of the development projects. It is assessed that the recoverable amount by way of value in use exceeds the carrying amount. The value in use is calculated based on estimated earnings on the basis of expectations for the coming years.

Notes to the Financial Statements

6 **Intangible assets** (continued)

Parent Company

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	63,497	519	19,860	46,315	2,007
Additions for the year	907	0	1,237	0	3,443
Disposals for the year	-5,677	0	0	0	0
Transfers for the year	2,413	0	0	0	-2,413
Cost at 31 December	61,140	519	21,097	46,315	3,037
Impairment losses and amortisation at 1 January	43,931	309	15,844	2,532	0
Amortisation for the year	7,967	0	1,766	2,532	0
Reversal of amortisation of disposals for the year	-3,021	0	0	0	0
Impairment losses and amortisation at 31 December	48,877	309	17,610	5,064	0
Carrying amount at 31 December	**12,263**	**210**	**3,487**	**41,251**	**3,037**

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	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	178,062	197,085	49,112	505	1,482
Exchange adjustment	-561	-291	-127	0	0
Additions for the year	5,215	9,759	2,099	1,472	0
Disposals for the year	-14,635	-2,731	-3,647	0	0
Transfers for the year	0	1,482	-534	0	-1,482
Cost at 31 December	168,081	205,304	46,903	1,977	0
Impairment losses and depreciation at 1 January	81,602	162,801	39,451	493	0
Exchange adjustment	-118	-235	-78	0	0
Depreciation for the year	3,837	13,505	1,298	68	0
Impairment and depreciation of sold assets for the year	0	-1,799	-1,302	0	0
Reversal of impairment and depreciation of sold assets	-11,787	-1,257	-2,619	0	0
Impairment losses and depreciation at 31 December	73,534	173,015	36,750	561	0
Carrying amount at 31 December	**94,547**	**32,289**	**10,153**	**1,416**	**0**
Including assets under finance leases amounting to	717	299	0	0	0

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Plant and machinery	Other fixt. and fit., tools and eqp.	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	92,683	45,165	14,520	515	152,883
Additions for the year	83	1,016	0	0	1,099
Disposals for the year	0	0	-343	0	-343
Kostpris at 31 December	92,766	46,181	14,177	515	153,639
Impairment losses and depreciation at 1 January	55,503	40,699	13,565	493	110,260
Depreciation for the year	2,908	1,090	416	9	4,423
Impairment and depreciation of sold assets for the year	0	0	343	0	343
Reversal of impairment and depreciation of sold assets	0	0	-686	0	-686
Impairment losses and depreciation at 31 December	58,411	41,789	13,638	502	114,340
Carrying amount at 31 December	**34,355**	**4,392**	**539**	**13**	**39,299**

Notes to the Financial Statements

	Parent Company	
	2022	2021
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	660,162	743,555
Net effect from merger and acquisition	0	-83,395
Additions for the year	381	0
Cost at 31 December	660,543	660,160
Value adjustments at 1 January	57,497	53,119
Net effect from merger and acquisition	0	13,253
Exchange adjustment	-1,480	-710
Net profit/loss for the year	26,339	67,480
Dividend to the Parent Company	-18,846	-45,662
Amortisation of goodwill	-31,636	-29,662
Change in intercompany profit on inventories	-62	-322
Other adjustments	0	1
Value adjustments at 31 December	31,812	57,497
Carrying amount at 31 December	**692,355**	**717,657**

Investments in subsidiaries are specified as follows:

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

Notes to the Financial Statements

9 Other fixed asset investments

	Group		Parent Company	
	Other investments	Deposits	Receivables from group ent.	Deposits
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	0	2,367	2,096	521
Additions for the year	25	0	0	0
Disposals for the year	0	-468	-755	-46
Cost at 31 December	25	1,899	1,341	475
Carrying amount at 31 December	**25**	**1,899**	**1,341**	**475**

10 Inventories

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	170,667	118,573	105,701	10,759
Work in progress	24,166	24,710	12,766	14,908
Finished goods and goods for resale	63,086	126,553	8,363	99,574
Prepayments for goods	512	132	0	0
	258,431	**269,968**	**126,830**	**125,241**

11 Prepayments

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

12 Distribution of profit

	Parent Company	
	2022	2021
	TDKK	TDKK
Reserve for net revaluation under the equity method	-24,205	46,488
Retained earnings	-57,415	-27,977
	-81,620	**18,511**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
13 Deferred tax				
Deferred tax asset at 1 January	18,878	10,027	12,253	3,928
Amounts recognised in the income statement for the year	17,023	6,141	16,882	4,919
Other movements in deferred tax for the year	-5,087	2,710	-5,027	3,406
Deferred tax net asset at 31 December	**30,814**	**18,878**	**24,108**	**12,253**

The recognised tax asset includes, among others, tax loss carry-forwards in Denmark of DKK 28 mio. expected to be utilised within the next three to five years as a part of the ordinary operations in the group enterprises.

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
14 Other provisions				

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

Other provisions	17,193	15,889	15,448	13,708
	17,193	**15,889**	**15,448**	**13,708**

Notes to the Financial Statements

15 Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	30,798	33,202	29,372	31,293
Between 1 and 5 years	241,106	264,952	238,442	257,059
Long-term part	271,904	298,154	267,814	288,352
Within 1 year	10,446	23,498	9,994	22,155
	282,350	**321,652**	**277,808**	**310,507**
Lease obligations				
After 5 years	214	0	0	0
Between 1 and 5 years	239	612	0	0
Long-term part	453	612	0	0
Within 1 year	139	58	0	0
	592	**670**	**0**	**0**
Other payables				
After 5 years	0	2,684	0	0
Between 1 and 5 years	16,592	15,726	15,336	15,726
Long-term part	16,592	18,410	15,336	15,726
Other short-term payables	75,880	93,604	46,230	48,330
	92,472	**112,014**	**61,566**	**64,056**

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

16 Deferred income

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

Notes to the Financial Statements

	Group	
	2022	2021
	TDKK	TDKK
17 Cash flow statement - adjustments		
Financial income	-2,648	-788
Financial expenses	35,390	26,271
Depreciation, amortisation and impairment losses, including losses and gains on sales	62,114	75,928
Tax on profit/loss for the year	-887	13,502
Other adjustments	-1,480	-710
	92,489	**114,203**

18 Cash flow statement - change in working capital

	2022	2021
Change in inventories	11,534	-49,403
Change in receivables	94,900	36,777
Change in other provisions	1,305	6,430
Change in trade payables, etc	-42,705	-23,246
	65,034	**-29,442**

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
19 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	57,000	61,145	36,501	37,180
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	39,149	40,791	15,503	16,826
A floating charge of TDKK 18,000. The floating charge includes tangible fixes assets, inventory and trade receivables with a carrying amount of	260,067	290,824	212,406	239,855

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

Rental and lease obligations

	Group 2022 TDKK	Group 2021 TDKK	Parent Company 2022 TDKK	Parent Company 2021 TDKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4,527	4,580	2,605	2,594
Between 1 and 5 years	6,923	5,190	4,332	2,742
	11,450	**9,770**	**6,937**	**5,336**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
19 Contingent assets, liabilities and other financial obligations (continued)				
Rental obligations, period of non-terminability 1-56 months	38,236	21,587	87	655

Guarantee obligations

The Parent Company and Group has issued guarantee to its parent company's bankers equal to no more than TDKK 85,000.

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 un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

20 Related parties

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

Transactions

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

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

21 Fee to auditors appointed at the general meeting

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

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of SKIOLD A/S for 2022 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 2022 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

22 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

22 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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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

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

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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

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

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Contract work in progress

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

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

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

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

Prepayments

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

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

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

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

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	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

Notes to the Financial Statements

22 Accounting Policies (continued)

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