SKOV A/S, Glyngøre

Hedelund 4, DK-7870 Roslev

Annual Report for 1 October 2017 - 30 September 2018

CVR No 87 45 71 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/12 2018

Henning Jensen
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 SKOV A/S, Glyngøre for the financial year 1 October 2017 - 30 September 2018.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017/18.

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 is adopted at the Annual General Meeting.

Glyngøre, 17 December 2018

Executive Board

Jørgen Yde Jensen

Board of Directors

Dirk Moritz Meerpohl Chairman	Robert Jean Nicolas Didier Lousberg	Dr. Michael Norbert Trutzel
Kim Standly Staff Representative	Peter Balling Staff Representative	

Independent Auditor's Report

To the Shareholder of SKOV A/S, Glyngøre

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 30 September 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2017 - 30 September 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SKOV A/S, Glyngøre for the financial year 1 October 2017 - 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

Independent Auditor's Report

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.

Skive, 17 December 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Furbo
State Authorised Public Accountant
mne32204

Allan Christensen
State Authorised Public Accountant
mne35463

Company Information

The Company	SKOV A/S, Glyngøre Hedelund 4 DK-7870 Roslev Telephone: + 45 72175555 E-mail: skov@skov.com Website: www.skov.com CVR No: 87 45 71 17 Financial period: 1 October - 30 September Municipality of reg. office: Skive
Board of Directors	Dirk Moritz Meerpohl, Chairman Robert Jean Nicolas Didier Lousberg Dr. Michael Norbert Trutzel Kim Standly, Staff Representative Peter Balling, Staff Representative
Executive Board	Jørgen Yde Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Resenvej 81 Postboks 19 DK-7800 Skive
Lawyers	Gorrissen Federspiel Silkeborgvej 2 DK-8000 Aarhus

Company Information

Bankers	Danske Bank A/S Bredgade 45 DK-7400 Herning Sydbank A/S Dalgasgade 22 DK-7400 Herning Commerzbank AG Corporate Banking Schüsselkorb 5-11 D-28195 Bremen Norddeutsche Landesbank Friedrichswall 10 D-30159 Hannover

Group Chart

Parent Company

SKOV A/S, Glyngøre
Glyngøre, Denmark
Equity TDKK 273,476

Consolidated subsidiaries

100% SKOV Asia Ltd.
Bangkok, Thailand
Equity TDKK 4,385

100% SKOV Technical Services
(Tianjin) Co. Ltd.
Tianjin, China
Equity TDKK 4,997

Associates

50% Scio + A/S
Aarhus N, Denmark
Equity TDKK 9,141

Financial Highlights

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

	Group				
	2017/18	2016/17	2015/16	2014/15	2013/14
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	835	683	574	536	434
Gross profit/loss	320	262	225	212	173
Profit/loss before financial income and expenses	107	84	65	61	34
Net financials	-5	-2	2	1	1
Net profit/loss for the year	79	64	52	47	26
Balance sheet					
Balance sheet total	404	357	300	286	225
Equity	273	233	208	179	145
Cash flows					
Cash flows from:					
- operating activities	101	21	69	55	48
- investing activities	-6	-38	-43	-8	-5
including investment in property, plant and equipment	-9	-18	-18	-8	-5
- financing activities	-38	-42	-26	-12	-14
Change in cash and cash equivalents for the year	57	-59	0	35	29
Number of employees	381	343	289	274	261
Ratios					
Gross margin	38,3%	38,4%	39,2%	39,6%	39,9%
Profit margin	12,8%	12,3%	11,3%	11,4%	7,8%
Return on assets	26,5%	23,5%	21,7%	21,3%	15,1%
Solvency ratio	67,6%	65,3%	69,3%	62,6%	64,4%
Return on equity	31,2%	29,0%	26,9%	29,0%	18,8%

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

SKOV A/S, Glyngøre has prepared consolidated financial statements for the group for 2017/18. The comparative information for 2016/17 is adjusted to group level. The comparative information for 2015/16, 2014/15 and 2013/14 have not been adjusted.

Management's Review

Key activities

SKOV A/S' strategy is to develop, produce, install and service components and systems for climate and farm management solution in livestock production, and to sell the solution globally.

Development in the year

The result for the year show a profit after tax of TDKK 78,578 which is considered satisfactory.

SKOV has in 2017/18 continued building up a global sales organization through recruiting of additional sales managers, new dealers and new installation / service partners. Training and academy programmes to increase the knowledge and competences in the global sales organization is a natural part of the development.

SKOV A/S has in 2017/18 invested in a new subsidiary in China. The Chinese subsidiary is set-up to support sales activities in China, and thereby contribute to the overall growth of SKOV.

Like previous years, SKOV has also in 2017/18 incurred considerable expenses on product and system development. It will contribute to ensuring that the Company maintains a leading position in the market.

The Company has changed its accounting policy for the measurement of equity investments from cost to the equity method. The change resulted in a reduction of the profit for last year by DKK 2,966k. This has moreover affected the Company's fixed assets by a negative DKK 2,966k and the balance sheet total by a negative DKK 2,966k. Equity has been affected by a negative DKK 2,966k.

Special risks - operating risks and financial risks

Foreign exchange risks

Activities in foreign countries have an impact on the results, cash flows and equity due to exchange and interest rate movements in several currencies. The foreign exchange policy of the Company is to continuously cover material exchange risks. The Company does not enter into speculative exchange transactions.

Interest rate risks

The Company does not have any considerable exposure concerning interest levels.

Credit risks

The Company does not have any considerable exposure concerning an individual customer or business partner. The credit policy of the Company is to address risks related to customers and business partners by applying value and credit insurance when possible. Attempts are made to cover credit risks related to large individual orders.

Management's Review

Strategy and objectives

Strategy

The market for climate and farm management solution systems for livestock production is challenged in some parts of the world, but in the long term the global market is expected to grow with the increasing consumption of broiler meat, egg and pork. SKOV's strategy is prepared for this growth and for increasing its market share.

Targets and expectations for the year ahead

The Company expects the market situation to be challenging in the coming year.

In 2018/19 the Company will continue to increase its presence in the different growing markets and will also next year introduce new products to be able to strengthen the earnings capacity and competitiveness.

The capital preparedness of the Company is considered sufficient for covering the financing of the activities of the coming year.

Basis of earnings

Research and development

Research activities are also made in cooperation with Research Centres at the Universities.

The activities of development do primarily include development of products for the global market.

Considerable resources have been spent on research and development, as the market still makes increased demands for innovations and new launchings.

External environment

Knowledge resources

The leading position of the Company within climate and production control systems for agriculture places heavy demands particularly on knowledge resources concerning agricultural production methods. Beyond this, special demands are made to knowledge resources in development, sales, services and production of systems.

In order to deliver these solutions continuously it is decisive that the Company is able to recruit and maintain highly educated employees. Our goal is for the Company to have the latest knowledge.

Management's Review

Statement of corporate social responsibility

When determining the Company's business strategy as well as its business conduct, Management has taken generally accepted human rights principles and good business ethics into account.

In respect of health and safety as well as impact on the external environment, Management focuses particularly on responsible business practices allowing the Company to stand as a positive co-player in its community.

SKOV A/S has implemented a code of conduct policy. A formal policy for human rights principles, health and safety and impact on external environment has not been developed.

Statement on gender composition

The company has set a target figure for representation on the Company's Board of Directors as well as a policy for gender representation at the Company's management level.

The board at SKOV A/S has 5 members of which 3 are elected by General Assembly and 2 elected by the employees. While currently all elected members of the Board are men, the target is that at least one of the board members elected at the General Assembly should be a female. The target should be reached before end of 2020. The BoD had made efforts to identify female candidates, who would have the right experience, competence and performance level.

At other management levels it is the company's intention to increase the share of the underrepresented gender. It is the policy of the company to aim for a diversified organization through an unprejudiced selection process where no candidate is deselected due to gender, age, nationality etc. Candidates are solely to be selected based on experience, competences and performance.

SKOV A/S has in recent past had between 13-17% female representatives at other management level. At the end of September 2018 females had a share of 15% at other management level. Our efforts in the past year have ensured that we have continued to pay attention to how we make job advertisements equally attractive for men and women and ensured a continuous focus on a healthy work / life balance. We have developed and published a company video presentation, and we have in the video highlighted SKOV as a good working place for both genders. When publishing job openings or in our Social Media activities, we are well aware of targeting our communicating to both genders. So far, our activities have not had the effect we were aiming for as the share of women in other management positions remains at the same level.

Uncertainty relating to recognition and measurement

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

Management's Review

Unusual events

The financial position at 30 September 2018 of the Group and the results of the activities and cash flows of the Group for the financial year for 2017/18 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 October - 30 September

	Note	Consolidated 2017/18 TDKK	Consolidated 2016/17 TDKK	Parent Company 2017/18 TDKK	Parent Company 2016/17 TDKK
Revenue	1	**835.355**	**683.170**	**835.882**	**682.921**
Expenses for raw materials and consumables		-423.827	-344.363	-424.245	-344.268
Other external expenses		-91.275	-76.418	-101.518	-86.098
Gross profit/loss		**320.253**	**262.389**	**310.119**	**252.555**
Staff expenses	2	-201.860	-169.423	-193.153	-161.632
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11.142	-9.205	-11.014	-8.994
Profit/loss before financial income and expenses		**107.251**	**83.761**	**105.952**	**81.929**
Income from investments in subsidiaries		0	0	904	1.527
Income from investments in associates		-5.963	-2.966	-5.963	-2.966
Financial income		3.021	2.644	3.012	2.639
Financial expenses		-2.194	-1.322	-2.213	-1.256
Profit/loss before tax		**102.115**	**82.117**	**101.692**	**81.873**
Tax on profit/loss for the year	3	-23.537	-18.491	-23.114	-18.247
Net profit/loss for the year		**78.578**	**63.626**	**78.578**	**63.626**

Balance Sheet 30 September

Assets

	Note	Consolidated 2018 TDKK	Consolidated 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Plant and machinery		21.150	21.771	21.150	21.771
Other fixtures and fittings, tools and equipment		13.523	14.573	12.507	13.536
Leasehold improvements		601	1.164	601	1.164
Property, plant and equipment	4	**35.274**	**37.508**	**34.258**	**36.471**
Investments in subsidiaries	5	0	0	9.382	3.307
Investments in associates	6	4.571	10.534	4.571	10.534
Other receivables	7	28.750	31.750	28.750	31.750
Fixed asset investments		**33.321**	**42.284**	**42.703**	**45.591**
Fixed assets		**68.595**	**79.792**	**76.961**	**82.062**
Inventories	8	**71.334**	**71.181**	**70.680**	**71.056**
Trade receivables	9	85.620	85.782	85.620	85.753
Receivables from group enterprises		19.221	18.976	19.244	20.626
Other receivables		10.831	9.217	9.758	8.182
Deferred tax asset	10	691	638	691	638
Prepayments	11	6.564	6.815	6.564	6.815
Receivables		**122.927**	**121.428**	**121.877**	**122.014**
Cash at bank and in hand		**141.076**	**84.412**	**134.584**	**81.900**
Currents assets		**335.337**	**277.021**	**327.141**	**274.970**
Assets		**403.932**	**356.813**	**404.102**	**357.032**

Balance Sheet 30 September

Liabilities and equity

	Note	Consolidated 2018	Consolidated 2017	Parent Company 2018	Parent Company 2017
		TDKK	TDKK	TDKK	TDKK
Share capital		50.000	50.000	50.000	50.000
Retained earnings		203.831	144.725	203.831	144.725
Proposed dividend for the year		19.645	37.778	19.645	37.778
Equity	12	**273.476**	**232.503**	**273.476**	**232.503**
Other provisions	14	12.540	10.253	12.540	10.253
Provisions		**12.540**	**10.253**	**12.540**	**10.253**
Prepayments received from customers		8.905	8.641	8.905	8.641
Trade payables		44.053	51.106	44.000	52.411
Payables to group enterprises		1.158	1.727	2.825	1.727
Payables to associates		3.417	1.632	3.417	1.632
Corporation tax		16.799	15.086	16.799	15.042
Other payables		43.488	35.865	42.044	34.823
Deferred income	15	96	0	96	0
Short-term debt		**117.916**	**114.057**	**118.086**	**114.276**
Debt		**117.916**	**114.057**	**118.086**	**114.276**
Liabilities and equity		**403.932**	**356.813**	**404.102**	**357.032**

Distribution of profit	13
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Statement of Changes in Equity

Consolidated

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	50.000	0	147.691	37.778	235.469
Net effect from change of accounting policy	0	0	-2.966	0	-2.966
Adjusted equity at 1 October	50.000	0	144.725	37.778	232.503
Exchange adjustments	0	0	173	0	173
Ordinary dividend paid	0	0	0	-37.778	-37.778
Net profit/loss for the year	0	0	58.933	19.645	78.578
Equity at 30 September	**50.000**	**0**	**203.831**	**19.645**	**273.476**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 October	50.000	2.500	145.191	37.778	235.469
Net effect from change of accounting policy	0	-2.500	-466	0	-2.966
Adjusted equity at 1 October	50.000	0	144.725	37.778	232.503
Exchange adjustments	0	0	173	0	173
Ordinary dividend paid	0	0	0	-37.778	-37.778
Net profit/loss for the year	0	0	58.933	19.645	78.578
Equity at 30 September	**50.000**	**0**	**203.831**	**19.645**	**273.476**

Cash Flow Statement 1 October - 30 September

	Note	Consolidated 2017/18 TDKK	2016/17 TDKK
Net profit/loss for the year		78.578	63.626
Adjustments	16	39.989	29.341
Change in working capital	17	3.417	-58.960
Cash flows from operating activities before financial income and expenses		**121.984**	**34.007**
Financial income		3.021	2.644
Financial expenses		-2.209	-1.325
Cash flows from ordinary activities		**122.796**	**35.326**
Corporation tax paid		-21.877	-14.736
Cash flows from operating activities		**100.919**	**20.590**
Purchase of property, plant and equipment		-8.908	-17.893
Fixed asset investments made etc		0	-20.218
Sale of property, plant and equipment		0	177
Repayment of other receivables		3.000	0
Cash flows from investing activities		**-5.908**	**-37.934**
Repayment of payables to group enterprises		-569	-2.388
Dividend paid		-37.778	-39.250
Cash flows from financing activities		**-38.347**	**-41.638**
Change in cash and cash equivalents		**56.664**	**-58.982**
Cash and cash equivalents at 1 October		84.412	143.394
Cash and cash equivalents at 30 September		**141.076**	**84.412**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		141.076	84.412
Cash and cash equivalents at 30 September		**141.076**	**84.412**

Notes to the Financial Statements

		Consolidated		Parent Company	
		2017/18	2016/17	2017/18	2016/17
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Revenue, EU	365.433	334.285	365.445	334.648
	Revenue, non EU	469.922	348.885	470.437	348.273
		835.355	**683.170**	**835.882**	**682.921**
2	**Staff expenses**				
	Wages and salaries	181.134	152.165	173.015	144.902
	Pensions	11.815	10.239	11.599	10.100
	Other social security expenses	2.443	2.314	2.443	2.314
	Other staff expenses	6.468	4.705	6.096	4.316
		201.860	**169.423**	**193.153**	**161.632**
	Average number of employees	**381**	**343**	**350**	**304**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

		Consolidated		Parent Company	
		2017/18	2016/17	2017/18	2016/17
3	**Tax on profit/loss for the year**				
	Current tax for the year	20.063	18.071	19.640	17.827
	Deferred tax for the year	53	185	53	185
	Effect of joint taxation	3.421	235	3.421	235
		23.537	**18.491**	**23.114**	**18.247**

Notes to the Financial Statements

4 Property, plant and equipment

Consolidated

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 October	72.607	40.829	9.733
Additions for the year	6.638	2.356	0
Disposals for the year	-4.850	-1.255	0
Cost at 30 September	74.395	41.930	9.733
Impairment losses and depreciation at 1 October	50.836	26.256	8.569
Depreciation for the year	7.259	3.406	563
Reversal of impairment and depreciation of sold assets	-4.850	-1.255	0
Impairment losses and depreciation at 30 September	53.245	28.407	9.132
Carrying amount at 30 September	**21.150**	**13.523**	**601**
Depreciated over	3-5 years	3-5 years	5-10 years

Parent Company

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 October	72.607	38.834	9.733
Additions for the year	6.638	2.161	0
Disposals for the year	-4.850	-1.255	0
Cost at 30 September	74.395	39.740	9.733
Impairment losses and depreciation at 1 October	50.836	25.298	8.569
Depreciation for the year	7.259	3.190	563
Reversal of impairment and depreciation of sold assets	-4.850	-1.255	0
Impairment losses and depreciation at 30 September	53.245	27.233	9.132
Carrying amount at 30 September	**21.150**	**12.507**	**601**
Depreciated over	3-5 years	3-5 years	5-10 years

Notes to the Financial Statements

5 Investments in subsidiaries

	Parent Company 2018	Parent Company 2017
	TDKK	TDKK
Cost at 1 October	807	807
Additions for the year	4.997	0
Cost at 30 September	5.804	807
Value adjustments at 1 October	2.500	1.004
Exchange adjustment	174	-87
Net profit/loss for the year	904	1.583
Value adjustments at 30 September	3.578	2.500
Carrying amount at 30 September	**9.382**	**3.307**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity TDKK	Net profit/loss for the year TDKK
SKOV Asia Ltd.	Bangkok, Thailand	TTHB 5,000	100%	4.385	904
SKOV Technical Services (Tianjin) Co. Ltd.	Tianjin, China	TEUR 671	100%	4.997	0

6 Investments in associates

	Consolidated 2018	Consolidated 2017	Parent Company 2018	Parent Company 2017
	TDKK	TDKK	TDKK	TDKK
Cost at 1 October	13.500	13.500	13.500	13.500
Cost at 30 September	13.500	13.500	13.500	13.500
Value adjustments at 1 October	-2.966	0	-2.966	0
Net profit/loss for the year	-5.963	-2.966	-5.963	-2.966
Value adjustments at 30 September	-8.929	-2.966	-8.929	-2.966
Carrying amount at 30 September	**4.571**	**10.534**	**4.571**	**10.534**

Notes to the Financial Statements

6 Investments in associates (continued)

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity TDKK	Net profit/loss for the year TDKK
Scio+ A/S	Aarhus N, Denmark	TDKK 27.000	50%	9.141	-11.926

7 Other fixed asset investments

	Consolidated	Parent Company
	Other receiv-ables	Other receiv-ables
	TDKK	TDKK
Cost at 1 October	31.750	31.750
Transfers for the year	-3.000	-3.000
Cost at 30 September	28.750	28.750
Carrying amount at 30 September	**28.750**	**28.750**

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

8 Inventories

Raw materials and consumables	24.412	22.232	24.412	22.232
Work in progress	4.088	2.946	4.088	2.946
Finished goods and goods for resale	42.834	46.003	42.180	45.878
	71.334	**71.181**	**70.680**	**71.056**

9 Trade receivables

The following receivables fall due for payment more than 1 year after year end	12.937	3.028	12.937	3.028

Notes to the Financial Statements

10 Deferred tax asset

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Deferred tax asset at 1 October	638	823	638	823
Amounts recognised in the income statement for the year	-53	-185	-53	-185
Amounts recognised in equity for the year	106	0	106	0
Deferred tax asset at 30 September	**691**	**638**	**691**	**638**

11 Prepayments

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

12 Equity

The share capital consists of 50,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2017/18	2016/17	2015/16	2014/15	2013/14
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 October	50.000	33.000	33.000	33.000	33.000
Capital increase	0	17.000	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 30 September	**50.000**	**50.000**	**33.000**	**33.000**	**33.000**

Notes to the Financial Statements

	Consolidated		Parent Company	
	2017/18	2016/17	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK
13 Distribution of profit				
Proposed dividend for the year	19.645	37.778	19.645	37.778
Retained earnings	58.933	25.848	58.933	25.848
	78.578	**63.626**	**78.578**	**63.626**

14 Other provisions

Warranty provisions	12.540	10.253	12.540	10.253
	12.540	**10.253**	**12.540**	**10.253**

15 Deferred income

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

	Consolidated	
	2017/18	2016/17
	TDKK	TDKK
16 Cash flow statement - adjustments		
Financial income	-3.021	-2.644
Financial expenses	2.194	1.322
Depreciation, amortisation and impairment losses, including losses and gains on sales	11.143	9.206
Income from investments in associates	5.963	2.966
Tax on profit/loss for the year	23.537	18.491
Other adjustments	173	0
	39.989	**29.341**

Notes to the Financial Statements

		Consolidated	
		2017/18	2016/17
		TDKK	TDKK
17	**Cash flow statement - change in working capital**		
	Change in inventories	-153	-19.925
	Change in receivables	-1.447	-66.533
	Change in other provisions	2.287	1.641
	Change in trade payables, etc	2.730	25.857
		3.417	**-58.960**

18 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations amounts to total MDKK 92 at 30 September 2018. Lease obligations relating to plant and machinery is due within 1 to 43 month. Obligations relating to lease of buildings is entered until 1 October 2028. MDKK 86 of the lease obligations relates to an rental agreement with SKOV Invest ApS.

Other contingent liabilities

The 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 by the Group amounts to TDKK 16,799. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Meerpohl family, Vechta, Germany	Owners of the Parent Company, Big Dutchman AG
Other related parties	
SKOV Invest Glyngøre ApS, Glyngøre, Denmark	Related through group of owners
Scio+ A/S, Aarhus N, Denmark	Related through group of owners

Transactions

The Company has intercompany accounts with group enterprises. The intercompany accounts appear from the balance sheet and are subject to interest calculation.

Apart from this, during the year there have been no transactions with the Board of Directors, the Executive Board or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

Name	Place of registered office
The Company's immediate and ultimate Parent Company of which the Company is a subsidiary is Big Dutchman AG (DE151096663), Vechta, Germany, which prepares the Consolidated Financial Statements	Germany

Notes to the Financial Statements

	Consolidated		Parent Company	
	2017/18	2016/17	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK
20 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	139	139	139	139
Non-audit services	198	181	198	181
	337	**320**	**337**	**320**

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of SKOV A/S, Glyngøre for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements for 2017/18 are presented in TDKK.

Changes in accounting policies

The Company has changed its accounting policy for the measurement of equity investments from cost to the equity method. The change resulted in a reduction of the profit for last year by DKK 2,966k. This has moreover affected the Company's fixed assets by a negative DKK 2,966k and the balance sheet total by a negative DKK 2,966k. Equity has been affected by a negative DKK 2,966k.

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.

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, SKOV A/S, Glyngøre, 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

21 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.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

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 geographical segments based on the Companys risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

Notes to the Financial Statements

21 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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 service.

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

21 Accounting Policies (continued)

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 the Danish group enterprise. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

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.

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:

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 25,000 are expensed in the year of acquisition.

Notes to the Financial Statements

21 Accounting Policies (continued)

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

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

The items“Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

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

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

Other fixed asset investments

Other fixed asset investments consist of other receivables, which are measured in the balance sheet at the lower of amortised cost and net realisable value.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

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 of 1 year. 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, including the tax base of tax loss carry-forwards, 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 de-

21 Accounting Policies (continued)

ferred 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

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”.

Notes to the Financial Statements

21 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

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