SKOV A/S, Glyngøre

Hedelund 4, DK-7870 Roslev

Annual Report for 1 October 2016 - 30 September 2017

CVR No 87 45 71 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11/12 2017

Henning Jensen
Chairman

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 2016 - 30 September 2017.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 September 2017 of the Company and of the results of the Company operations and cash flows for 2016/17.

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.

Glyngøre, 11 December 2017

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 Financial Statements give a true and fair view of the financial position of the Company at 30 September 2017 and of the results of the Company's operations and cash flows for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SKOV A/S, Glyngøre for the financial year 1 October 2016 - 30 September 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 Company 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 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

Management is responsible for the preparation of 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 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 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 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 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 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.

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, 11 December 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Furbo
State Authorised Public Accountant

Allan Christensen
State Authorised Public Accountant

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

Financial Highlights

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

	2016/17	2015/16	2014/15	2013/14	2012/13
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	683	574	536	434	468
Gross profit/loss	253	225	212	173	167
Profit/loss before financial income and expenses	82	65	61	34	31
Net financials	3	2	1	1	0
Net profit/loss for the year	67	52	47	26	24
Balance sheet					
Balance sheet total	360	300	286	225	211
Equity	235	208	179	145	131
Cash flows					
Cash flows from:					
- operating activities	17	69	55	48	-1
- investing activities	-37	-43	-8	-5	-5
including investment in property, plant and equipment	-17	-18	-8	-5	-6
- financing activities	-39	-26	-12	-14	-36
Change in cash and cash equivalents for the year	-60	0	35	29	-42
Number of employees	304	289	274	261	258
Ratios					
Gross margin	37,0%	39,2%	39,6%	39,9%	35,7%
Profit margin	12,0%	11,3%	11,4%	7,8%	6,6%
Return on assets	22,8%	21,7%	21,3%	15,1%	14,7%
Solvency ratio	65,3%	69,3%	62,6%	64,4%	62,1%
Return on equity	30,2%	26,9%	29,0%	18,8%	17,6%

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

Management's Review

Main activity

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

Development in the year

The results for the year show a profit after tax of TDKK 66,592 which is considered satisfactory.

The facilities of the headquarter in Glyngøre was extended during the year. Among others it includes new showroom, training facilities for customers and an advanced product test center. Facilities that will support the company in maintaining and developing its market position.

SKOV has in 2016/17 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.

Like previous years, SKOV has also in 2016/17 incurred considerable expenses on product and system development. It will contribute to ensuring that the Company maintains a leading position in the market.

SKOV A/S has in 2016/17 invested in a new established company Scio+ A/S. SKOV has a 50% ownership of Scio+. The main activity in Scio+ is to deliver big data and data science solutions to the food manufacturing industry with the purpose of optimizing their production value chain.

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 production control 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.

Objectives and expectations for the year ahead

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

In 2017/18 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.

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

Statutory report on 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.

Statutory report on gender representation

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. Unfortunately, the target was not reached in 2016/17, although 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 organisation 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 2017 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. Finally, we have hosted a network meeting for a group of external female managers which included a presentation and factory tour of SKOV A/S. 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.

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	2016/17	2015/16
		TDKK	TDKK
Revenue	1	**682.921**	**574.056**
Expenses for raw materials and consumables		-344.268	-280.179
Other external expenses		-86.098	-69.198
Gross profit/loss		**252.555**	**224.679**
Staff expenses	2	-161.632	-151.732
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-8.994	-7.570
Profit/loss before financial income and expenses		**81.929**	**65.377**
Income from investments in subsidiaries		1.527	883
Financial income		2.639	2.046
Financial expenses		-1.256	-1.408
Profit/loss before tax		**84.839**	**66.898**
Tax on profit/loss for the year	3	-18.247	-14.563
Net profit/loss for the year		**66.592**	**52.335**

Balance Sheet 30 September

Assets

	Note	2017	2016
		TDKK	TDKK
Plant and machinery		21.771	23.042
Other fixtures and fittings, tools and equipment		13.536	3.435
Leasehold improvements		1.164	1.832
Property, plant and equipment	4	**36.471**	**28.309**
Investments in subsidiaries	5	3.307	1.811
Investments in associates	6	13.500	0
Other receivables	7	31.750	25.000
Fixed asset investments		**48.557**	**26.811**
Fixed assets		**85.028**	**55.120**
Inventories	8	**71.056**	**51.098**
Trade receivables	9	85.753	40.908
Receivables from group enterprises		20.626	6.746
Other receivables		8.182	288
Deferred tax asset	10	638	823
Prepayments	11	6.815	3.410
Receivables		**122.014**	**52.175**
Cash at bank and in hand		**81.900**	**142.075**
Currents assets		**274.970**	**245.348**
Assets		**359.998**	**300.468**

Balance Sheet 30 September

Liabilities and equity

	Note	2017	2016
		TDKK	TDKK
Share capital		50.000	33.000
Reserve for net revaluation under the equity method		2.500	1.004
Retained earnings		145.191	134.873
Proposed dividend for the year		37.778	39.250
Equity	12	**235.469**	**208.127**
Other provisions	14	10.253	8.612
Provisions		**10.253**	**8.612**
Prepayments received from customers		8.641	5.545
Trade payables		52.411	34.525
Payables to group enterprises		1.727	1.918
Payables to associates		1.632	0
Corporation tax		15.042	11.445
Other payables		34.823	30.296
Short-term debt		**114.276**	**83.729**
Debt		**114.276**	**83.729**
Liabilities and equity		**359.998**	**300.468**
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Fee to auditors appointed at the general meeting	19		
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Statement of Changes in Equity

	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	33.000	1.004	134.873	39.250	208.127
Cash capital increase	17.000	0	-17.000	0	0
Ordinary dividend paid	0	0	0	-39.250	-39.250
Net profit/loss for the year	0	1.496	27.318	37.778	66.592
Equity at 30 September	**50.000**	**2.500**	**145.191**	**37.778**	**235.469**

Cash Flow Statement 1 October - 30 September

	Note	2016/17	2015/16
		TDKK	TDKK
Net profit/loss for the year		66.592	52.335
Adjustments	15	24.332	20.565
Change in working capital	16	-61.200	8.231
Cash flows from operating activities before financial income and expenses		**29.724**	**81.131**
Financial income		2.639	2.046
Financial expenses		-1.254	-1.408
Cash flows from ordinary activities		**31.109**	**81.769**
Corporation tax paid		-14.465	-12.930
Cash flows from operating activities		**16.644**	**68.839**
Purchase of property, plant and equipment		-17.336	-17.957
Fixed asset investments made etc		-20.219	-25.000
Sale of property, plant and equipment		177	0
Cash flows from investing activities		**-37.378**	**-42.957**
Repayment of payables to group enterprises		-191	-1.879
Dividend paid		-39.250	-23.700
Cash flows from financing activities		**-39.441**	**-25.579**
Change in cash and cash equivalents		**-60.175**	**303**
Cash and cash equivalents at 1 October		142.075	141.772
Cash and cash equivalents at 30 September		**81.900**	**142.075**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		81.900	142.075
Cash and cash equivalents at 30 September		**81.900**	**142.075**

Notes to the Financial Statements

		2016/17	2015/16
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Revenue, EU	334.648	346.958
	Revenue, non EU	348.273	227.098
		682.921	**574.056**
2	**Staff expenses**		
	Wages and salaries	144.902	135.981
	Pensions	10.100	9.475
	Other social security expenses	2.314	2.306
	Other staff expenses	4.316	3.970
		161.632	**151.732**
	Average number of employees	**304**	**289**

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

		2016/17	2015/16
3	**Tax on profit/loss for the year**		
	Current tax for the year	17.827	14.753
	Deferred tax for the year	185	-65
	Effect of joint taxation	235	-125
		18.247	**14.563**

Notes to the Financial Statements

4 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 October	66.854	27.702	9.733
Additions for the year	5.753	11.583	0
Disposals for the year	0	-451	0
Cost at 30 September	72.607	38.834	9.733
Impairment losses and depreciation at 1 October	43.814	24.267	7.902
Depreciation for the year	7.022	1.482	667
Reversal of impairment and depreciation of sold assets	0	-451	0
Impairment losses and depreciation at 30 September	50.836	25.298	8.569
Carrying amount at 30 September	**21.771**	**13.536**	**1.164**
Depreciated over	3-5 years	3-5 years	5-10 years

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
5	**Investments in subsidiaries**		
	Cost at 1 October	807	807
	Cost at 30 September	807	807
	Value adjustments at 1 October	1.004	76
	Exchange adjustment	-87	45
	Net profit/loss for the year	1.583	883
	Value adjustments at 30 September	2.500	1.004
	Carrying amount at 30 September	**3.307**	**1.811**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
SKOV Asia Ltd.	Bangkok, Thailand	THB 5.000.000	100%	3.307	1.583

		2017	2016
		TDKK	TDKK
6	**Investments in associates**		
	Cost at 1 October	0	0
	Additions for the year	13.500	0
	Carrying amount at 30 September	**13.500**	**0**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Scio+ A/S	Aarhus N, Denmark	TDKK 27.000	50%	21.067	-5.933

Notes to the Financial Statements

7 Other fixed asset investments

	Other receivables
	TDKK
Cost at 1 October	25.000
Additions for the year	6.750
Cost at 30 September	31.750
Carrying amount at 30 September	**31.750**

	2017	2016
	TDKK	TDKK

8 Inventories

Raw materials and consumables	22.232	17.240
Work in progress	2.946	2.934
Finished goods and goods for resale	45.878	30.924
	71.056	**51.098**

9 Trade receivables

The following receivables fall due for payment more than 1 year after year end	3.028	0

10 Deferred tax asset

Deferred tax asset at 1 October	823	758
Amounts recognised in the income statement for the year	-185	65
Deferred tax asset at 30 September	**638**	**823**

11 Prepayments

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

Notes to the Financial Statements

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:

	2016/17	2015/16	2014/15	2013/14	2012/13
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 October	33.000	33.000	33.000	33.000	33.000
Capital increase	17.000	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 30 September	**50.000**	**33.000**	**33.000**	**33.000**	**33.000**

13 Distribution of profit

	2016/17	2015/16
	TDKK	TDKK
Proposed dividend for the year	37.778	39.250
Reserve for net revaluation under the equity method	1.496	928
Retained earnings	27.318	12.157
	66.592	**52.335**

14 Other provisions

Warranty provisions	10.253	8.612
	10.253	**8.612**

Notes to the Financial Statements

		2016/17	2015/16
		TDKK	TDKK
15	**Cash flow statement - adjustments**		
	Financial income	-2.639	-2.046
	Financial expenses	1.256	1.408
	Depreciation, amortisation and impairment losses, including losses and gains on sales	8.995	7.570
	Income from investments in subsidiaries	-1.527	-883
	Tax on profit/loss for the year	18.247	14.563
	Other adjustments	0	-47
		24.332	**20.565**

		2016/17	2015/16
16	**Cash flow statement - change in working capital**		
	Change in inventories	-19.958	7.369
	Change in receivables	-70.024	15.355
	Change in other provisions	1.641	566
	Change in trade payables, etc	27.141	-15.059
		-61.200	**8.231**

17 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations amounts to total MDKK 102 at 30 September 2017. Lease obligations relating to plant and machinery is due within 1 to 54 month. Obligations relating to lease of buildings is entered until 1 October 2028. MDKK 95 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 15,042. 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

18 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

		2016/17	2015/16
		TDKK	TDKK
19	**Fee to auditors appointed at the general meeting**		
	PricewaterhouseCoopers		
	Audit fee	139	139
	Non-audit services	181	62
		320	**201**

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of SKOV A/S, Glyngøre for 2016/17 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 Financial Statements for 2016/17 are presented in TDKK.

Consolidated financial statements

With reference to section 13 of the Danish Financial Statements Act, no consolidated financial statements are prepared for SKOV A/S, Glyngøre and its subsidiary SKOV Asia Ltd. The intercompany transactions and balances are considered immaterial.

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.

Leases

Leases in terms of which the Company 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 approximated value 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 Company.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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 Company.

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 Company. 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

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

Amortization, depreciation and impairment losses

Amortization, 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 core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 Danish corporation tax is allocated between the jointly taxed Danish companies 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.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoveral amount, write-down is made to this lower value.

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

The items “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.

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 subsidiaries and associates .

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 in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 Company 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 warranty 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company´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 Company´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”.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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