SKOV A/S, Glyngøre

Hedelund 4, DK-7870 Roslev

Annual Report for 1 October 2019 - 30 September 2020

CVR No 87 45 71 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14/12 2020

Henning Jensen
Chairman of the General Meeting

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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 2019 - 30 September 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019/20.

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, 14 December 2020

Executive Board

Jørgen Yde Jensen

Board of Directors

Robert Jean Nicolas Didier Lousberg Chairman	Kai Oliver Stephan Wehmayer	Jan Ove Thomas Nilsson
Kim Standly	Peter Balling	

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 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2019 - 30 September 2020 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 2019 - 30 September 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions 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, 14 December 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Furbo
State Authorised Public Accountant
mne32204

Allan Christensen
State Authorised Public Accountant
mne35463

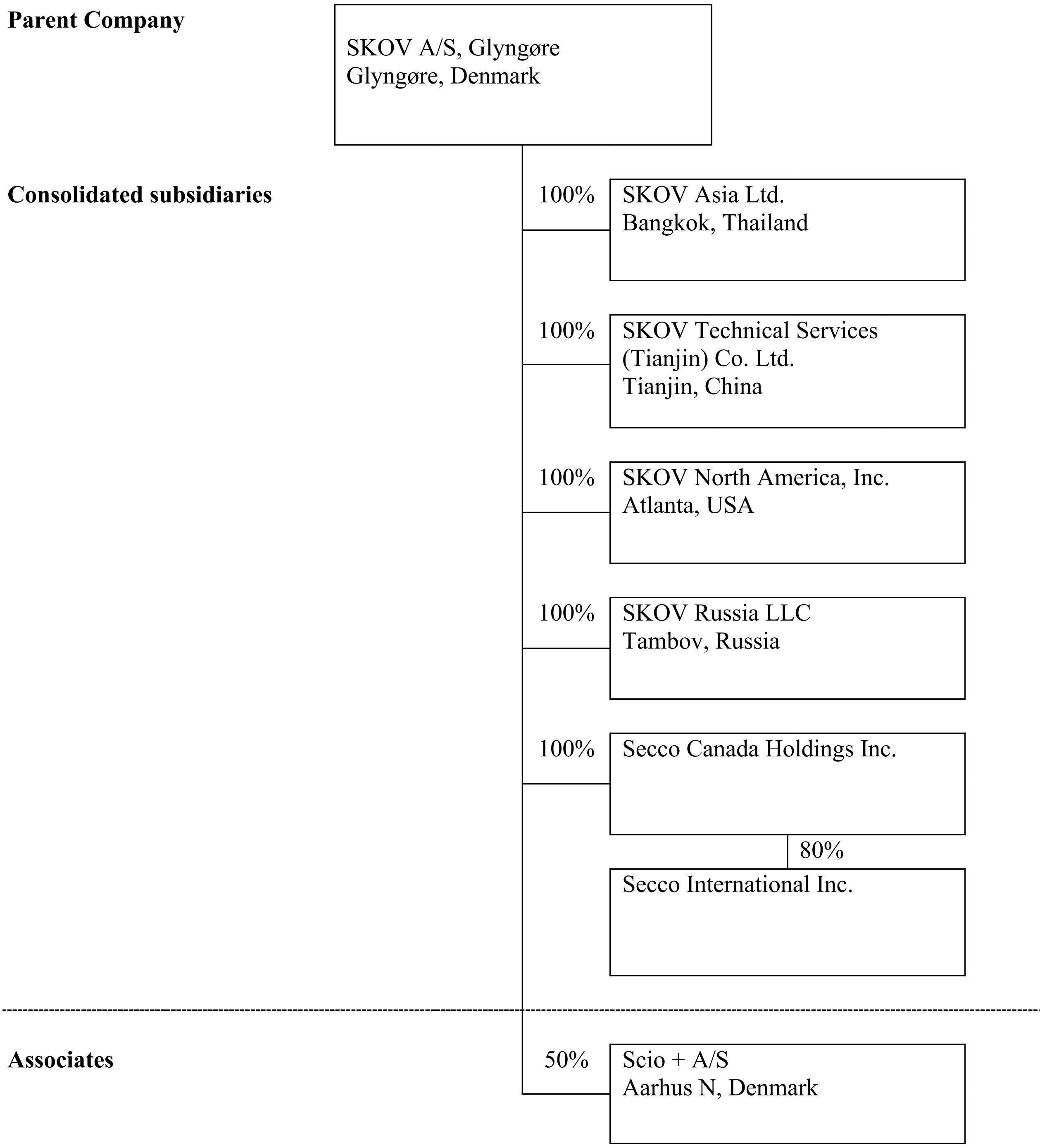
Company Information

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	Robert Jean Nicolas Didier Lousberg, Chairman Kai Oliver Stephan Wehmayer Jan Ove Thomas Nilsson Kim Standly Peter Balling
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

Group Chart


Parent Company
SKOV A/S, Glyngøre
Glyngøre, Denmark
Consolidated subsidiaries
100%
SKOV Asia Ltd.
Bangkok, Thailand
100%
SKOV Technical Services
(Tianjin) Co. Ltd.
Tianjin, China
100%
SKOV North America, Inc.
Atlanta, USA
100%
SKOV Russia LLC
Tambov, Russia
100%
Secco Canada Holdings Inc.
80%
Secco International Inc.
Associates
50%
Scio + A/S
Aarhus N, Denmark

Financial Highlights

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

	Group				
	2019/20	2018/19	2017/18	2016/17	2015/16
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	892	777	835	683	574
Gross profit/loss	350	300	320	262	225
Profit/loss before financial income and expenses	121	88	107	84	65
Net financials	-1	-1	-5	-2	2
Net profit/loss for the year	100	67	79	64	52
Balance sheet					
Balance sheet total	583	468	404	357	300
Equity	398	321	273	233	208
Cash flows					
Cash flows from:					
- operating activities	116	80	101	21	69
- investing activities	-89	5	-6	-38	-43
including investment in property, plant and equipment	-11	-24	-9	-18	-18
- financing activities	-17	-21	-38	-42	-26
Change in cash and cash equivalents for the year	10	64	57	-59	0
Number of employees	431	389	381	343	289
Ratios					
Gross margin	39,2%	38,6%	38,3%	38,4%	39,2%
Profit margin	13,6%	11,3%	12,8%	12,3%	11,3%
Return on assets	20,8%	18,8%	26,5%	23,5%	21,7%
Solvency ratio	68,3%	68,6%	67,6%	65,3%	69,3%
Return on equity	27,8%	22,6%	31,2%	29,0%	26,9%

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 2019/20. The comparative information for 2015/16 have not been adjusted to group level.

Management's Review

Key activities

SKOV A/S' strategy is to develop, produce, install and service climate solutions, farm management and digital value chain services for animal production worldwide.

Development in the year

The result for the year shows a profit after tax of TDKK 101,163 which is considered satisfactory.

The result is achieved during a period of high uncertainty due to Covid-19 which negatively has impacted activities in the markets during the last 6-7 months of the fiscal year 2019/20.

SKOV has in 2019/20 continued building up and development of a global sales organization through recruitment of additional sales managers, new dealers and new installation / service partners. Training and academy programs to increase the knowledge and competences in the global sales organization is a natural part of the development.

SKOV has a growth strategy which includes acquisitions. Secco International Inc. (Canada) was acquired in October 2019. The company provides solutions within ventilation to dairy farms. During the year has several initiatives been implemented to make the foundation for further growth of Secco International Inc.

SKOV is committed to develop new products and solutions. Like previous years, SKOV has also in 2019/20 incurred considerable expenses on product and system development. It will contribute to ensuring that the Company maintains a leading position in the market.

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.

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.

Targets and expectations for the year ahead

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

The Covid-19 situation will also have negative impact on SKOV financial performance in 2020/21, but the SKOV business model and financial performance can handle such a period of uncertaincy.

The Company will therefore also in 2020/21 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

SKOV A/S Business Model

SKOV has a complete value chain with primary activities within RD, Markets and Operation supported by back-up functions like HR, IT and Finance.

SKOV is committed to develop new products and solutions, and has for many years made material investments in RD. Most of the development takes place internally, but cooperation is also done with external consultancy agencies when needed. SKOV has RD activities within Mechanics, Electronical and Software engineering.

Production and assembly of SKOV products takes mainly place at the facilities in Glyngoere, Denmark. The same facility serves as the global distribution center, and products are distributed to almost 100 countries.

Products of the company are sold globally through either Dealers, Direct Sales or Partners. The sale is supported by SKOV's market organization including 5 sales subsidiaries and more than 90 dealers.

Ethical trading and anti-corruption rules

SKOV has implemented a Code of Conduct policy. Compliance with compulsory legal provisions and internal rules is at SKOV an essential basic principle of responsible business conduct. SKOV's market position must be achieved through outstanding product quality and ability to deliver increased value through system solutions.

Violations of legal regulations or internal compliance rules must be identified as early as possible in order to initiate appropriate countermeasures and to avoid possible damage to customers, employees, business partners and SKOV. There is an electronic whistleblower system setup that enables employees to inform anonymously, fast and in an easy way about violations of legal regulations or compliance rules. No violations have been registered during fiscal year 2019/20.

Human Rights

In SKOV we respect the international conventions regarding the protection of human rights and the corresponding national laws. Currently SKOV does not find it necessary to form a specific policy covering the whole company for this area.

The Procurement department of SKOV A/S does actively work with Suppliers to ensure high ethical standards. Suppliers are obligated to act in an ethical responsible manner and comply with the international conventions and principles. The suppliers must show social responsibility and as a minimum comply with The Ten Principles of the UN Global Compact, which is focusing on Human Rights, Labour Rights, Environment and Anti-Corruption. The employees in the Procurement department does follow a Code of Conduct with special focus on the cooperation with Suppliers.

The principles and values behind Human Rights, Ethical trading and anti-corruption rules are important in the management and business activities of SKOV. Even though not possible to measure direct results, the company will continue to have focus on these areas.

Employees and working environment

The security, health and well-being of the employees of SKOV has high priority. The company constantly work on keeping a good working environment, and several initiatives have taken place during the year. One of the initiatives was implementation of an employee satisfaction survey where all employees were asked for feedback. The feedback was used for different improvement initiatives at different levels in the organization.

Each individual employee has a yearly development conversation with superior. Management receives general feedback from these conversations with the objective to identify areas where improvements can be done.

Once a year all employees in Denmark participates in a common session where management is presenting the results and the achievements of the past year. In addition is the budget for the coming year and the main objectives / strategy for the coming year presented. Another part of the session is typically a team-building event. For the employees abroad similar sessions are held in each region. SKOV A/S participates together with other companies in Skive municipality in project Code of Care. The objective with Code of Care is to support the youth in the municipality who of several reasons have experienced difficulties getting into the job market. Participant in the Code of Care program have been working with success for SKOV during fiscal year 2019/20.

Environment and Climate

The vision for SKOV is to be the largest and most acknowledged partner providing climate solutions, farm management and digital value chain services for animal production worldwide.

The vision of SKOV supports the United Nations Sustainable Development Goals, and SKOV is especially committed to contribute to Goal number 12 Sustainable Consumption and Production. Solutions from SKOV contributes to a resource and energy efficient production of animal protein by producing more and better with less.

SKOV A/S must every 4th year make a statutory energy audit and send in a report to the Danish Energy Agency. The report is made in cooperation with an external consultant, and an important part of the process is to identify possible energy saving initiatives.

Management's Review

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 of at least one board member was not achieved in 2019/20 as there were no female candidates. The objective is that it should be reached before end of 2022, and the BoD will continue to make 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 2020 females had a share of 18% at other management level, which is an increase from 17% end of September 2019.

Especially in our external communication (job advertisements, Social Media activities, job fairs etc) SKOV continue to have focus on being attractive for both women and men, and we target both genders. The result of the activities is difficulty to measure, but so far, 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	Consolidated		Parent Company	
		2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**892.203**	**777.057**	**843.367**	**776.693**
Expenses for raw materials and consumables		-446.496	-382.549	-412.568	-383.528
Other external expenses		-95.415	-94.560	-108.197	-107.927
Gross profit/loss		**350.292**	**299.948**	**322.602**	**285.238**
Staff expenses	2	-212.812	-201.035	-194.477	-188.766
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-16.426	-11.131	-14.540	-10.851
Profit/loss before financial income and expenses		**121.054**	**87.782**	**113.585**	**85.621**
Income from investments in subsidiaries		0	0	4.302	1.965
Income from investments in associates		571	-2.573	571	-2.573
Financial income		2.665	2.520	2.536	2.370
Financial expenses		-4.147	-1.438	-3.345	-1.565
Profit/loss before tax		**120.143**	**86.291**	**117.649**	**85.818**
Tax on profit/loss for the year	3	-19.984	-19.582	-17.820	-19.109
Net profit/loss for the year		**100.159**	**66.709**	**99.829**	**66.709**

Balance Sheet 30 September

Assets

	Note	Consolidated		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Acquired patents		7.578	0	0	0
Goodwill		69.052	0	0	0
Intangible assets	4	**76.630**	**0**	**0**	**0**
Plant and machinery		34.313	35.542	32.547	34.883
Other fixtures and fittings, tools and equipment		9.622	11.938	8.659	10.897
Leasehold improvements		413	506	413	506
Property, plant and equipment	5	**44.348**	**47.986**	**41.619**	**46.286**
Investments in subsidiaries	6	0	0	80.804	13.099
Investments in associates	7	2.568	1.998	2.568	1.998
Receivables from group enterprises	8	0	0	7.125	0
Fixed asset investments		**2.568**	**1.998**	**90.497**	**15.097**
Fixed assets		**123.546**	**49.984**	**132.116**	**61.383**
Inventories	9	**119.917**	**89.858**	**101.139**	**88.761**
Trade receivables	10	81.999	94.055	78.072	91.816
Receivables from group enterprises		22.568	10.962	22.763	12.969
Receivables from associates		0	74	0	74
Other receivables		13.820	10.516	11.788	9.271
Deferred tax asset	14	0	0	110	0
Prepayments	11	6.609	7.774	6.596	7.774
Receivables		**124.996**	**123.381**	**119.329**	**121.904**
Cash at bank and in hand		**214.553**	**204.738**	**190.599**	**196.632**
Currents assets		**459.466**	**417.977**	**411.067**	**407.297**
Assets		**583.012**	**467.961**	**543.183**	**468.680**

Balance Sheet 30 September

Liabilities and equity

	Note	Consolidated		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Share capital		50.000	50.000	50.000	50.000
Retained earnings		331.781	237.961	331.781	237.961
Proposed dividend for the year		0	33.000	0	33.000
Equity attributable to shareholders of the Parent Company		**381.781**	**320.961**	**381.781**	**320.961**
Minority interests		16.439	0	0	0
Equity	12	**398.220**	**320.961**	**381.781**	**320.961**
Provision for deferred tax	14	11.956	31	0	31
Other provisions	15	13.270	11.675	12.780	11.675
Provisions		**25.226**	**11.706**	**12.780**	**11.706**
Prepayments received from customers		27.163	27.650	19.522	27.650
Trade payables		47.453	47.418	44.393	46.693
Payables to group enterprises		326	412	2.632	4.291
Payables to associates		1.221	2.313	1.221	2.313
Corporation tax		15.564	13.277	15.001	12.971
Other payables		67.665	44.130	65.679	42.010
Deferred income	16	174	94	174	85
Short-term debt		**159.566**	**135.294**	**148.622**	**136.013**
Debt		**159.566**	**135.294**	**148.622**	**136.013**
Liabilities and equity		**583.012**	**467.961**	**543.183**	**468.680**

Distribution of profit	13
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Statement of Changes in Equity

Consolidated

	Share capital	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	50.000	237.961	33.000	320.961	0	320.961
Exchange adjustments	0	-6.009	0	-6.009	0	-6.009
Cash capital increase	0	0	0	0	17.331	17.331
Ordinary dividend paid	0	0	-33.000	-33.000	0	-33.000
Exchange adjustments relating to foreign entities	0	0	0	0	-1.222	-1.222
Net profit/loss for the year	0	99.829	0	99.829	330	100.159
Equity at 30 September	**50.000**	**331.781**	**0**	**381.781**	**16.439**	**398.220**

Parent Company

	Share capital	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
Equity at 1 October	50.000	237.961	33.000	320.961	0	320.961
Exchange adjustments	0	-6.009	0	-6.009	0	-6.009
Ordinary dividend paid	0	0	-33.000	-33.000	0	-33.000
Net profit/loss for the year	0	99.829	0	99.829	0	99.829
Equity at 30 September	**50.000**	**331.781**	**0**	**381.781**	**0**	**381.781**

Cash Flow Statement 1 October - 30 September

	Note	Consolidated 2019/20	Consolidated 2018/19
		TDKK	TDKK
Net profit/loss for the year		100.159	66.709
Adjustments	17	30.090	32.625
Change in working capital	18	4.107	2.216
Cash flows from operating activities before financial income and expenses		**134.356**	**101.550**
Financial income		2.665	2.519
Financial expenses		-4.156	-1.436
Cash flows from ordinary activities		**132.865**	**102.633**
Corporation tax paid		-16.786	-22.382
Cash flows from operating activities		**116.079**	**80.251**
Purchase of intangible assets		-78.184	0
Purchase of property, plant and equipment		-11.233	-23.844
Repayment of other receivables		0	28.750
Cash flows from investing activities		**-89.417**	**4.906**
Repayment of payables to group enterprises		-86	-746
Repayment of payables to associates		-1.092	-1.104
Minority interests		17.331	0
Dividend paid		-33.000	-19.645
Cash flows from financing activities		**-16.847**	**-21.495**
Change in cash and cash equivalents		**9.815**	**63.662**
Cash and cash equivalents at 1 October		204.738	141.076
Cash and cash equivalents at 30 September		**214.553**	**204.738**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		214.553	204.738
Cash and cash equivalents at 30 September		**214.553**	**204.738**

Notes to the Financial Statements

		Consolidated		Parent Company	
		2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Revenue, EU	455.169	405.504	445.984	405.504
	Revenue, non EU	437.034	371.553	397.383	371.189
		892.203	**777.057**	**843.367**	**776.693**
2	**Staff expenses**				
	Wages and salaries	191.706	180.107	175.374	168.817
	Pensions	12.282	12.066	12.282	11.866
	Other social security expenses	2.855	2.830	2.551	2.797
	Other staff expenses	5.969	6.032	4.270	5.286
		212.812	**201.035**	**194.477**	**188.766**
	Average number of employees	**431**	**389**	**370**	**357**

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	
		2019/20	2018/19	2019/20	2018/19
3	**Tax on profit/loss for the year**				
	Current tax for the year	21.209	19.019	19.045	18.546
	Deferred tax for the year	141	-723	141	-723
	Effect of joint taxation	-1.366	1.286	-1.366	1.286
		19.984	**19.582**	**17.820**	**19.109**

Notes to the Financial Statements

4 Intangible assets

Consolidated

	Acquired patents	Goodwill
	TDKK	TDKK
Additions for the year	9.616	71.829
Cost at 30 September	9.616	71.829
Amortisation for the year	2.038	2.777
Impairment losses and amortisation at 30 September	2.038	2.777
Carrying amount at 30 September	**7.578**	**69.052**

Notes to the Financial Statements

5 Property, plant and equipment

Consolidated

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 October	93.916	42.421	9.733
Exchange adjustment	17	5	0
Additions for the year	9.628	2.001	0
Disposals for the year	0	-2	0
Cost at 30 September	103.561	44.425	9.733
Impairment losses and depreciation at 1 October	58.374	30.483	9.227
Exchange adjustment	-3	150	0
Depreciation for the year	10.877	4.172	93
Reversal of impairment and depreciation of sold assets	0	-2	0
Impairment losses and depreciation at 30 September	69.248	34.803	9.320
Carrying amount at 30 September	**34.313**	**9.622**	**413**
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	93.215	40.077	9.733
Additions for the year	8.218	1.654	0
Kostpris at 30 September	101.433	41.731	9.733
Impairment losses and depreciation at 1 October	58.332	29.179	9.227
Depreciation for the year	10.554	3.893	93
Impairment losses and depreciation at 30 September	68.886	33.072	9.320
Carrying amount at 30 September	**32.547**	**8.659**	**413**
Depreciated over	3-5 years	3-5 years	5-10 years

6 Investments in subsidiaries

	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Cost at 1 October	7.137	5.804
Additions for the year	69.412	1.333
Cost at 30 September	76.549	7.137
Value adjustments at 1 October	5.962	3.578
Exchange adjustment	-6.009	420
Net profit/loss for the year	6.630	1.964
Amortisation of goodwill	-1.243	0
Change in intercompany profit on inventories	-1.085	0
Value adjustments at 30 September	4.255	5.962
Carrying amount at 30 September	**80.804**	**13.099**

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%	7.714	2.119
SKOV Technical Services (Tianjin) Co. Ltd.	Tianjin, China	TEUR 671	100%	6.295	1.169
SKOV North America Inc.	Georgia, USA	TUSD 200	100%	2.014	778
SKOV Russia LLC	Tambov, Russia	TRUB 10	100%	111	90
Secco Canada Holdings Inc.	Saint-Hyacinthe, Quebec, Canada	TCAD 13,584	100%	66.999	2.474

Notes to the Financial Statements

	Consolidated		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
7 Investments in associates				
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	-11.502	-8.929	-11.502	-8.929
Net profit/loss for the year	570	-2.573	570	-2.573
Value adjustments at 30 September	-10.932	-11.502	-10.932	-11.502
Carrying amount at 30 September	**2.568**	**1.998**	**2.568**	**1.998**

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%	5.136	1.141

8 Other fixed asset investments

	Parent Company
	Receivables from group enterprises
	TDKK
Additions for the year	7.125
Cost at 30 September	7.125
Carrying amount at 30 September	**7.125**

	Consolidated		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

9 Inventories

	2020	2019	2020	2019
Raw materials and consumables	36.736	28.238	35.001	27.788
Work in progress	3.476	5.630	3.303	5.630
Finished goods and goods for resale	79.705	55.990	62.835	55.343
	119.917	**89.858**	**101.139**	**88.761**

10 Trade receivables

The following receivables fall due for payment more than 1 year after year end	5.166	5.331	5.166	5.331

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:

	2019/20	2018/19	2017/18	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 October	50.000	50.000	50.000	33.000	33.000
Capital increase	0	0	0	17.000	0
Capital decrease	0	0	0	0	0
Share capital at 30 September	**50.000**	**50.000**	**50.000**	**50.000**	**33.000**

Notes to the Financial Statements

	Consolidated		Parent Company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK

13 Distribution of profit

Proposed dividend for the year	0	33.000	0	33.000
Minority interests' share of net profit/loss of subsidiaries	330	0	0	0
Retained earnings	99.829	33.709	99.829	33.709
	100.159	**66.709**	**99.829**	**66.709**

14 Provision for deferred tax

Provision for deferred tax at 1 October	31	-691	31	-691
Amounts recognised in the income statement for the year	141	-723	141	-723
Amounts recognised in equity for the year	11.784	1.445	-282	1.445
Provision for deferred tax at 30 September	**11.956**	**31**	**-110**	**31**

15 Other provisions

Warranty provisions	13.270	11.675	12.780	11.675
	13.270	**11.675**	**12.780**	**11.675**

16 Deferred income

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

Notes to the Financial Statements

	Consolidated	
	2019/20	2018/19
	TDKK	TDKK

17 Cash flow statement - adjustments

	2019/20 TDKK	2018/19 TDKK
Financial income	-2.665	-2.520
Financial expenses	4.147	1.438
Depreciation, amortisation and impairment losses, including losses and gains on sales	16.426	11.132
Income from investments in associates	-571	2.573
Tax on profit/loss for the year	19.984	19.582
Other adjustments	-7.231	420
	30.090	**32.625**

18 Cash flow statement - change in working capital

	2019/20 TDKK	2018/19 TDKK
Change in inventories	-30.055	-18.524
Change in receivables	-1.615	-1.144
Change in other provisions	1.595	-865
Change in trade payables, etc	34.182	22.749
	4.107	**2.216**

19 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations amounts to total MDKK 82 at 30 September 2020. Lease obligations relating to plant and machinery is due within 1 to 32 month. Obligations relating to lease of buildings is entered until 1 October 2028. MDKK 69 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 15,564. 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 Contingent assets, liabilities and other financial obligations (continued)

The parent company and the group companies has in connection with the purchase of a new subsidary company entered into an agreement with minority stockholders. The agreement obligates the group to purchase the remaining shares until 2029. Purchase and sale can be done successively in the periode from 2022 to 2029. The agreed purchase sum for the aqquired shares is variabel and based on the subsidary companys profit.

20 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

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

	Consolidated		Parent Company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
21 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	182	153	182	153
Non-audit services	51	101	51	101
	233	**254**	**233**	**254**
Other auditors				
Audit fee	203	0	203	0
Non-audit services	79	146	79	146
	282	**146**	**282**	**146**
	515	**400**	**515**	**400**

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of SKOV A/S, Glyngøre for 2019/20 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 2019/20 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.

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 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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

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.

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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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 20 years.

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 10-12 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Investments in subsidiaries and associates

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

The items"Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

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

22 Accounting Policies (continued)

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. 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

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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

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