BEIERHOLM
VI SKABER BALANCE

SKOV A/S. Glyngøre

Hedelund 4, 7870 Glyngøre

CVR no. 87 45 71 17

Annual report
for the financial year 01.10.20 - 30.09.21

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 13.12.21

Henning Jensen
Dirigent

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Group information

The company

SKOV A/S. Glyngøre
Hedelund 4
7870 Glyngøre
Tel.: 72 17 55 55
Registered office: Glyngøre
CVR no.: 87 45 71 17
Financial year: 01.10 - 30.09

Executive Board

CEO Leo Østergaard

Board of Directors

Robert Jean Nicolas Didier Lousberg
Kai Oliver Stephan Wehmeyer
Jan Ove Thomas Nilsson
Jørgen Yde Jensen
Peter Balling
Kim Standly

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Banks

Danske Bank A/S
Sydbank A/S
Commerzbank AG Corporate Banking

Lawyer

Gorissen Federspiel

Group chart

Group chart

Group chart

We have on this day presented the annual report for the financial year 01.10.20 - 30.09.21 for SKOV A/S. Glyngøre.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 30.09.21 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.10.20 - 30.09.21.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Glyngøre, December 13, 2021

Executive Board

Leo Østergaard
CEO

Board of Directors

Robert Jean Nicolas Didier Lousberg Chairman	Kai Oliver Stephan Wehmeyer	Jan Ove Thomas Nilsson
Jørgen Yde Jensen	Peter Balling	Kim Standly

To the Shareholder of SKOV A/S. Glyngøre

Opinion

We have audited the consolidated financial statements and parent company financial statements of SKOV A/S. Glyngøre for the financial year 01.10.20 - 30.09.21, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 30.09.21 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.10.20 - 30.09.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and parent company financial statements” section of our report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management’s review

Management is responsible for management’s review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management’s review and, in doing so, consider whether management’s review is materially inconsistent with the consolidated financial statements or parent company 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 Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

The 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. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the group's and the parent 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 consolidated financial statements and parent company financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 group's and the parent 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 consolidated financial statements and parent company 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 parent 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company 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 per-formance 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, December 13, 2021

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Allan Aakmann Christensen	Martin Olesen Furbo
State Authorized Public Accountant	State Authorized Public Accountant
MNE-no. mne35463	MNE-no. mne32204

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000,000	2020/21	2019/20	2018/19	2017/18	2016/17
Profit/loss					
Revenue	981	892	777	835	683
Operating profit (Skjult)	173	121	88	107	84
Total net financials	0	-1	-1	-5	-2
Profit for the year	140	100	67	79	64
Balance					
Total assets	723	583	468	404	357
Investments in property, plant and equipment	6	12	24	9	18
Equity	543	398	321	273	233
Cashflow					
Net cash flow:					
Operating activities	99	133	80	101	21
Investing activities	-3	-89	5	-6	-38
Financing activities	-12	-34	-21	-38	-42
Cash flows for the year	84	10	64	57	-59

Ratios

	2020/21	2019/20	2018/19	2017/18	2016/17
Profitability					
Return on equity	29.8%	27.8%	22.6%	31.2%	29.0%
Gross margin	41.6%	39.2%	38.6%	38.3%	38.4%
Profit margin	17.6%	13.6%	11.3%	12.8%	12.3%
Return on assets	23.8%	20.8%	18.8%	26.5%	23.5%
Solvency ratio	75.1%	68.3%	68.6%	67.6%	65.3%
Others					
Number of employees (average)	462	431	389	381	343

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Gross margin: $\frac{\text{Gross result x 100}}{\text{Revenue}}$

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

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

Solvency ratio $\frac{\text{Equity x 100}}{\text{Total assets}}$

Primary 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 activities and financial affairs

The result for the year shows a profit after tax of TDKK 140.175 which is considered satisfactory. The balance sheet of the company shows an equity of TDKK 543.437.

SKOV has in 2020/21 continued to develop the global sales organization through recruitment of additional sales managers, new dealers and new installation / service partners. To increase the competences in the global sales organization, SKOV Academy has headed many training activities towards sales managers, dealers and service partners.

SKOV started in 2020/21 to develop and sell climate solutions for insect production of e.g. the black soldier fly. Like other livestock animals, the productivity of insects is highly dependent of a well-functioning climate solution, and SKOV is now ready to support customers globally with proven and competitive solutions.

Like previous years, SKOV has also in 2020/21 incurred considerable expenses on product and system development so that the Company maintains a leading position in the market. The development of digital services to customers is a significant part of the activities.

The increased investment in digitalization and optimization of SKOV internal processes and communication to customers has progressed according to plans. As example, to support the digital communication to dealers and customers, a new portal named MySKOV has been introduced.

SKOV has a growth strategy which includes acquisitions. No acquisitions took place in 2020/21.

Outlook

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

The Covid-19 pandemic and the following challenges related to market uncertainty, sourcing of materials and price increases are expected to have a negative impact on the financial performance of SKOV in 2021/22. The business model of SKOV and the financial performance can handle such challenges.

Therefore, the Company will alsi in 2021/22 continue to invest in the future growth of SKOV. Market presence will increase in different growing markets, new products will be introduced and SKOV will continue to invest in digitalization/robotization of the production and administrative processes. All activities that will strengthen the future earnings capacity and competitiveness.

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

Strategy

The food industry is consolidating, and many customers are becoming bigger and more regional / global. By this, the market is also requesting more professional climate and production solutions as well as new digital services. This is in line with the SKOV offerings. Despite a trend in increasing plant-based food alternatives, the consumption of animal based proteins as broiler meat, pork and egg is globally still expected to increase. with this, the global market for SKOV offerings is expected to grow.

SKOV's strategy is to be prepared for this growth and to increase its market share. To stay the preferred partner for our customers, SKOV will invest in new solutions, a strong market presence and an efficient organization that delivers quality to customers.

The objective of SKOV is to have a strong profitable organic growth supplemented with acquisitions.

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 product development, sales and services. To deliver these solutions continuously, it is decisive that the Company is able to recruit and maintain highly educated employees. Therefore, the Company is committed to continue investing in SKOV as an attractive workplace.

Financial risks

Foreign currency 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. Most of the transactions are in DKK or EUR.

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.

External environment

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 'Responsible Consumption and Production' and Goal number 2 'Zero Hunger'. Solutions from SKOV contributes to a resource and energy efficient production of animal protein by producing more and better with less resources.

SKOV does from this year and onwards document the Company's carbon emissions under scope 1 and 2 in accordance with the Greenhouse Gass (GHG) protocol. The report is made in cooperation with an external consultant, and an important part of the work is to identify possible energy savings and reductions of carbon emission.

Research and development activities

Research activities are also made in cooperation with Research Centers at Universities. The development activities do primarily include development of products for the global market. Considerable resources have been spent on research and development, as the market continuously demand new product and system innovations.

Subsequent events

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

Branches abroad

The company has branches in Thailand, China, Russia, U.S.A. and Canada. The companies have a commercial and strategic partnership across borders.

Corporate social responsibility

SKOV Business Model

SKOV has a complete value chain with primary activities within R&D, Sales & Service and Operation supported by functions like IT, HR and Finance. SKOV is committed to develop new products and solutions, and has for many years made material investments in R&D. Most of the development are placed internally, but cooperation is also done with external consultancy agencies when needed. SKOV has R&D activities within Mechanics, Electronical and Software engineering. Production and assembly of SKOV products takes mainly place at the facilities in Glyngøre, 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 and service 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 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 2020/21.

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 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, Labor 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.

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, the budget and the objective, strategy and execution plans for the coming year are presented. Another part of the session is typically a team-building event. For the employees abroad similar sessions are held online via

Teams.

SKOV 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. SKOV has not had any participants during the last fiscal year, but we are still committed and has during 2020/21 participated in different working groups related to project Code of Care.

Gender diversity

Target figures for the supreme management body

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 6 members of which 4 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 was not achieved in 2020/21 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.

Policy to increase the share of the underrepresented gender at other management levels

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 2021 females had a share of 17% at other management level, which is at the same level as September 2020.

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 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.

Income statement

Note		Group 2020/21 DKK '000	Group 2019/20 DKK '000	Parent 2020/21 DKK '000	Parent 2019/20 DKK '000
1	**Revenue**	**981,090**	**892,203**	**933,062**	**843,367**
	Costs of raw materials and consumables	-490,978	-446,496	-453,630	-412,568
	Other external expenses	-82,187	-95,415	-96,959	-108,197
	Gross profit	**407,925**	**350,292**	**382,473**	**322,602**
2	Staff costs	-218,921	-212,812	-196,112	-194,477
	Profit before depreciation, amortisation, write-downs and impairment losses	**189,004**	**137,480**	**186,361**	**128,125**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-16,298	-16,426	-14,378	-14,540
	Other operating expenses	-35	0	-35	0
	Operating profit	**172,671**	**121,054**	**171,948**	**113,585**
4	Income from equity investments in group enterprises	0	0	171	4,302
5	Income from equity investments in associates	113	571	113	571
	Financial income	2,828	2,665	3,006	2,536
	Financial expenses	-2,977	-4,147	-2,007	-3,345
	Profit before tax	**172,635**	**120,143**	**173,231**	**117,649**
6	Tax on profit for the year	-32,460	-19,984	-32,734	-17,820
	Profit for the year	**140,175**	**100,159**	**140,497**	**99,829**

7 Proposed appropriation account

Balance sheet

ASSETS

Note		Group 30.09.21 DKK '000	Group 30.09.20 DKK '000	Parent 30.09.21 DKK '000	Parent 30.09.20 DKK '000
	Completed development projects	1,442	0	0	0
	Acquired rights	5,600	5,868	0	0
	Goodwill	68,801	69,052	0	0
	Development projects in progress	0	1,710	0	0
8	**Total intangible assets**	**75,843**	**76,630**	**0**	**0**
	Leasehold improvements	320	413	320	413
	Plant and machinery	29,143	34,313	27,582	32,547
	Other fixtures and fittings, tools and equipment	5,913	9,622	5,125	8,659
9	**Total property, plant and equipment**	**35,376**	**44,348**	**33,027**	**41,619**
10	Equity investments in group enterprises	0	0	90,378	80,804
11	Receivables from group enterprises	0	0	7,562	7,125
10	Equity investments in associates	0	2,568	0	2,568
11	Other receivables	1,311	0	1,311	0
	Total investments	**1,311**	**2,568**	**99,251**	**90,497**
	Total non-current assets	**112,530**	**123,546**	**132,278**	**132,116**
	Raw materials and consumables	40,705	36,736	39,116	35,001
	Work in progress	10,446	3,476	7,384	3,303
	Manufactured goods and goods for resale	92,973	79,705	71,107	62,835
	Total inventories	**144,124**	**119,917**	**117,607**	**101,139**
	Trade receivables	119,147	81,999	110,044	78,072
	Receivables from group enterprises	32,603	22,568	35,983	22,763
	Deferred tax asset	0	0	628	110
	Other receivables	8,866	13,820	8,065	11,788
12	Prepayments	7,039	6,609	7,018	6,596
13	**Total receivables**	**167,655**	**124,996**	**161,738**	**119,329**
	Cash	**298,846**	**214,553**	**272,685**	**190,599**
	Total current assets	**610,625**	**459,466**	**552,030**	**411,067**
	Total assets	**723,155**	**583,012**	**684,308**	**543,183**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		30.09.21 DKK '000	30.09.20 DKK '000	30.09.21 DKK '000	30.09.20 DKK '000
14	Share capital	50,000	50,000	50,000	50,000
	Foreign currency translation reserve	-1,996	-6,009	-1,996	-6,009
	Retained earnings	378,286	337,790	378,287	337,790
	Proposed dividend for the financial year	100,000	0	100,000	0
	Equity attributable to owners of the parent	**526,290**	**381,781**	**526,291**	**381,781**
15	Non-controlling interests	17,147	16,439	0	0
	Total equity	**543,437**	**398,220**	**526,291**	**381,781**
16	Provisions for deferred tax	10,756	11,956	0	0
17	Other provisions	14,568	13,270	13,931	12,780
	Total provisions	**25,324**	**25,226**	**13,931**	**12,780**
	Prepayments received from customers	16,550	27,163	7,587	19,522
	Trade payables	57,658	47,453	56,309	44,393
	Payables to group enterprises	0	326	1,723	2,632
	Payables to associates	0	1,221	0	1,221
	Income taxes	29,263	15,564	30,339	15,001
	Other payables	48,609	67,665	46,230	65,679
18	Deferred income	2,314	174	1,898	174
	Total short-term payables	**154,394**	**159,566**	**144,086**	**148,622**
	Total payables	**154,394**	**159,566**	**144,086**	**148,622**
	Total equity and liabilities	**723,155**	**583,012**	**684,308**	**543,183**

19 Contingent liabilities
20 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Foreign currency translation reserve	Retained earnings	Proposed dividend for the financial year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Group:							
Statement of changes in equity for 01.10.20 - 30.09.21							
Balance as at 01.10.20	50,000	-6,009	337,790	0	381,781	16,439	398,220
Foreign currency translation adjustment of foreign enterprises	0	4,013	0	0	4,013	1,029	5,042
Net profit/loss for the year	0	0	40,496	100,000	140,496	-321	140,175
Balance as at 30.09.21	50,000	-1,996	378,286	100,000	526,290	17,147	543,437
Parent:							
Statement of changes in equity for 01.10.20 - 30.09.21							
Balance as at 01.10.20	50,000	-6,009	337,790	0	381,781	0	381,781
Foreign currency translation adjustment of foreign enterprises	0	4,013	0	0	4,013	0	4,013
Net profit/loss for the year	0	0	40,497	100,000	140,497	0	140,497
Balance as at 30.09.21	50,000	-1,996	378,287	100,000	526,291	0	526,291

Consolidated cash flow statement

Note		Group 2020/21 DKK '000	Group 2019/20 DKK '000
	Profit for the year	**140,175**	**100,159**
21	Adjustments	53,871	47,421
	Change in working capital:		
	Inventories	-24,207	-30,055
	Receivables	-33,935	-1,615
	Trade payables	10,205	34,182
	Other payables relating to operating activities	-24,879	1,595
	Cash flows from operating activities before net financials	**121,230**	**151,687**
	Interest income and similar income received	2,828	2,665
	Interest expenses and similar expenses paid	-2,977	-4,156
	Income tax paid	-21,905	-16,786
	Cash flows from operating activities	**99,176**	**133,410**
	Purchase of intangible assets	0	-78,184
	Purchase of property, plant and equipment	-6,202	-11,233
	Sale of property, plant and equipment	252	0
	Purchase of subsidaries and operations	2,649	0
	Cash flows from investing activities	**-3,301**	**-89,417**
	Dividend paid	0	-33,000
	Arrangement of payables to group entreprises	-326	0
	Repayment of payables to group entreprises	-10,035	-86
	Repayment of payables to associates	-1,221	-1,092
	Cash flows from financing activities	**-11,582**	**-34,178**
	Total cash flows for the year	**84,293**	**9,815**
	Cash, beginning of year	214,553	204,738
	Cash, end of year	**298,846**	**214,553**
	Cash, end of year, comprises:		
	Cash	298,846	214,553
	Total	**298,846**	**214,553**

	Group		Parent	
	2020/21 DKK '000	2019/20 DKK '000	2020/21 DKK '000	2019/20 DKK '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Revenue from sale of climate solutions, farm management and digital value chain services for animal production	981,090	892,203	933,062	843,367

Revenue comprises the following geographical markets:

Revenue, EU	413,151	455,169	404,795	445,984
Revenue, non EU	567,939	437,034	528,267	397,383
Total	981,090	892,203	933,062	843,367

2. Staff costs

Wages and salaries	195,299	191,705	174,350	175,374
Pensions	13,200	12,282	13,153	12,282
Other social security costs	759	719	759	719
Other staff costs	9,663	8,106	7,850	6,102
Total	218,921	212,812	196,112	194,477
Average number of employees during the year	462	431	372	370

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

	Group		Parent	
	2020/21 DKK '000	2019/20 DKK '000	2020/21 DKK '000	2019/20 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	293	308	155	182
Other services	309	309	121	51
Total	602	617	276	233

4. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	2,126	2,328	2,297	6,630
Elimination of internal gains and losses	-883	-1,085	-883	-1,085
Amortisation of goodwill	-1,243	-1,243	-1,243	-1,243
Total	0	0	171	4,302

5. Income from equity investments in associates

Share of profit or loss of associates	113	571	113	571

	Group		Parent	
	2020/21 DKK '000	2019/20 DKK '000	2020/21 DKK '000	2019/20 DKK '000

6. Tax on profit for the year

Current tax for the year	34,360	21,209	34,634	19,045
Tax value of losses in group enterprises	-1,382	-1,366	-1,382	-1,366
Adjustment of deferred tax for the year	-518	141	-518	141
Total	32,460	19,984	32,734	17,820

7. Proposed appropriation account

Proposed dividend for the financial year	100,000	0	100,000	0
Non-controlling interests	-321	330	0	0
Retained earnings	40,496	99,829	40,497	99,829
Total	140,175	100,159	140,497	99,829

8. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Group:			
Cost as at 01.10.20	3,156	6,460	71,829
Foreign currency translation adjustment of foreign enterprises	139	396	4,405
Transfers during the year to/from other items	-891	0	0
Cost as at 30.09.21	2,404	6,856	76,234
Amortisation and impairment losses as at 01.10.20	-1,446	-592	-2,777
Foreign currency translation adjustment of foreign enterprises	557	-36	-940
Impairment losses during the year	-481	0	0
Amortisation during the year	0	-628	-3,716
Transfers during the year to/from other items	408	0	0
Amortisation and impairment losses as at 30.09.21	-962	-1,256	-7,433
Carrying amount as at 30.09.21	1,442	5,600	68,801

9. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost as at 01.10.20	9,733	103,561	44,425
Foreign currency translation adjustment of foreign enterprises	0	90	-113
Additions during the year	0	5,524	677
Disposals during the year	0	0	-482
Cost as at 30.09.21	9,733	109,175	44,507
Depreciation and impairment losses as at 01.10.20	-9,320	-69,248	-34,803
Foreign currency translation adjustment of foreign enterprises	0	21	88
Depreciation during the year	-93	-10,805	-4,075
Reversal of depreciation of and impairment losses on disposed assets	0	0	196
Depreciation and impairment losses as at 30.09.21	-9,413	-80,032	-38,594
Carrying amount as at 30.09.21	320	29,143	5,913
Parent:			
Cost as at 01.10.20	9,733	101,433	41,731
Additions during the year	0	5,501	571
Disposals during the year	0	0	-480
Cost as at 30.09.21	9,733	106,934	41,822
Depreciation and impairment losses as at 01.10.20	-9,320	-68,886	-33,072
Depreciation during the year	-93	-10,466	-3,820
Reversal of depreciation of and impairment losses on disposed assets	0	0	195
Depreciation and impairment losses as at 30.09.21	-9,413	-79,352	-36,697
Carrying amount as at 30.09.21	320	27,582	5,125

10. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Revaluations as at 01.10.20	0
Net profit/loss from equity investments	-113
Transfers during the year to/from other items	113
Revaluations as at 30.09.21	0
Carrying amount as at 30.09.21	0
Parent:	
Cost as at 01.10.20	76,549
Additions during the year	2,707
Transfers during the year to/from other items	13,500
Cost as at 30.09.21	92,756
Revaluations as at 01.10.20	4,257
Foreign currency translation adjustment of foreign enterprises	4,039
Amortisation of goodwill	-1,243
Net profit/loss from equity investments	2,271
Changes in intra-group profit from inventories	-883
Transfers during the year to/from other items	-10,819
Revaluations as at 30.09.21	-2,378
Carrying amount as at 30.09.21	90,378

Positive balances ascertainable on initial recognition of equity investments measured at equity value	24,859
Carrying amount in the balance sheet if revaluation to fair value had not been carried out as at 30.09.21	23,897

10. Equity investments in group enterprises - continued -

Name and registered office:	Ownership interest
Subsidiaries:	
SKOV Asia Ltd., Bangkok	100%
SKOV Technical Services (Tianjin) Co. Ltd., Tianjin	100%
SKOV North America, Inc., Georgia	100%
SKOV Russia LLC, Tambov	100%
Secco Canada Holdings Inc., Saint-Hyacinthe, Quebec	100%
dol a/s, Aarhus	100%

11. Other non-current financial assets

Figures in DKK '000	Receivables from group enterprises	Other receivables
Group:		
Cost as at 01.10.20	0	0
Additions during the year	0	1,311
Cost as at 30.09.21	0	1,311
Carrying amount as at 30.09.21	0	1,311
Parent:		
Cost as at 01.10.20	7,125	0
Additions during the year	437	1,311
Cost as at 30.09.21	7,562	1,311
Carrying amount as at 30.09.21	7,562	1,311

	Group		Parent	
	30.09.21 DKK '000	30.09.20 DKK '000	30.09.21 DKK '000	30.09.20 DKK '000

12. Prepayments

Prepayments	7,039	6,609	7,018	6,596

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

13. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	7,672	5,166	7,672	5,166

14. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	50,000	50,000,000
Total		50,000,000

The share capital have been increased from MDKK 33 to MDKK 50 in the financiel year 2016/17, a total increase of MDKK 17.

	Group		Parent	
	30.09.21 DKK '000	30.09.20 DKK '000	30.09.21 DKK '000	30.09.20 DKK '000

15. Non-controlling interests

Non-controlling interests, beginning of year	16,439	16,109	0	0
Foreign currency translation adjustment of foreign enterprises	1,029	0	0	0
Net profit/loss for the year (distribution of net profit)	-321	330	0	0
Total	17,147	16,439	0	0

16. Deferred tax

Deferred tax as at 01.10.20	11,956	31	-110	31
Deferred tax recognised in the income statement	-1,200	141	-518	141
Deferred tax recognised in equity	0	11,784	0	-282
Deferred tax as at 30.09.21	10,756	11,956	-628	-110

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	0	0	-628	-110
Provisions for deferred tax	10,756	11,956	0	0
Total	10,756	11,956	-628	-110

17. Other provisions

Figures in DKK '000	Warranty commitments
Group:	
Provisions as at 01.10.20	13,270
Provisions during the year	1,298
Provisions as at 30.09.21	14,568
Parent:	
Provisions as at 01.10.20	12,780
Provisions during the year	1,151
Provisions as at 30.09.21	13,931

	30.09.21 DKK '000	30.09.20 DKK '000	30.09.21 DKK '000	30.09.20 DKK '000
Other provisions are expected to be distributed as follows:				
Non-current liabilities	14,568	13,270	13,931	12,780
Total	14,568	13,270	13,931	12,780

	Group		Parent	
	30.09.21 DKK '000	30.09.20 DKK '000	30.09.21 DKK '000	30.09.20 DKK '000

18. Deferred income

Deferred income	2,314	174	1,898	174

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

19. Contingent liabilities

Group:

Lease commitments

Lease obligations amounts to total MDKK 72 at September 30 2021. The group has concluded lease agreements relating to plant and machinery with terms to maturity of 1 to 32 months. Obligations relating to lease of buildings for SKOV A/S. Glyngøre, MDKK 60, is entered until 1 October 2028. Obligations relating to lease of buildings for Secco International Inc., MDKK 7, is entered until 30 November 2024.

Parent:

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 34.828 at the balance sheet date. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

The parent company and the group companues 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 period from 2022 to 2029. The agreed purchase sum for the aqquired shares is variabel and based on the subsidary companys profit

20. Related parties

Controlling influence	Basis of influence
Big Dutchman AG, Germany	Ultimate parent company
Meerpohl family	Owners of parent company, Big Dutchman AG

Other related parties
SKOV INVEST. GLYNGØRE ApS
SKOV Invest Canada Inc.

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

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

	Group	
	2020/21 DKK '000	2019/20 DKK '000
21. Adjustments for the cash flow statement		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	16,298	16,426
Other operating expenses	35	0
Income from equity investments in associates	-113	-571
Financial income	-2,828	-2,665
Financial expenses	2,977	4,147
Tax on profit or loss for the year	32,460	19,984
Other adjustments	5,042	10,100
Total	53,871	47,421

22. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds participating interests, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

Non-controlling interests

The financial items of the subsidiaries are recognised in full in the consolidated financial statements.

22. Accounting policies - continued -

The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in changes in control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the enterprises' net assets at the acquisition date.

On acquisition of subsidiaries, goodwill is recognised on a proportionate basis in the balance sheet of the parent based on the actual ownership interest in the acquired equity investments. In the consolidated financial statements, goodwill is recognised in full regardless of the ownership interest held in the subsidiary, i.e. including goodwill relating to the shares of non-controlling interests in subsidiaries.

The goodwill (positive difference) determined at the date of acquisition is recognised under intangible assets in the consolidated financial statements and under equity investments in subsidiaries in the parent's balance sheet. Goodwill from acquired enterprises is adjusted until 12 months after the acquisition date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the

22. Accounting policies - continued -

exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

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.

22. **Accounting policies** - continued -

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

22. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Completed development projects		0
Acquired rights	20	0
Goodwill	20	0
Leasehold improvements	5-10	0
Plant and machinery	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise’s activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises and associates

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises’ profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries and associates also comprises gains and losses on the sale of equity investments.

22. Accounting policies - continued -

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

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

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

22. Accounting policies - continued -

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises and associates

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

Accounting policies for the acquisition of subsidiaries are stated in the 'Business combinations' section.

Equity investments in associates

In the balance sheet, equity investments in associates are recognised and measured according to the

22. Accounting policies - continued -

equity method. For equity investments in associates, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

Equity method

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred. Where the cost on acquisition of equity investments includes a contingent purchase consideration, this consideration is measured at fair value at the date of acquisition. Subsequent value adjustment of contingent purchase consideration at fair value is recognised in the cost of acquired equity investments. For subsidiaries, subsequent value adjustment of contingent purchase consideration at fair value is recognised in the income statement in the consolidated financial statements.

On subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry

22. Accounting policies - continued -

of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

22. Accounting policies - continued -

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future

22. Accounting policies - continued -

earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.