
Skiold Landmeco A/S

Haulundvej 16, DK-6870 Ølgod

Annual Report for 2023

CVR No. 89 52 41 13

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 14/6 2024

Jonas Givskov
Håkonsson
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Skiold Landmeco A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations and cash flows for 2023.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ølgod, 14 June 2024

Executive Board

Anders Kristian Andersen
CEO

Board of Directors

Jørn Mørkeberg Nielsen
Chairman

Ebbe Matthew Faurshou

Henriette Holmberg Olsen

Morten Rosager Andersen

Independent Auditor's report

To the shareholder of Skiold Landmeco A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Skiold Landmeco A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Herning, 14 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
State Authorised Public Accountant
mne23324

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

Company information

The Company	Skiold Landmeco A/S Haulundvej 16 6870 Ølgod Telephone: +45 75 24 55 11 CVR No: 89 52 41 13 Financial period: 1 January - 31 December Municipality of reg. office: Varde
Board of Directors	Jørn Mørkeberg Nielsen, chairman Ebbe Matthew Faurschou Henriette Holmberg Olsen Morten Rosager Andersen
Executive Board	Anders Kristian Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Profit/loss of primary operations	26,297	17,638	25,163	14,716	6,102
Profit/loss of financial income and expenses	-125	99	118	-312	-499
Net profit/loss for the year	20,394	13,809	19,712	11,221	4,337
Balance sheet					
Balance sheet total	91,420	79,867	98,819	76,903	61,292
Equity	60,955	46,561	48,002	44,690	33,469
Cash flows					
Cash flows from:					
- operating activities	8,546	4,004	3,412	5,489	9,562
- investing activities	-1,105	-7,562	-1,971	-5,939	-239
- financing activities	-3,256	-4,783	-4,549	214	-7,288
Change in cash and cash equivalents for the year	4,185	-8,341	-3,108	-236	2,035
Number of employees	32	36	33	39	38
Ratios					
Return on assets	28.8%	22.1%	25.5%	19.1%	10.0%
Solvency ratio	66.7%	58.3%	48.6%	58.1%	54.6%
Return on equity	37.9%	29.2%	42.5%	28.7%	13.9%

Management's review

Key activities

The company's activities are the manufacture and sale of mechanical equipment for poultry farming and industry.

Development in the year

In 2023 the Company has been impacted by global uncertainty due to increased interest rates and geopolitical uncertainty that impacted the Company's performance.

The income statement of the Company shows a profit of TDKK 20,394 with a total equity of TDKK 60,955.

Targets and expectations for the year ahead

The outlook for 2024 is positive due to the expected benefit of strategic and operational activities implemented in 2021-2023, hereunder increase in activity in several newer markets that will contribute positively to the company's earnings.

However, the ongoing war in Ukraine and the continued global uncertainty from this could impact the Company's performance due to scarcity and increased prices on raw materials.

The annual result for 2024 before financial items is expected to be DKK 25-30 million.

Research and development

To maintain a strong position the Company continually invests in both product development and our people so as to maintain its knowledge leadership.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		48,827	40,394
Staff expenses	1	-20,691	-20,565
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-1,839	-2,191
Profit/loss before financial income and expenses		26,297	17,638
Financial income	3	421	496
Financial expenses	4	-546	-397
Profit/loss before tax		26,172	17,737
Tax on profit/loss for the year	5	-5,778	-3,928
Net profit/loss for the year	6	20,394	13,809

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		2,532	0
Acquired patents		172	255
Development projects in progress		615	2,449
Intangible assets	7	3,319	2,704
Land and buildings		23,151	23,646
Plant and machinery		7,550	8,019
Other fixtures and fittings, tools and equipment		968	1,353
Property, plant and equipment	8	31,669	33,018
Other investments	9	25	25
Fixed asset investments		25	25
Fixed assets		35,013	35,747
Inventories	10	33,135	31,676
Trade receivables		7,623	6,576
Contract work in progress	11	4,013	0
Receivables from group enterprises		6,857	5,555
Other receivables		709	112
Prepayments	12	589	169
Receivables		19,791	12,412
Current asset investments	13	8	8
Cash at bank and in hand		3,473	25
Current assets		56,407	44,121
Assets		91,420	79,868

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		2,000	2,000
Reserve for development costs		2,454	1,910
Retained earnings		49,501	36,651
Proposed dividend for the year		7,000	6,000
Equity		60,955	46,561
Provision for deferred tax	14	1,551	1,407
Provisions		1,551	1,407
Mortgage loans		2,803	3,257
Lease obligations		5,728	453
Other payables		897	866
Long-term debt	15	9,428	4,576
Mortgage loans	15	454	452
Credit institutions		0	738
Lease obligations	15	662	139
Prepayments received from customers		5,150	7,346
Trade payables		4,773	10,164
Payables to group enterprises		0	2,601
Corporation tax		5,635	3,833
Other payables	15	2,812	2,051
Short-term debt		19,486	27,324
Debt		28,914	31,900
Liabilities and equity		91,420	79,868
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2,000	1,910	36,651	6,000	46,561
Ordinary dividend paid	0	0	0	-6,000	-6,000
Development costs for the year	0	648	-648	0	0
Depreciation, amortisation and impairment for the year	0	-104	104	0	0
Net profit/loss for the year	0	0	13,394	7,000	20,394
Equity at 31 December	2,000	2,454	49,501	7,000	60,955

Cash flow statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Result of the year		20,394	13,809
Adjustments	16	7,773	6,020
Change in working capital	17	-15,664	-10,526
Cash flow from operations before financial items		12,503	9,303
Financial income		421	1
Financial expenses		-546	101
Cash flows from ordinary activities		12,378	9,405
Corporation tax paid		-3,832	-5,401
Cash flows from operating activities		8,546	4,004
Purchase of intangible assets		-832	-1,372
Purchase of property, plant and equipment		-6,648	-6,235
Sale of property, plant and equipment		6,375	45
Cash flows from investing activities		-1,105	-7,562
Repayment of mortgage loans		-453	-450
Reduction of lease obligations		-577	-137
Repayment of payables to group enterprises		-2,601	10,500
Lease obligations incurred		6,375	554
Dividend paid		-6,000	-15,250
Cash flows from financing activities		-3,256	-4,783
Change in cash and cash equivalents		4,185	-8,341
Cash and cash equivalents at 1 January		-704	7,637
Cash and cash equivalents at 31 December		3,481	-704
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		3,473	25
Current asset investments		8	8
Overdraft facility		0	-737
Cash and cash equivalents at 31 December		3,481	-704

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	17,411	16,992
Pensions	2,184	2,086
Other social security expenses	225	240
Other staff expenses	871	1,247
	<u>20,691</u>	<u>20,565</u>

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

Average number of employees	<u>32</u>	<u>36</u>
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	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	217	76
Depreciation of property, plant and equipment	2,017	2,130
Gain and loss on disposal	-395	-15
	<u>1,839</u>	<u>2,191</u>

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	400	496
Other financial income	21	0
	<u>421</u>	<u>496</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
4. Financial expenses		
Interest paid to group enterprises	90	100
Other financial expenses	456	297
	<u>546</u>	<u>397</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	5,635	3,833
Deferred tax for the year	143	95
	<u>5,778</u>	<u>3,928</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
6. Profit allocation		
Proposed dividend for the year	7,000	6,000
Retained earnings	13,394	7,809
	<u>20,394</u>	<u>13,809</u>

Notes to the Financial Statements

7. Intangible fixed assets

	Completed development projects	Acquired patents	Develop- ment projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	0	415	2,449
Additions for the year	0	0	831
Transfers for the year	2,665	0	-2,665
Cost at 31 December	2,665	415	615
Impairment losses and amortisation at 1 January	0	160	0
Amortisation for the year	133	83	0
Impairment losses and amortisation at 31 December	133	243	0
Carrying amount at 31 December	2,532	172	615

Development projects relate to the creation of new motor configurations to comply with UL/CSA standards, a rearing system to adhere to EU Regulation 2018/848 and EU Regulation 2020/464, and a flat roof system with perches above the nest for use in floor layer production.

The development of the new motor configurations began in 2022 and will be sold in the USA and Canada markets.

The rearing system is expected to be sold in the current markets to the company's existing customers, but in compliance with the new legislation. Throughout the development process, the company inquired with its customers about the need for this rearing system, which was well-received.

The flat roof system was identified as a must-have after a dialogue with both dealers and end customers; our current portfolio of products did not meet the farmers' needs, hence this development project was initiated.

The rearing system was completed in 2023, and the flat roof and motor development projects are expected to be completed in 2024. The projects are progressing according to plan through the use of resources allocated by management to the development.

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK	TDKK
Cost at 1 January	27,473	23,517	5,928
Additions for the year	33	6,616	0
Disposals for the year	0	-6,999	0
Cost at 31 December	<u>27,506</u>	<u>23,134</u>	<u>5,928</u>
Impairment losses and depreciation at 1 January	3,828	15,498	4,575
Depreciation for the year	527	1,105	385
Reversal of impairment and depreciation of sold assets	0	-1,019	0
Impairment losses and depreciation at 31 December	<u>4,355</u>	<u>15,584</u>	<u>4,960</u>
Carrying amount at 31 December	<u>23,151</u>	<u>7,550</u>	<u>968</u>
Amortised over	<u>50 years</u>	<u>4-10 years</u>	<u>4-15 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>6,348</u>	<u>0</u>

9. Other fixed asset investments

	Other investments
	TDKK
Cost at 1 January	<u>25</u>
Cost at 31 December	<u>25</u>
Carrying amount at 31 December	<u>25</u>

10. Inventories

	2023	2022
	TDKK	TDKK
Raw materials and consumables	24,206	24,017
Finished goods and goods for resale	8,929	7,659
	<u>33,135</u>	<u>31,676</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
11. Contract work in progress		
Selling price of work in progress	7,360	0
Payments received on account	-3,347	0
	<u>4,013</u>	<u>0</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	<u>4,013</u>	<u>0</u>
	<u>4,013</u>	<u>0</u>
12. Prepayments		
Prepayments consist of prepaid expenses concerning subscriptions.		
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
13. Securities		
Shares	<u>8</u>	<u>8</u>
	<u>8</u>	<u>8</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
14. Provision for deferred tax		
Deferred tax liabilities at 1 January	1,407	1,145
Amounts recognised in the income statement for the year	143	95
Amounts recognised in equity for the year	<u>1</u>	<u>167</u>
Deferred tax liabilities at 31 December	<u>1,551</u>	<u>1,407</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
15. Long-term debt		
Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.		
The debt falls due for payment as specified below:		
Mortgage loans		
After 5 years	962	1,426
Between 1 and 5 years	1,841	1,831
Long-term part	<u>2,803</u>	<u>3,257</u>
Within 1 year	454	452
	<u>3,257</u>	<u>3,709</u>
Lease obligations		
After 5 years	2,619	214
Between 1 and 5 years	3,109	239
Long-term part	<u>5,728</u>	<u>453</u>
Within 1 year	662	139
	<u>6,390</u>	<u>592</u>
Other payables		
After 5 years	0	0
Between 1 and 5 years	897	866
Long-term part	<u>897</u>	<u>866</u>
Other short-term payables	2,812	2,051
	<u>3,709</u>	<u>2,917</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
16. Cash flow statement - Adjustments		
Financial income	-421	-496
Financial expenses	546	397
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,839	2,191
Tax on profit/loss for the year	5,778	3,928
Other adjustments	31	0
	<u>7,773</u>	<u>6,020</u>

	2023	2022
	TDKK	TDKK
17. Cash flow statement - Change in working capital		
Change in inventories	-1,459	6,365
Change in receivables	-7,379	-149
Change in trade payables, etc	-6,826	-16,742
	<u>-15,664</u>	<u>-10,526</u>

	2023	2022
	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings for which the carrying value is	23,151	23,646
The following assets have been placed as security with bankers:		
Mortgages registered to the owner of DKK 2.450.000, which provide mortgage in land and buildings for which the carrying value is	23,151	23,646
The following assets have been placed as security with banks:		
As security for debts in banks, the company has floating charge a nominal amount of DKK 8.000.000. Floating charges includes tangible fixed assets, inventory and trade receivables, as at the balance sheet data has the following values DKK	43,182	47,661
The following assets have been placed as security for lease obligations:		

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	98	142
Between 1 and 5 years	<u>0</u>	<u>98</u>
	<u>98</u>	<u>240</u>

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 is disclosed in the Annual Report of SKIOLD Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

19. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
SKIOLD A/S, CVR-nr. 57081112	Parent Company
Plemont Co-Investment No. 1 Separate Limited Partnership	Majority shareholder in Parent Company

Transactions

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
SKIOLD Group A/S	Sæby, Denmark
SKIOLD A/S	Sæby, Denmark

The Group Annual Report of SKIOLD Group A/S may be obtained at the following address:

SKIOLD Group A/S
Kjeldgaardsvej 3
9300 Sæby
Denmark

The Group Annual Report of SKIOLD A/S may be obtained at the following address:

SKIOLD A/S
Kjeldgaardsvej 3
9300 Sæby
Denmark

Notes to the Financial Statements

20. Accounting policies

The Annual Report of Skiold Landmeco A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an 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 Company.

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

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.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

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.

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

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 5 years.

Costs incurred on development projects comprise salaries, amortisation and other costs which are directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Company can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover production costs, selling costs and administrative expenses as well as the development costs.

Development projects that do not qualify for recognition in the balance sheet are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount. An amount corresponding to the recognised development costs reduced by tax is allocated to the equity item "Reserve for development costs". The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis. Capitalised development costs are amortised as from the date of completion on a straight-line basis over the period during which development work is expected to generate economic benefits.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

Production buildings	50 years
Plant and machinery	4-10 years
Other fixtures and fittings, tools and equipment	4-15 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Notes to the Financial Statements

Fixed asset investments

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

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

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

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

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

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

Prepayments

Prepayments comprise prepaid expenses concerning subscriptions.

Current Asset Investments

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

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial liabilities

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

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

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Notes to the Financial Statements

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Current asset investments". "Current asset investments" consist of short-term securities with an insignificant risk of value changes that can readily be turned into cash.

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$