

**Hardi International A/S
Central Business Registration No
55274517**

Annual report 2019/20

The Annual General Meeting adopted the annual report on 5/2 - 2021

Chairman of the General Meeting

Name: Yves Belegaud

A handwritten signature in black ink, appearing to be 'Yves Belegaud', written over a horizontal line. The signature is stylized and includes a large loop.

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Entity details

Entity

Hardi International A/S
Herthadalvej 10
4840 Nørre Alslev

Central Business Registration No: 55274517

Registered in: Nørre Alslev

Financial year: 01.10.2019 - 30.09.2020

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Board of Directors

Yves Belegaud, Chairman

Daniel Tragus, Vice Chairman

Thomas Germain

Jan Ole Andersen

John Christian Werneburg

Executive Board

Sten Kjelstrup, CEO and President

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hardi International A/S for the financial year 01.10.2019 - 30.09.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations for the financial year 01.10.2019 - 30.09.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.


Nørre Alslev, 24.11.2020

Executive Board



Sten Kjelstrup
CEO and President

Board of Directors



Yves Belegaard
Chairman



Daniel Tragus
Vice Chairman



Thomas Germain



Jan Ole Andersen



John Christian Werneburg

Independent auditor's reports

To the shareholder of Hardi International A/S

Opinion

We have audited the financial statements of Hardi International A/S for the financial year 01.10.2019 - 30.09.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations for the financial year 01.10.2019 - 30.09.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statement

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statement

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.

Independent auditor's reports

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent auditor's reports

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

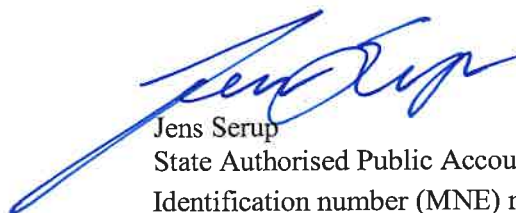
Copenhagen, 24.11.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556



Tim Kjær-Hansen
State Authorised Public Accountant
Identification number (MNE) mne23295



Jens Serup
State Authorised Public Accountant
Identification number (MNE) mne45825

Management commentary

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	Sept 2016 DKK'000
Financial highlights					
Key figures					
Revenue	444.353	426.154	503.704	489.744	23.307
Gross profit/loss	71.417	59.393	69.473	99.172	2.074
Profit from sale of building included in other income	51.657	0	0	0	0
Earnings before interest, tax, depreciation and amortisation	44.640	(17.036)	(8.649)	17.290	(4.512)
Operating profit/loss	34.534	(27.474)	(19.241)	7.749	(5.334)
Net financials before restructuring expenses	(40.313)	(25.783)	(39.854)	(33.156)	(7.476)
Restructuring expenses before tax effects	(4.477)	(80.208)	0	0	0
Profit/loss for the year	(15.252)	(128.496)	(54.840)	(25.508)	(11.329)
Total assets	618.487	509.640	595.657	589.414	625.517
Investments in property, plant and equipment	1.526	1.166	1.608	14.247	777
Equity	63.424	78.724	157.715	217.721	244.115
Ratios					
Gross profit (%)	16.1	13.9	13.8	20.2	8.9
EBITDA margin before profit from sale of building (%)	(1.6)	(4,0)	(1,7)	3,5	(19,4)

Primary activities

The principal activities of the Company are development, production and sales of sprayers and spraying equipment primarily to the agricultural industry.

Vision and mission

Vision

We will take a leading role worldwide in responsible plant care.

Mission

With the customer in focus, we will - by means of innovation and teamwork – design, produce and market quality products adding value to our stakeholders.

Management commentary

Development in activities and finances

The global harvest results for the current financial year has overall been higher than the year before. However, as normal, the results have been very different from region by region. The overall result in EU has decreased from the previous year with especially Central EU with mainly France down whereas Northern EU and part of the Eastern European markets, as well as big parts of the CIS region has had a satisfactory harvest. Despite severe weather conditions in the North American market in the beginning of the growing season, the market showed harvest results better than last year. Harvest results in Australia ended lower than last year due to drought in some major farm regions. The overall world consumption has increased but not enough yet to increase the world market commodity prices.

The overall farm economy is recovering slowly after the last year's low harvest results and low market prices and has not been hit as hard by the financial impact of Covid-19 as many other industries. In general, this fact has made the banks change their attitude towards the farm industry and are now considering farmers as "better" customers. The easier access to finance has helped farmers' attitude, especially in the second half of the financial year resulting in higher levels of investment in equipment. The farmers' higher interest for new and used machinery has also helped the financial situation for the farm machinery dealers, as they have been able to reduce their stock of, in particular, used equipment. The general uncertainties in regards the future consequences regarding COVID-19 pandemic are however still holding dealers and importers back from increasing their stock of new equipment.

Sales and distribution

Hardi Group started the period with a lower order book than the year before. However, towards the end of the year the market has picked up and the order book ended significantly higher than the year before, which will materialise in increased deliveries in the coming financial year.

Covid-19

Generally, the Company has not experienced significant direct notable effects of the Covid-19 crises on its order intake and sales however due to the markets uncertainty, our customers' decision making has been delayed with a request for fast deliveries. A number of trade-shows were cancelled during the year and travel of our staff to meet importers, dealers and end customers has been limited compared to normal. As a consequence of reduced direct contact with customers, the Company instigated a number of initiatives to enhance web and virtual tools to ensure that meeting customers' needs was mitigated under these severe circumstances.

Management commentary

Product development and production

The efforts to improve the efficiency and to increase the flexibility in the factory so that seasonal fluctuations can be coped with saw improvements over the year due to better market knowledge coupled with enhanced resource and production planning. Further improvements in these areas are expected in the coming year as production efficiencies are still at a too low level. The efforts to reduce working capital have been successful and management plans to further improve in the coming year.

The group's future product range based on a newly developed platform strategy has toward the end of the year, been introduced first resulting in the launch of a new trailer line which, over time, will replace the existing high-end range of trailers and the platform concept from this product range will further be used in a coming new self-propelled sprayer line for the worldwide market. Together with implementation and further development of the common new electronic platform prepared for customers future demand this will create the future base for the entire Hardi group's product range.

Restructure of Hardi Group's production facilities world-wide

Last year on 3rd July 2019, the Group announced a wide ranging restructure of its production sites by introducing technology centres in order to consolidate competencies of trailer, lift-mounted, self-propelled and mist sprayers on fewer factories and through this lower the break-even point for the Hardi Group.

The objective of the restructuring initiative is, as describes in last year's financial statements, to consolidate future product development within technology centres, ensure commonality in our product offering and optimise manufacturing processes. The initiative is a necessary basis to achieve the overriding objective, which is to lower the break-even point and bring the Group back in profit.

As described in last year's financial statements, this initiative has and will further impact our two factories in Groupe Hardi France S.A and our site in Lleida in Spain, Ilemo-Hardi S.A., whereby:

1. Our Noyers-Saint-Martin site in France would close down after transferring all manufacturing of the Matrot brand units (Helios and Rubicon) to our Beaurainville site. This close down was effected as planned July 2020.
2. Our site in Beaurainville would receive the Matrot brand units and continue to develop and manufacture the Alpha and Saritor units and in receiving these products would outsource cutting, bending and welding activities. The production of the French market Meteor trailer is being transferred to our site in Nørre Alslev in Denmark. The Beaurainville site would hereafter become technology centre for Self-Propelled sprayer development and production in the Hardi Group and the Nørre Alslev site would become technology centre for all trailer and lift-mounted sprayers. The transfers are in process of being completed according to plan and will be finalised during the coming financial period.

Management commentary

3. Our site in Lleida, Spain sells, develops and manufactures mist blowers for vineyard and orchards. We announced transfer all mistblower production activities to a company owned by our parent, Exel Industries S.A. and establish a sales and service centre in Lleida. Production of components for trailers and lift-mounted sprayers is being transferred to our Nørre Alslev site. Hereafter, our Spanish company will continue as a sales office. The transfer is in the process of being completed and according to plan and we will leave the Spanish production premises on 31st December 2020, as planned.

Last year, we included an amount of DKK 80.2 million in Income from investments in group enterprises relating to the aforementioned restructuring. Additionally DKK 4.5 million has been included in 2019/20. These funds had been provided on the balance sheet of our wholly owned subsidiaries Groupe Hardi France S.A and Ilemo-Hardi S.A.. During the year, we have reviewed the expected costs and have not found reason to significantly adjust the total restructuring costs.

As not all of costs for restructuring have incurred at 30 September 2020, the accounting estimate of provision for restructuring costs is subject to uncertainty.

Liquidation of Svenska Hardi Försäljnings AB

During the year, we have transferred the activities of our wholly owned subsidiary Svenska Hardi Försäljnings AB to the Company. The transfer has been done to simplify the legal structure of the Group and on 30th September 2020, the subsidiary was liquidated.

Results and balance sheet

Figures in brackets are for 2018/19

Revenue amounts to DKK 444.4 million (DKK 426.2 million). Gross profit amounts to DKK 74.4 million (DKK 59.3 million).

EBITDA was DKK 44.6 million (DKK -17.0 million) corresponding to 10.4% (-4.0%) of the revenue. As mentioned in last year's annual report, the Company planned, and has on 30th September 2020 effected, the sale and subsequent operational lease of the buildings and land in Nørre Alslev to EXEL Real Estate Denmark A/S. The sale of the building generated a net profit of DKK 51.7 million presented as other income.

Depreciation was DKK 10.1 million (DKK 10.3 million). Subsequently, EBIT was DKK 34.5 million (DKK -27.5 million) corresponding to an EBIT margin of 10.4% (-6.5%).

Net financials were DKK 12.2 million (DKK 2.3 million) of which DKK -6.5 million (DKK 4.2 million) is due to exchange rate losses on receivables in foreign currencies. Result before tax and exceptional items was DKK -10.3 million (DKK -53.3 million) which is in line with expectation at the beginning of the financial statement period.

Management commentary

The balance sheet increased by 21.4% to DKK 618.5 million (DKK 509.6 million) primarily due to proceeds from sale of building and intragroup borrowings. The proceeds from the sale of the building of DKK 89 million will be used to reduce the intercompany borrowings in October 2020.

Uncertainty relating to measurement and recognition

Deferred tax assets are measured at estimated realisable value. Management has assessed estimated realisable value on the basis of future expected earnings which incorporates commenced concrete restructuring initiatives, as mentioned above, to bring the Company back to profitability. Further, the Company has launched a new go to market strategy which seeks to increase the value proposition of HARDI International A/S and the HARDI Group. Consequently, management believes it will utilise the tax asset within 3-5 years. As the expected earnings are based on estimates as well as expected future events this is subject to uncertainty.

Capital funding and Liquidity resources

It is Group policy to continuously ensure the existence of adequate financial resources. The liquidity risk is monitored by the utilisation of short-term credit facilities combined with long-term, fixed credit facilities with a number of banks and intergroup financing. On 30 September 2020, the Company recorded net financial debt of DKK 242.4 million (DKK 311.4 million) of which DKK 250.8 million (DKK 270.6 million) is long-term debt.

The Parent, EXEL Industries S.A, will ensure that any needed interim financing is provided for the Group.

Outlook

The outlook for agriculture in 2020/21 is looking encouraging mainly due to expected higher agricultural outputs and an expectation of positive developments in commodity prices. This together with substantial subsidy packages already offered to the North American, Australian and some farmers in EU could create a boost investments of farm machinery in the coming financial year. However with the increased environmental pressures, which the farm communities especially in the EU countries are facing coupled with severe climatic changes seen in some parts of the world, the farmers are still showing a “wait and see attitude”, which makes it difficult for farm machinery manufacturers such as Hardi Group to predict the near future. Stock levels at several of our importers and dealers has come down during the year which is encouraging. Due to Covid-19 subsidies in many regions of the world, as well as an expected high yield in Australia towards the end of calendar year 2020 and farmers’ world-wide being encouraged to invest in new and more environmentally efficient machinery with higher capacity provided by Hardi Group, we expect activity levels next year to increase.

Albeit, we expect to continue the journey of efficiency improvements and further reductions in capacity costs next year, as mentioned above, the Group is in a transition to restructure into centres of excellence, which will change the manufacturing landscape. As in this year, we do not envisage exceptional items in the next fiscal year. We expect to return to a positive EBITDA next year, whereas we expect to still make losses before tax next year until the restructuring effects take full effect in our subsidiaries over the next two years.

Management commentary

Particular risks

The activities of the Hardi Group are exposed to a number of financial risks. To the greatest extent possible, the Group tries to meet and to limit the risks that can be influenced by the Company through own actions.

Financial risk

Hardi Group's international activities imply that the performance and equity of the Group are affected by financial exposure, including liquidity, interest rate, currency, credit and debtor risks. Financial instruments are not applied to mitigate financial risk.

Currency risk

Hardi Group is an internationally-oriented Group with a considerable currency exposure. In 2019/20, approx. 90% of the Group's revenue was settled in other currencies than DKK (mainly EUR) which is in line with 2018/19. Part of the currency risk is reduced to the extent that the Group has assets, equity and liabilities or operating expenses in foreign currencies equivalent to the sales in whole or in part.

Credit risk

The credit risk relating to cash and cash equivalents and ongoing financing is minimised by exclusively co-operating with financial institutions with a high credit rating.

Debtor risk

The Company's trade receivables have – primarily as strong focus on collections from export customers – decreased to DKK 41.3 million at the end of September 2020 (DKK 51.8 million). The Company actively uses credit insurance or letters of credit to secure the trade receivables. Traditionally, the Company has experienced few losses and steps are taken to minimise the loss risk through a thorough credit rating and an extensive use of safe terms of payment.

Interest rate risk

The Company does not hedge interest rate risk. The Company's interest rate exposure on interest-bearing receivables and debt to group companies fluctuates with EURIBOR floored at zero percent. A one percent increase in EURIBOR would lead to an increase in interest of approximately DKK 2.5 million once it passes the floor.

Liquidity risk

The Company is not subject to financial covenants on its long term financing.

Management commentary

Intellectual capital resources

Knowledge of product and market

Hardi Group works closely together with the final users of the Company's products in order to build a knowledge of market demands. Together with information about competitors, regulatory initiatives, etc., this knowledge is currently directed to the Company's headquarters in Denmark and contributes to the current product development and marketing.

Knowledge management and knowledge sharing

To ensure coordinated knowledge management and knowledge sharing, intranet and internet as well as the Company's project management systems and manuals are used. Finally, a structured meeting activity across the functional areas and companies ensures that knowledge is currently exchanged.

Staff development

An ongoing development of the staff takes place in the Group based on the individual subsidiaries' vision, mission and values. As part of the employees' competence development, annual appraisal interviews take place with the aim of discussing future career prospects, tasks and training and education.

Corporate social responsibility

The parent company of Hardi, EXEL Industries, reports on CSR according to the requirement in France for listed companies and also as a reflection of one of the Group's core values "Acting Responsible"

The outcome is reported in the Annual Group Accounts of EXEL Industries according to the French Corporate Social Responsibilities reporting requirements. With reference to section 99a of the Danish Financial Statement Act, Hardi International A/S makes use of the exemption to refer to EXEL Industries Annual Report. The annual report of EXEL Industries can be required at "52, rue de la Victoire 75009 PARIS FRANCE" or can be downloaded on https://www.exel-industries.com/en/media-library-documents/?wpdmc=document-de-reference-en&filtre_an=2019-2020

The Company has been in dialogue with its owners regarding Danish GAAP reporting requirements for CSR and confirms that those requirements are part of EXEL Industries S.A.'s CSR reporting. The Company has been CSR audited by EXEL Industries S.A. and Deloitte in France and is found to be in compliance with EXEL Industries S.A. CSR requirements.

Management commentary

Diversity policy

Hardi Group always tries to attract and develop the best talents from all over the world and offers equal possibilities of career development and a non-discriminating work environment. As Hardi Group globalises, it is of vital importance to promote diversity at all levels. Today, women are under-represented in the Board of Directors and in the top management teams. It is the objective by 2023 to have achieved a representation of women of 40% in the Board of Directors and in the top management teams locally and globally. Compared to last year, there is no significant development in the representation of women in the top management teams in the companies and one woman left the Board of Directors. To achieve a 40% representation in the top management teams, the recruitment policy is created with the focus of ensuring a more equal recruitment of women and men in future in the top management teams. When recruiting, the Company always look at qualifications and fit.

Events after the balance sheet date

On 31st October 2020, management announced a restructure to the US operations whereby assembly of trailed- and lift-mounted trailers in our wholly owned subsidiary Hardi North America Inc. will be transferred from our current assembly site in Davenport, Iowa to Equipment Technologies Inc., an EXEL Industries S.A. owned assembly site in Mooresville, Indiana. The purpose is to lower the cost base of US assembly by consolidating production activities into one site. All other activities of Hardi North America Inc. continue in a smaller location in the Davenport, Iowa area once the current production facilities and offices have been sold. The restructuring cost is not expected to be significant and will be accrued during the coming financial year.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Based on experiences in 2019/20, Covid-19 in general or increased restrictions are not expected to have any significant impact on 2020/21.

Income statement for 2019/20

	<u>Notes</u>	<u>2019/20 DKK'000</u>	<u>2018/19 DKK'000</u>
Revenue	1	444.353	426.154
Production costs	2,3	<u>(372.936)</u>	<u>(366.761)</u>
Gross profit/loss		71.417	59.393
Research and development costs	2,3	(28.423)	(26.529)
Distribution costs	2,3	(21.212)	(26.267)
Administrative costs	2,3	(35.812)	(34.590)
Other operating income	4	79.747	30.061
Other operating expenses	5	<u>(31.183)</u>	<u>(29.542)</u>
Operating profit/loss		34.534	(27.474)
Income from investments in group enterprises including costs for restructuring	6	(32.632)	(108.269)
Other financial income	7	15.830	23.288
Other financial expense	8	<u>(27.988)</u>	<u>(21.009)</u>
Profit/loss before tax		(10.256)	(133.464)
Tax on profit/loss	9	<u>(4.996)</u>	<u>4.968</u>
Profit/loss for the year		<u>(15.252)</u>	<u>(128.496)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(15.252)</u>	<u>(128.496)</u>
		<u>(15.252)</u>	<u>(128.496)</u>

Balance Sheet at 30.09.2020

	<u>Notes</u>	<u>2019/20 DKK'000</u>	<u>2018/19 DKK'000</u>
Acquired licences		9.442	12.120
Intangible assets	10	<u>9.442</u>	<u>12.120</u>
Land and buildings		0	38.943
Plant and machinery		17.266	13.789
Other fixtures and fittings, tools and equipment		2.553	3.530
Property, plant and equipment in progress		813	6.969
Property, plant and equipment	11	<u>20.632</u>	<u>63.231</u>
Investments in group enterprises		62.235	57.340
Deferred tax	13	15.631	19.203
Fixed asset investments	12	<u>77.866</u>	<u>76.543</u>
Fixed assets		<u>107.940</u>	<u>151.894</u>
Raw materials and consumables		26.855	19.544
Work in progress		6.637	6.354
Manufactured goods and goods for resale		32.335	41.329
Inventories		<u>65.827</u>	<u>67.227</u>
Trade receivables		41.291	51.830
Receivables from group enterprises		189.133	177.537
Other short-term receivables		4.326	4.797
Income tax receivable		0	2.342
Prepayments	14	701	1.041
Receivables		<u>235.451</u>	<u>237.547</u>
Cash		<u>209.269</u>	<u>52.972</u>
Current assets		<u>510.547</u>	<u>357.746</u>
Assets		<u>618.487</u>	<u>509.640</u>

Balance Sheet at 30.09.2020

	<u>Notes</u>	<u>2019/20 DKK'000</u>	<u>2018/19 DKK'000</u>
Contributed capital		100.000	100.000
Retained earnings		<u>(36.576)</u>	<u>(21.276)</u>
Equity		<u>63.424</u>	<u>78.724</u>
Other provisions	15	<u>3.554</u>	<u>4.133</u>
Provisions		<u>3.554</u>	<u>4.133</u>
Debt to group enterprises		<u>250.788</u>	<u>270.635</u>
Non-Current liabilities		<u>250.788</u>	<u>270.635</u>
Bank loans		50.786	39.020
Trade payables		52.667	35.118
Debt to group enterprises		150.098	54.717
Other payables	16	45.515	26.511
Income tax payable		1.083	0
Deferred income	17	<u>572</u>	<u>782</u>
Current liabilities other than provisions		<u>300.721</u>	<u>156.148</u>
Liabilities other than provisions		<u>551.509</u>	<u>426.783</u>
Equity and liabilities		<u>618.487</u>	<u>509.640</u>

Unrecognised rental and lease commitments	18
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Assets charged and collateral	20
Related parties with control	21
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Statement of changes in equity for September 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100.000	(21.276)	78.724
Exchange rate adjustments	0	(48)	(48)
Profit/loss for the year	0	(15.252)	(15.252)
Equity end of year	100.000	(36.576)	63.424

Notes

	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
1. Revenue		
Europe	350.488	294.493
Countries under the North American Free Trade Agreement (USA, Canada and Mexico)	23.703	27.244
Other countries	70.162	104.417
	<u>444.353</u>	<u>426.154</u>

	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
2. Staff costs		
Wages and salaries	139.192	137.821
Pension costs	11.101	10.633
Other social security costs	2.573	2.741
	<u>152.866</u>	<u>151.195</u>
Average number of employees	<u>352</u>	<u>357</u>

In accordance with the Danish Financial Statement Act § 98 b, 3 the remuneration of management for the current financial statement period has not been disclosed.

	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.678	2.694
Depreciation on property, plant and equipment	7.430	7.744
Profit/loss from sale of intangible assets, plant and equipment	0	(95)
	<u>10.108</u>	<u>10.343</u>

	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
4. Other operating income		
Profit/loss from sale of property	51.657	0
Income related to trademark, patents, management fee	28.090	30.061
	<u>79.747</u>	<u>30.061</u>

5. Other operating expenses

Other operating income/expenses relates to trademark, patents, management fee.

Notes

	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
6. Income from investments in group enterprises including costs for restructuring		
Income from investments in group enterprises	(28.155)	(28.061)
Costs for closing down factories before tax effects	(4.477)	(80.208)
	<u>(32.632)</u>	<u>(108.269)</u>
	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
7. Other financial income		
Financial income arising from group enterprises	4.325	6.364
Interest income	194	253
Exchange rate adjustments	11.311	16.671
	<u>15.830</u>	<u>23.288</u>
	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
8. Other financial expenses		
Financial expenses from group enterprises	9.604	8.127
Interest expenses	2	180
Exchange rate adjustments	17.792	12.437
Other financial expenses	590	265
	<u>27.988</u>	<u>21.009</u>
	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
9. Tax on ordinary profit/loss for the year		
Current tax	(1.427)	(489)
Change in deferred tax for the year	(3.572)	6.642
Prior year adjustment	3	(1.185)
	<u>(4.996)</u>	<u>4.968</u>

Notes

	Acquired licences DKK'000
10. Intangible assets	
Cost beginning of year	28,885
Reclassifications	0
Adjustment beginning of year	0
Additions	0
Cost end of year	28.885
Amortisation and impairment losses beginning of year	(16.765)
Adjustment beginning of year	0
Amortisation for the year	(2.678)
Amortisation and impairment losses end of year	(19.443)
Carrying amount end of year	9.442

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
11. Property, plant and equipment				
Cost beginning of year	131.255	224.443	69.613	6.969
Reclassifications	0	6.714	(174)	(6.540)
Additions	0	1.071	72	384
Disposals	(131.255)	0	(356)	0
Cost end of year	0	232.228	69.155	813
Depreciation and impairment losses beginning of the year	(92.312)	(210.654)	(66.083)	0
Depreciation for the year	(2.286)	(4.308)	(836)	0
Reversal regarding disposals	94.598	0	317	0
Depreciation and impairment losses end of the year	0	(214.962)	(66.602)	0
Carrying amount end of year	0	17.266	2.553	813

Notes

	Investments in group enterprises DKK'000	Deferred tax DKK'000
12. Fixed asset investments		
Cost beginning of year	401.256	19.203
Additions	32.962	0
Disposals	(5.065)	(3.572)
Cost end of year	429.153	15.631
Impairment losses beginning of year	(343.916)	0
Exchange rate adjustments	(48)	0
Amortisation of goodwill	(448)	0
Internal profit of stocks	306	0
Share of profit/loss after tax	(32.489)	0
Dividend	(3.342)	0
Reversed impairments related to disposals	4.437	0
Investments with negative equity value depreciated over receivables	8.582	0
Impairment losses end of year	(366.918)	0
Carrying amount end of year	62.235	15.631

	<u>Registered in</u>	<u>Corporate form</u>	<u>Equity interest %</u>
Subsidiaries:			
Svenska Hardi Försäljnings AB (liquidated 30.09.2020)	Sweden	AB	100,00
Hardi Norge AS	Norway	AS	100,00
Groupe Hardi France S.A	France	S.A	100,00
Hardi Service S.A	France	S.A	100,00
Ilemo-Hardi S.A	Spain	S.A	100,00
Hardi North America Inc.	USA	Inc.	100,00
Hardi Australia Pty. Ltd.	Australia	Ltd.	100,00
Hardi GmbH	Germany	GmbH	100,00
Hardi Agricultural Equipment (Shanghai) Co., Ltd.	China	Ltd.	100,00
Owned by Groupe Hardi France S.A.:			
Pommier	France	S.C.E.P.	47,33

Notes

	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
13. Deferred tax		
Property, plant and equipment	5.205	5.149
Inventories	(1.210)	(1.519)
Provisions	681	1.108
Other taxable temporary differences	<u>10.955</u>	<u>14.465</u>
	<u>15.631</u>	<u>19.203</u>
14. Prepayments		
Prepayments relates to prepaid insurance and prepaid MS Dynamics license agreement.		
15. Other provisions		
Other provisions relate to guarantee commitments.		
	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
16. Other short-term payables		
Wages and salaries, personal income taxes, social security costs, etc. payable	20.049	6.619
Holiday pay obligation	20.761	16.763
Other costs payable	<u>4.705</u>	<u>3.129</u>
	<u>45.515</u>	<u>26.511</u>
Other short-term payables includes Covid-19 related Danish Government mandated postponed payment of employee withholding taxes		
17. Short-term deferred income		
Short-term deferred income consists of prepayments from customers.		
	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
18. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>62.137</u>	<u>1.698</u>
	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
19. Contingent liabilities		
Other contingent liabilities towards Parent and fellow subsidiaries	<u>8.413</u>	<u>8.413</u>
Contingent liabilities related to Parent and fellow subsidiaries	<u>8.413</u>	<u>8.413</u>

Notes

20. Assets charged and collateral

The Entity has obtained a credit line at the Entity's bank and may allocate amounts under the credit line to its wholly owned subsidiary secured by suretyship from the Entity. At 30 September 2020, the credit line allocated to the subsidiary amounts to DKK 19.6 million.

21. Related parties with control

EXEL INDUSTRIES S.A, 54, rue Marcel Paul F5 200 EPERNAY, France, owns all of the shares in the Entity and thus has control over the Entity.

22. Transactions with related parties

The following transactions occurred with related parties:

	<u>2019/20</u> <u>DKK'000</u>
Sales of machines and components	240.143
Purchase of machines and components	70.324
Management fees and royalties paid	31.183
Management fees and royalties received	27.933
Interest income	4.325
Interest expenses	9.604
Sale of buildings (sales price)	89.000
Items included in assets and liabilities related to transactions with related parties:	
Capital increase in subsidiaries	32.962
Dividend received from subsidiaries	3.342
<i>Outstanding balances at 30.09.2020</i>	
Trade receivables, subsidiaries	46.226
Impairment of receivables in subsidiaries	9.361
Trade receivables, other group companies	5.575
Loan receivable, subsidiaries	137.333
Trade payables, subsidiaries	4.486
Trade payables, other group companies	2.867
Loan payable, other group companies	393.532

Notes

23. Ownership

The Entity has registered the following shareholder to holding more than 5% of the voting share capital or of the nominal value of the share capital:

EXEL INDUSTRIES S.A, 54, rue Marcel Paul F5 200 EPERNAY, France – owning 100% of the shares

24. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

EXEL INDUSTRIES S.A., RCS EPERNAY B 095 550 356 (www.exel-industries.com)

25. Capital funding and Liquidity resources

It is Group policy to continuously ensure the existence of adequate financial resources. The liquidity risk is monitored by the utilisation of short-term credit facilities combined with long-term, fixed credit facilities with a number of banks and intergroup financing. On 30 September 2020, the Company recorded net financial debt of DKK 242.4 million (DKK 311.4 million) of which DKK 250.8 million (DKK 270.6 million) is long-term debt. The Parent, EXEL Industries S.A, will ensure that any needed interim financing is provided for the Group.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

The accounting policies applied for these financial statements are consistent with those applied last year.

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Uncertainty relating to measurement and recognition

Deferred tax assets are measured at estimated realisable value. Management has assessed estimated realisable value on the basis of future expected earnings which incorporates commenced concrete restructuring initiatives, as mentioned above, to bring the Company back to profitability. Further, the Company has launched a new go to market strategy which seeks to increase the value proposition of HARDI International A/S and the HARDI Group. Consequently, management believes it will utilise the tax asset within 3-5 years. As the expected earnings are based on estimates as well as expected future events this is subject to uncertainty.

Accounting policies

Leasing arrangements for leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are, on initial recognition, recognized in the balance sheet at cost. All other leases are treated as operating leases. Regarding the sale and subsequent lease of the building in Nørre Alslev it has been assessed that the 10 years irrevocable rent period is significantly shorter than the expected life time of the asset and that net present values of future lease payments are below 90% of the fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, and the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. The Company applies the interpretative aid to IFRS 15 Revenue from Contracts with Customers when recognising and measuring revenue.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Research and development costs

Research and development costs include costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Accounting policies

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income and expenses

Other operating income and expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises including costs for restructuring

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses. Included herein are costs for restructuring expenses incurred in group enterprises.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc. comprise software, development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 10 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, sub suppliers and labour costs.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is straight-line depreciation, made on the basis of the following estimated useful lives of the assets:

Buildings	10-30 years
Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired.

Goodwill is amortised over its estimated useful life which is normally five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Leases

On initial recognition, leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of future lease payments, the interest rate implicit in the lease or a rate that approximates this rate is used as the discount factor. Assets held under finance leases are depreciated as the Company's other fixed assets. The capitalised residual obligation is recognised in the balance sheet as a liability and the interest element of the lease payments is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating and other leases are disclosed under contingencies and securities, etc.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of average cost and net realizable cost.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

Accounting policies

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statement Act, the Company has not prepared a cash flow statement.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Gross profit margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The enterprise's manufacturing profitability.
EBITDA margin(%)	Operating profit/loss excl. amortisation of goodwill $\frac{\text{(EBITDA)} \times 100}{\text{Revenue}}$	The enterprise's operating profitability.

Gross profit is defined as sales less direct and indirect costs of production as well as amortization, depreciation and impairment losses.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as operating profit plus the year's amortisation of goodwill. The year's impairment losses on goodwill are not added.