

Hardi International A/S
Central Business Registration No
55274517

Annual report 2022/23

The Annual General Meeting adopted the annual report on 2024

Chairman of the General Meeting

Name:

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Entity details

Entity

Hardi International A/S
Herthadalvej 10
4840 Nørre Alslev

Central Business Registration No: 55274517
Registered in: Guldborgsund
Financial year: 01.10.2022 - 30.09.2023

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Board of Directors

Yves Belegaud, Chairman
Daniel Tragus, Vice Chairman
Thomas Germain
Jan Ole Andersen
Casper Louis Frederiksen

Executive Board

Jens Kristensen, CEO and President

Auditors

Grant Thornton Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

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 01.10.2022 – 30.09.2023.

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 30.09.2023 and of the results of its operations for the financial year 01.10.2022 – 30.09.2023.

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, 28.11.2023

Executive Board

Jens Kristensen
CEO and President

Board of Directors

Yves Belegaud
Chairman

Daniel Tragus
Vice Chairman

Thomas Germain

Jan Ole Andersen

Casper Louis Frederiksen

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 1 October 2022 - 30 September 2023, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 September 2023 and of the results of the company's activities for the financial year 1 October 2022 - 30 September 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's reports

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the 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 express no assurance opinion thereon.

Independent auditor's reports

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 28.11.2023

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Michael Beuchert

State Authorised Public Accountant
mne32794

Management commentary

	2022/23 DKK'000	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000
Financial highlights					
Key figures					
Revenue	590.442	512.466	486.022	444.353	426.154
Gross profit/loss	72.687	31.907	58.631	71.417	59.393
Operating profit/loss including subsidiaries before restructuring	6.504	(36.795)	(43.275)	(62.263)	(76.167)
Net financials before subsidiaries	(11.083)	(8.703)	(8.549)	(12.158)	2.279
Restructuring expenses before tax effects	0	0	(5.296)	(4.477)	(80.208)
Profit from sale of building included in other income	0	0	0	51.657	0
Profit/loss for the year	(17.929)	(39.577)	(54.852)	(15.252)	(128.496)
Total assets	411.132	401.037	412.278	618.487	509.640
Investments in property, plant and equipment	17.038	9.336	7.690	1.526	1.166
Equity	59.450	72.464	115.013	63.424	78.724
Ratios					
Gross profit (%)	12,3	6,2	12,1	16,1	13,9
EBIT margin incl. result from subsidiaries on Parent					
Company Revenue (%)	1,1	(7,2)	(8,9)	(14,0)	(17,9)
Current Ratio	1,01	1,20	1,67	1,70	2,29
Solvency Ratio	14,5	18,1	27,9	10,3	15,4

Primary activities

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

Management commentary

Development in activities, finances, sales and distribution

Again this year, Hardi Group saw an opening backlog at record levels and this trend has continued throughout the first half of the year resulting in all time high order entry and backlog levels. The continued high order intake in the first half of the year was, as last year, driven by strong market indicators for customers' yields and output prices and strain on the global supply chain resulting in long lead-times. However, towards the end of the year, order intake levels normalised as a result of softening of the market and improvements in the global supply chain. This relaxation of the market was expected.

Production and product development

Effects from efforts to improve production efficiency and to increase flexibility and scalability in the factories in Denmark and Australia has led to improved delivery times throughout the year resulting in close to normal delivery times during the latter part of the year. The very significant increases in raw material and input costs, which we saw over the past two years cost prices have stabilised at this high level, resulting in return to enabling management of product profitability.

During the year, the Company commenced investments into new production equipment, which will improve efficiency in the coming years.

As communicated last year, the product offering of the group continues to focus on reducing chemical and water consumption during crop care and thus improve the TCO of our customers. New products are produced on a newly developed platform strategy following the re-alignment of our production footprint completed two years ago with closing production sites in France, Spain and USA. We continue with the implementation and further development of a common new electronic platform prepared for customers' future demand and this will create the future base for the entire Hardi group's product range.

Continued re-alignment of Hardi Group's production facilities world-wide

After the aforementioned closure of a number of production sites in the past years, the group is on track to consolidate future product development within technology centres, ensure commonality in our product offering and optimise manufacturing processes necessary to achieve the overriding objective, which is to lower the break-even point and bring the Group back in profit.

Further, the new strategic roadmap communicated last year, aims to improve health and safety in our entities, create simplicity and improve quality in our highly complex product offering and to make Hardi financially scalable to the fluctuating economic reality of our customers. This has resulted in improved earnings this year.

Management commentary

Results and balance sheet

Figures in brackets are for 2021/22

Revenue amounts to DKK 590.4 million (DKK 512.5 million). Gross profit amounts to DKK 72.7 million (DKK 31.9 million).

EBIT including results of subsidiaries was DKK 6.5 million (DKK -36.8 million) corresponding to 1.1% (-7.2%) of revenue.

Depreciation was DKK 9.4 million (DKK 7.2 million).

Net financials were DKK -11.1 million (DKK -8.7 million) of which DKK 0.1 million (DKK -4.7 million) is due to exchange rate adjustments on receivables in foreign currencies. Result before tax was DKK -17.3 million (DKK -38.0 million)

The balance sheet increased slightly by 2.5% to DKK 411.1 million (DKK 401.0 million).

Equity at 30 September is DKK 59.5 million (72.5 million) resulting in a solvency ratio of 14.5 (18.1).

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 2023, the Company recorded net financial debt of DKK 163.8 million (DKK 158.2 million) of which DKK 67.2 million (DKK 86.1 million) is long-term debt.

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

Management commentary

Outlook

The outlook for agriculture in 2023/24 is more difficult to predict than usual. The metrics of the of global farm economy is still relatively strong. However, last year's interest rate increases has dampened capital investment demands and coupled with high stock levels at importers and distributors and unpredictability in macroeconomic tendencies, we expect a softening in new orders in the coming year.

During the year ended 30 September 2023, the Company invested substantially in new production equipment in the Danish factory and as a result expect improved performance as a result hereof.

In respect of management's expectations for the coming year's sales, based on order back-log going into 2023/24, we expect reduced sales and positive operational earnings on similar levels in the next financial year compared to 2022/23. In terms of net result, the higher interest will continue to burden the Company's net result after tax in the coming year. The critical component in achieving these ambitions will be reductions in inventory levels at our importers and distributors as well as stability on price development of raw materials and components.

As this year, we do not envisage significant exceptional items in the next fiscal year and subject to stabilisation of market conditions, the result from operations including subsidiaries is expected to remain positive.

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 2022/23, approx. 97% of the Group's revenue was settled in other currencies than DKK (mainly EUR) which is in line with 2021/22. 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 due to higher activity level in the last part of year – increased to DKK 54.3 million at the end of September 2023 (DKK 43.2 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 and data ethics

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"

Further, the parent company sets out its policy on data ethics and the Company therefore refers to the Annual Report of its parent company.

The outcome is reported in the Annual Group Accounts of EXEL Industries according to the French Corporate Social Responsibilities reporting requirements and requirements under IFRS to describe data ethics policies. With reference to section 99a and d 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 S.A. can be obtained at "78 Boulevard Malesherbes 75008 Paris, France" or can be downloaded on <https://www.exel-industries.com/investor-page/?lang=en>

The Company has been in dialogue with its owners regarding Danish GAAP reporting requirements for CSR and Data Ethics and confirms that those requirements are part of EXEL Industries S.A.'s reporting. The Company has been CSR audited by EXEL Industries S.A. and Mazars 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 and in all respects. Today, women are under-represented in the Board of Directors and in the top management teams. It is the objective by 2024 to increase the representation of women in the Board of Directors and in the top management teams locally and globally to 40%. Compared to last year, there is no significant development in the representation of women in the top management teams. To achieve a 40% representation of women 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. Also when recruiting diversity in terms of ethnicity is taken into consideration. When recruiting, the Company always look at qualifications and fit.

Events after the balance sheet date

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

Income statement for 2022/23

	<u>Notes</u>	<u>2022/23 DKK'000</u>	<u>2021/22 DKK'000</u>
Revenue	1	590.442	512.466
Production costs	2,3	<u>(517.755)</u>	<u>(480.559)</u>
Gross profit		72.687	31.907
Research and development costs	2,3	(31.573)	(28.546)
Distribution costs	2,3	(22.259)	(21.375)
Administrative costs	2,3	(42.821)	(36.989)
Other operating income	4	32.963	28.027
Other operating expenses	5	<u>(33.937)</u>	<u>(30.518)</u>
Operating loss		(24.940)	(57.494)
Income from investments in group enterprises	6	18.693	28.170
Other financial income	7	11.454	6.616
Other financial expense	8	<u>(22.537)</u>	<u>(15.319)</u>
Loss before tax		(17.330)	(38.027)
Tax on loss	9	<u>(599)</u>	<u>(1.550)</u>
Loss for the year		<u>(17.929)</u>	<u>(39.577)</u>

Balance Sheet at 30.09.2023

	<u>Notes</u>	<u>2022/23 DKK'000</u>	<u>2021/22 DKK'000</u>
Acquired licences		1.639	4.239
Intangible assets	10	<u>1.639</u>	<u>4.239</u>
Plant and machinery		17.926	13.964
Other fixtures and fittings, tools and equipment		6.968	6.465
Property, plant and equipment in progress		13.902	8.136
Property, plant and equipment	11	<u>38.796</u>	<u>28.565</u>
Investments in group enterprises		72.803	68.295
Deferred tax	13	13.605	13.740
Fixed asset investments	12	<u>86.408</u>	<u>82.035</u>
Fixed assets		<u>126.843</u>	<u>114.839</u>
Raw materials and consumables		80.289	91.139
Work in progress		11.937	11.760
Manufactured goods and goods for resale		12.671	10.902
Inventories		<u>104.897</u>	<u>113.801</u>
Trade receivables		54.332	43.218
Receivables from group enterprises		114.495	110.896
Other short-term receivables		5.458	5.866
Prepayments	14	4.698	4.384
Receivables		<u>178.983</u>	<u>164.364</u>
Cash		<u>409</u>	<u>8.033</u>
Current assets		<u>284.289</u>	<u>286.198</u>
Assets		<u>411.132</u>	<u>401.037</u>

Balance Sheet at 30.09.2023

	<u>Notes</u>	<u>2022/23 DKK'000</u>	<u>2021/22 DKK'000</u>
Contributed capital	15	100.000	100.000
Retained earnings		(40.550)	(27.536)
Equity		<u>59.450</u>	<u>72.464</u>
Other provisions	16	3.179	3.233
Provisions		<u>3.179</u>	<u>3.233</u>
Debt to group enterprises		67.233	86.144
Non-Current liabilities	17	<u>67.233</u>	<u>86.144</u>
Trade payables		70.014	60.755
Debt to group enterprises		163.808	141.059
Other payables	18	47.448	37.382
Current liabilities other than provisions		<u>281.270</u>	<u>239.196</u>
Liabilities other than provisions		<u>348.503</u>	<u>325.340</u>
Equity and liabilities		<u><u>411.132</u></u>	<u><u>401.037</u></u>
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Related parties with control	21		
Transactions with related parties	22		
Ownership	23		
Consolidation	24		
Capital funding and Liquidity resources	25		
Fees for auditors elected on the general meeting	26		
Proposed distribution of profit/loss	27		
Accounting policies	28		

Statement of changes in equity for September 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100.000	(27.536)	72.464
Write down of debt to parent company	0	10.440	10.440
Exchange rate adjustments	0	(5.525)	(5.525)
Profit/loss for the year	0	(17.929)	(17.929)
Equity end of year	100.000	(40.550)	59.450

Notes

	2022/23 DKK'000	2021/22 DKK'000
1. Revenue		
Europe	463.179	367.237
Countries under the North American Free Trade Agreement (USA, Canada and Mexico)	50.801	35.339
Other countries	76.462	109.890
	590.442	512.466

In accordance with the Danish Financial Statement Act § 96, 1 product segment information on revenue has not been disclosed due to possible harmful impact on the Company and its market position.

	2022/23 DKK'000	2021/22 DKK'000
2. Staff costs		
Wages and salaries	173.977	164.823
Pension costs	14.723	12.953
Other social security costs	3.306	3.277
	192.006	181.053

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

Average number of employees	439	418
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	2022/23 DKK'000	2021/22 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.600	2.602
Depreciation on property, plant and equipment	6.807	4.452
Profit/loss from sale of intangible assets, plant and equipment	0	(145)
	9.407	6.909

	2022/23 DKK'000	2021/22 DKK'000
4. Other operating income		
Income related to trademark, patents, management fee	32.963	28.027
	32.963	28.027

Notes

5. Other operating expenses

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

	2022/23	2021/22
	DKK'000	DKK'000
6. Income from investments in group enterprises including costs for restructuring		
Income from investments in group enterprises	18.693	28.170
	18.693	28.170
	2022/23	2021/22
	DKK'000	DKK'000
7. Other financial income		
Financial income arising from group enterprises	2.014	2.509
Exchange rate adjustments	9.318	4.107
Other financial income	122	0
	11.454	6.616
	2022/23	2021/22
	DKK'000	DKK'000
8. Other financial expenses		
Financial expenses from group enterprises	12.658	5.632
Interest expenses	9	100
Exchange rate adjustments	9.168	8.829
Other financial expenses	702	758
	22.537	15.319
	2022/23	2021/22
	DKK'000	DKK'000
9. Tax on ordinary profit/loss for the year		
Current tax	(464)	(161)
Change in deferred tax for the year	(135)	(1.392)
Prior year adjustment	0	3
	(599)	(1.550)

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	(24.646)
Adjustment beginning of year	0
Amortisation for the year	(2.600)
Amortisation and impairment losses end of year	(27.246)
Carrying amount end of year	1.639

	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	236.890	73.076	8.136
Transfer	6.865	124	(6.989)
Additions	1.636	2.647	12.755
Disposals	0	0	0
Cost end of year	245.391	75.847	13.902
Depreciation and impairment losses beginning of the year	(222.926)	(66.611)	0
Depreciation for the year	(4.539)	(2.268)	0
Reversal regarding disposals	0	0	0
Depreciation and impairment losses end of the year	(227.465)	(68.879)	0
Carrying amount end of year	17.926	6.968	13.902

Notes

	Investments in group enterprises DKK'000	Deferred tax DKK'000
12. Fixed asset investments		
Cost beginning of year	298.562	13.740
Additions	4.873	0
Disposals	0	(135)
Cost end of year	303.435	13.605
Impairment losses beginning of year	(230.267)	0
Exchange rate adjustments	(5.525)	0
Internal profit of stocks	1.336	0
Share of profit/loss after tax	17.357	0
Dividend	(12.387)	0
Investments with negative equity value depreciated over receivables	(1.146)	0
Impairment losses end of year	(230.632)	0
Carrying amount end of year	72.803	13.605

	Registered in	Corporate form	Equity interest %
Subsidiaries:			
Hardi Norge AS	Norway	AS	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

Notes

	<u>2022/23</u> <u>DKK'000</u>	<u>2021/22</u> <u>DKK'000</u>
13. Deferred tax		
Property, plant and equipment	1.276	1.811
Inventories	1.018	608
Provisions	600	610
Other taxable temporary differences	10.711	10.711
	<u>13.605</u>	<u>13.740</u>

Deferred tax assets are measured at estimated realisable value. Management has assessed estimated realisable value on the basis of future expected earnings.

14. Prepayments

Prepayments relates to prepaid insurance and prepaid MS Dynamics license agreement.

15. Contributed capital

The share capital comprise 1 share class. No shares carries special rights.

	<u>2022/23</u> <u>DKK'000</u>	<u>2021/22</u> <u>DKK'000</u>
16. Other provision		
Provision beginning of year	3.223	3.693
Charged to profit/loss	0	0
Released in year	(44)	(460)
	<u>3.179</u>	<u>3.233</u>

17. Non-Current liabilities

Long term interest bearing debt expected to fall due as follows:

	<u>2022/23</u> <u>DKK'000</u>
Within 1 year (included in current liabilities)	19.150
2-5 years	67.233
Over 5 years	0
	<u>86.383</u>

18. Other short-term payables

	<u>2022/23</u> <u>DKK'000</u>	<u>2021/22</u> <u>DKK'000</u>
Wages and salaries, personal income taxes, social security costs, etc. payable	21.760	11.222
Holiday pay obligation	23.180	22.652
Other costs payable	2.508	3.508
	<u>47.448</u>	<u>37.382</u>

Notes

	<u>2022/23</u> <u>DKK'000</u>	<u>2021/22</u> <u>DKK'000</u>
19. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>51.104</u>	<u>51.909</u>
	<u>2022/23</u> <u>DKK'000</u>	<u>2021/22</u> <u>DKK'000</u>
20. 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>

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.

Notes

22. Transactions with related parties

The following transactions occurred with related parties:

	<u>2022/23</u> <u>DKK'000</u>
Sales of machines and components	359.196
Purchase of machines and components	73.533
Property lease	6.645
Management fees and royalties paid	33.937
Management fees and royalties received	32.963
Other administrative costs paid	925
Interest income	2.014
Interest expenses	12.658
Items included in assets and liabilities related to transactions with related parties:	
Group contribution received	10.440
Capital increase in subsidiary	4.873
Dividend received from subsidiaries	12.387
Outstanding balances at 30.09.2023	
Trade receivables, subsidiaries	49.970
Trade receivables, other group companies	10.802
Loan receivable, subsidiaries	53.723
Trade payables, subsidiaries	7.086
Trade payables, other group companies	6.045
Loan payable, other group companies	217.909

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 2023, the Company recorded net financial debt of DKK 163.8 million (DKK 158.2 million) of which DKK 67.2 million (DKK 86.1 million) is long-term debt. The Parent, EXEL Industries S.A, will ensure that any needed interim financing is provided for the Group.

26. Fees for auditors elected on the general meeting

In accordance with the Danish Financial Statement Act § 96, 3 the fees for the auditors elected on the general meeting has not been disclosed.

27. Proposed distribution of profit/loss

	<u>2022/23</u> <u>DKK'000</u>	<u>2022/21</u> <u>DKK'000</u>
Retained earnings	(17.929)	(39.577)
	(17.929)	(39.577)

28. Accounting policies

Reporting class

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

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.

Cash flow statement

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

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, 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.

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

Leasehold improvements	8-10 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. Provision of bad debts are calculated based on the risk on the individual customer taking into consideration the history of losses on receivables in general for the company.

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.

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.
EBIT margin(%)	Operating profit/loss plus result from subsidiaries $\frac{(\text{EBIT}) \times 100}{\text{Revenue}}$	The enterprise's operating profitability.
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	The enterprise's ability to service its short term obligations
Solvency Ratio	$\frac{\text{Equity} \times 100}{\text{Total Assets}}$	The enterprise's resistance to future losses

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

EBIT (Earnings Before Interest and Tax) is defined as operating profit plus the result from subsidiaries.