
FMH ApS

Frydenlund Park 7, DK-2950 Vedbæk

Annual Report for 1 January - 31 December 2018

CVR No 10 14 14 27

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/5 2019

Ole Munksgaard Hansen
Chairman of the General
Meeting



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of FMH ApS for the financial year 1 January - 31 December 2018.

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

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

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

Gentofte, 23 May 2019

Executive Board

Ole Munksgaard Hansen

Independent Auditor's Report

To the Shareholders of FMH ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of FMH ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 23 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob F Christiansen
statsautoriseret revisor
mne18628

Company Information

The Company

FMH ApS
Frydenlund Park 7
DK-2950 Vedbæk

CVR No: 10 14 14 27
Financial period: 1 January - 31 December
Municipality of reg. office: Rudersdal

Executive Board

Ole Munksgaard Hansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	Group				
	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1.335.949	1.201.892	1.009.631	1.026.647	1.177.789
Profit/loss before financial income and expenses	-3.847	7.580	8.538	7.487	14.977
Net financials	-2.929	-2.735	-3.087	-4.160	-4.034
Net profit/loss for the year	-6.594	4.438	3.647	2.369	4.806
Balance sheet					
Balance sheet total	318.596	285.941	239.097	253.723	292.031
Equity	67.619	67.594	60.555	56.620	30.915
Cash flows					
Cash flows from:					
- operating activities	-14.743	-26.431	45.695	34.760	-5.410
- investing activities	-2.057	-2.172	-4.388	-14.237	-30.320
- financing activities	15.368	28.131	-39.651	-21.873	36.745
Change in cash and cash equivalents for the year	-1.432	-473	1.656	-1.350	1.015
Number of employees	56	56	56	51	41
Ratios					
Profit margin	-0,3%	0,6%	0,8%	0,7%	1,3%
Return on assets	-1,2%	2,7%	3,6%	3,0%	5,1%
Solvency ratio	21,2%	23,6%	25,3%	22,3%	10,6%
Return on equity	-9,8%	6,9%	6,2%	5,4%	18,7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

FMH ApS operates as a holding company of the sub-group 'BPI A/S'. Key activities in the group relates to global trading of foodstuffs under own brands as well as private labels.

Development in the year

The income statement of the Group for 2018 shows a loss of DKK 6,594,184, and at 31 December 2018 the balance sheet of the Group shows equity of DKK 67,619,258.

The past year and follow-up on development expectations from last year

The Group has realized revenues of more than mDKK 1.336, which is mDKK 134 above the 2017 figure. Growth is according to expectations, however, this is partly due to the fact that more than 70% of the markets on which we operate are pegged to the USD, which has increased in strength relative to the danish kroner from DKK 6,20 to DKK 6,52 during 2018.

Profit for the year amounts to mDKK - 6,6 which is mDKK 11 below the 2017 figure and below expectations for the year.

2018 was an extraordinarily difficult year. The result for the year was a negative net profit, due in large part to a historic drop in the price of chicken during the summer of 2018. 2018 represents the first year in the history of the Group where results were negative; this is due to one unforeseen case, which we believe is a one off event, extremely unlikely to occur again.

Significant events during the year

Foreign sales account for more than 80%, within expectations and this share is expected to be maintained in the future. Revenue from our own brands exceeded 65% of the total revenue. The market situation from beginning to the end of the year 2018 changed radically. A shortage, which occurred from time to time during 2018, of our two main groups led to an increase focus on new suppliers.

New activities

The year 2018 saw new activities (i) marked by the extension of existing business areas as well as (ii) support for the startup of a new department within trading with cheese.

Investments

The Group continues to invest in subsidiaries internationally, securing our global presence. Furthermore, the subsidiary, BPI A/S, has invested in a new ERP-system in order to better control our goods and costs.

Management's Review

Credit risks

The Group remains relatively independent from individual customers due to heavy diversification. Debtors are for a large part credit-insured to minimize losses. Debtors who cannot be insured have to prepay or issue a letter of credit. They can alternatively agree to "cash against documents" terms.

Operating risks

The core business of the Group is "back-to-back" trading, which to a large degree is low risk. As most goods traded by the Group have a long shelf life, the Group is less exposed to expiration risk than many other companies in the food sector. Despite this long shelf life hedge, the volatility in poultry prices in 2018 was so extreme that they inflicted a loss in BPI; we have therefore established new standard procedures in order to counter this price volatility risk in the future.

International trade barriers are a risk to all trading companies. For many years, more and more trade barriers had been removed, which provided companies such as BPI a larger market and more opportunities. In recent years, this trend towards less trade barriers has been reversed and this is a development we have in our overall risk assessment. The Group is not yet affected by this new development; nonetheless, we continue to monitor the situation and remain ready to act in a new reality.

As the Group is increasingly engaged as an inventory manager - primarily on its own brands for the catering market as well as for some major customers in the retail segment - there is increased risk directly influenced by the price fluctuations in the market; the increased risk is counteracted by the following mechanisms: inventory for larger customers is generally bought and sold on back-to-back basis (through fixed contracts) and thus is unaffected by market developments. However, the situation is different for goods in own brands, for example goods for the catering market. The uncertainties are regulated here - partly through strict management of goods and warehousing, and - when possible - through contractual hedging.

Targets and expectations for the year ahead

Revenue in 2019 is expected to be about the same level as 2018, but profit in 2019 is expected to increase and be above mDKK 15 EBIT-level.

Management's Review

External environment

As a trading company, BPI A/S and its subsidiaries does not directly have an environmental impact from production or similar activities. Our environment and climate policy is to strive for environmental consciousness in the daily work. In the past, this has happened partly by controlling waste management in the different offices and by paying attention to the environmental impact in trading and the associated transport to make sure emissions are as low as possible; this remains in focus. The Group works continuously to reduce the environmental impact of its activities. In 2018, we have invested in public district heating in our property in Copenhagen, which will reduce the environmental impact from our head office and reduce our costs.

In 2017, continuing in 2018, we collaborated with the Danish Animal Protection organization to get our lamb from Chile approved as the first supplier outside of the EU. This helps us explain our values in a concrete way to our customers. This gives us the status as a high quality supplier to supermarket chains and in food service businesses.

Statement of corporate social responsibility

The Group follows the UN's 10 guiding principles for Global Compact, which constitutes the foundation for the company's Code of Conduct. Our Code of Conduct (<http://bpi.nu/csr/>) makes sure we live up to our responsibility internally and also to secure that our suppliers live up to and follow the principles in our Code of Conduct. The Code of Conduct describes the company's values and approach to corporate social responsibility within the areas of environment/climate, human rights, social relations and animal welfare.

Business model

The subsidiary, BPI A/S, is an international trading house with representation in several countries worldwide.

BPI imports chicken products from South America and Asia, which are sold in Europe and Scandinavia. These products are sold to industry, catering and retail in our own brands as well as under private label. Similarly, milk powder, pork and beef products are sold to customers in Asia, the Middle East and Africa.

Social and employee relations

BPI A/S has been actively engaged in a list of social projects at home and abroad. Among other initiatives, BPI has supported victims of natural disasters in those areas in the world where we do commercial business activities. BPI wishes to help and contribute to the development locally in those areas of the world where we operate - both socially and environmentally. On both short and long term, these type of projects will give value to our brand.

It's our ambition that all employees shall maintain the opportunity to advance on an equal basis in the organization regardless of gender or ethnicity; we pursue this goal by formulating our job postings so that they are accessible broadly. It has been possible, therefore, to hire competent employees from very different backgrounds.

Management's Review

We still have an increased focus on the working conditions on the chicken farms in Thailand (initiated in 2016) in order to make sure the products we sell live up to the highest, international standards. By 2018, we have continued to monitor this and found that our goals are still met, which will enable us to be competitive in both the short and long term.

Human rights

The Group does not have a human rights policy. The reason for this is that the food industry is determined by very large players, which means that BPI cannot make independent demands on human rights. In spite of this, we affect the rights of the employees of our suppliers in third world countries, but we cannot set conditions that the suppliers must comply with. Although we cannot make tough demands on our suppliers, it is of great importance that we and our collaboration partners comply with the international and local standards for human rights. We continuously monitor that this is still the case. In the medium and long term, compliance with human rights will increase our international opportunities and make it possible to engage with most of the world's buyers and suppliers in the international food industry, which maintain a similar focus. We therefore in 2018 again visit our suppliers on a number of occasions and state that their compliance with basic human rights matters to our cooperation and that this also will be important for the Group in 2019. During these conversations with our suppliers, we feel that they are moving in a positive direction with respect to human rights, but it is not an area where the Group can monitor the development by using KPIs.

Anti-corruption and bribery

It is a decision and policy of the Group that the company not be involved in or be a part of corruption and bribery. Experience indicates that competitive prices do not involve ethical compromises. In 2018, we verified this experience which has not changed over time. We monitor that the prices we deal with match market prices on comparable products and conclude that there is no problem in this area; this also means that the Group will be competitive in the future.

Non-financial key performance indicators

The Group is not using Non-financial key performance indicators.

Management's Review

Statement on gender composition

On Group level, there is no underrepresentation in Group Management because Group Management consists of one person.

In the sub-group, BPI A/S, Management has an ambition to have 25% females in the board of directors no later than 2025. At the end of 2018, status is that there are no women among the four members of the Board of Directors, since the general assembly did not find it necessary to make changes to the Board in 2018.

BPI's gender policy in other management areas is revised on an ongoing basis. The overall aim is to increase the share of females in the management in order to secure a gender composition that represents both genders from a professional, business and managerial perspective. It is BPI's ambition to increase the amount of female managers to 25% while taking in to account relevant experience and qualifications as well. This target was actually reached in the beginning of 2018, where BPI hired another female manager. To qualify even more employees, BPI has offered employees pre-MBA courses at Business Institute.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The Group's assets, liabilities and financial position at 31 December 2018 and the results of the Group's activities and cash flows for 2018 are not affected by unusual circumstances except for the problems with large volatility in purchase prices in middle of 2018, which mentioned earlier in this management review.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Revenue	1	1.335.949.076	1.201.892.420	0	0
Other operating income		32.782	31.827	0	0
Expenses for raw materials and consumables		-1.278.666.920	-1.133.922.477	0	0
Other external expenses		-23.000.145	-25.804.799	-12.500	-12.500
Gross profit/loss		34.314.793	42.196.971	-12.500	-12.500
Staff expenses	2	-34.794.674	-31.222.754	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.314.879	-3.333.023	0	0
Other operating expenses		-51.946	-61.366	0	0
Profit/loss before financial income and expenses		-3.846.706	7.579.828	-12.500	-12.500
Income from investments in subsidiaries		0	0	-3.899.687	2.672.738
Income from investments in associates		1.040.484	1.104.543	8.552	20.817
Financial income	3	484.804	169.030	0	0
Financial expenses	4	-4.454.000	-4.008.905	-1.301	-1.175
Profit/loss before tax		-6.775.418	4.844.496	-3.904.936	2.679.880
Tax on profit/loss for the year	5	181.234	-406.771	3.831	-6.907
Net profit/loss for the year		-6.594.184	4.437.725	-3.901.105	2.672.973

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Completed development projects		0	0	0	0
Acquired patents		22.096.040	23.401.445	0	0
Goodwill		469.487	938.080	0	0
Intangible assets	6	22.565.527	24.339.525	0	0
Land and buildings		39.431.597	31.331.596	0	0
Other fixtures and fittings, tools and equipment		3.518.417	3.136.134	0	0
Leasehold improvements		35.517	35.517	0	0
Property, plant and equipment	7	42.985.531	34.503.247	0	0
Investments in subsidiaries	8	0	0	39.310.595	39.272.468
Investments in associates	9	2.623.505	1.583.021	41.869	33.317
Fixed asset investments		2.623.505	1.583.021	39.352.464	39.305.785
Fixed assets		68.174.563	60.425.793	39.352.464	39.305.785
Inventories		66.416.007	75.825.460	0	0
Trade receivables		171.803.213	138.057.472	0	0
Receivables from associates		4.339.296	200.000	200.000	200.000
Other receivables		6.449.281	8.939.274	0	0
Corporation tax		692.000	0	3.036	3.009
Prepayments	10	399.181	737.644	0	0
Receivables		183.682.971	147.934.390	203.036	203.009
Cash at bank and in hand		322.853	1.754.946	15.010	16.310
Currents assets		250.421.831	225.514.796	218.046	219.319
Assets		318.596.394	285.940.589	39.570.510	39.525.104

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Share capital		125.000	125.000	125.000	125.000
Revaluation reserve		11.219.475	7.040.915	0	0
Reserve for net revaluation under the equity method		2.586.005	1.545.521	38.889.964	38.843.285
Retained earnings		25.007.362	30.189.697	-77.122	-67.152
Equity attributable to shareholders of the Parent Company		38.937.842	38.901.133	38.937.842	38.901.133
Minority interests		28.681.416	28.693.024	0	0
Equity		67.619.258	67.594.157	38.937.842	38.901.133
Provision for deferred tax	12	941.289	1.916.611	0	0
Provisions		941.289	1.916.611	0	0
Mortgage loans		13.295.827	13.929.213	0	0
Long-term debt	13	13.295.827	13.929.213	0	0

Balance Sheet 31 December *(continued)*

Liabilities and equity

	Note	Group		Parent	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Mortgage loans	13	757.540	173.084	0	0
Credit institutions		96.904.467	81.487.455	0	0
Prepayments received from customers		4.305.279	4.707.789	0	0
Trade payables		121.819.191	103.674.567	0	0
Payables to group enterprises		0	0	607.666	588.553
Payables to associates		0	51.379	0	0
Corporation tax		826.737	844.817	0	0
Other payables		12.126.806	11.561.517	25.002	35.418
Short-term debt		236.740.020	202.500.608	632.668	623.971
Debt		250.035.847	216.429.821	632.668	623.971
Liabilities and equity		318.596.394	285.940.589	39.570.510	39.525.104
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	16				
Related parties	17				
Fee to auditors appointed at the general meeting	18				
Subsequent events	19				
Accounting Policies	20				

Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	125.000	7.040.915	1.545.521	30.189.697	38.901.133	28.693.024	67.594.157
Revaluation for the year	0	4.817.494	0	0	4.817.494	3.280.496	8.097.990
Tax on revaluation for the year	0	-903.058	0	0	-903.058	-614.942	-1.518.000
Transfers, reserves	0	264.124	0	-264.124	0	0	0
Other equity movements	0	0	0	23.378	23.378	15.917	39.295
Net profit/loss for the year	0	0	1.040.484	-4.941.589	-3.901.105	-2.693.079	-6.594.184
Equity at 31 December	125.000	11.219.475	2.586.005	25.007.362	38.937.842	28.681.416	67.619.258

Parent

Equity at 1 January	125.000	0	38.843.285	-67.152	38.901.133	0	38.901.133
Other equity movements	0	0	3.937.814	0	3.937.814	0	3.937.814
Net profit/loss for the year	0	0	-3.891.135	-9.970	-3.901.105	0	-3.901.105
Equity at 31 December	125.000	0	38.889.964	-77.122	38.937.842	0	38.937.842

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2018 DKK	2017 DKK
Net profit/loss for the year		-6.594.184	4.437.725
Adjustments	14	6.062.357	6.465.702
Change in working capital	15	-6.748.542	-31.838.772
Cash flows from operating activities before financial income and expenses		-7.280.369	-20.935.345
Financial income		484.804	169.030
Financial expenses		-4.454.000	-4.008.905
Cash flows from ordinary activities		-11.249.565	-24.775.220
Corporation tax paid		-3.493.720	-1.656.261
Cash flows from operating activities		-14.743.285	-26.431.481
Purchase of intangible assets		0	-2.171.897
Purchase of property, plant and equipment		-2.650.140	0
Sale of property, plant and equipment		593.250	0
Cash flows from investing activities		-2.056.890	-2.171.897
Repayment of mortgage loans		-14.448.930	-187.724
Repayment of payables to associates		0	-620
Raising of mortgage loans		14.400.000	0
Raising of loans from credit institutions		15.417.012	28.319.206
Cash flows from financing activities		15.368.082	28.130.862
Change in cash and cash equivalents		-1.432.093	-472.516
Cash and cash equivalents at 1 January		1.754.946	2.227.462
Cash and cash equivalents at 31 December		322.853	1.754.946
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		322.853	1.754.946
Cash and cash equivalents at 31 December		322.853	1.754.946

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
1 Revenue				
Geographical segments				
Revenue, Denmark	200.774.968	181.004.558	0	0
Revenue, exports	1.135.174.108	1.020.887.862	0	0
	1.335.949.076	1.201.892.420	0	0
Business segments				
Meat	912.811.701	827.112.607	0	0
Dairy	308.523.686	259.360.373	0	0
Other	114.613.689	115.419.440	0	0
	1.335.949.076	1.201.892.420	0	0
2 Staff expenses				
Wages and salaries	30.426.079	27.244.864	0	0
Pensions	2.708.764	2.399.380	0	0
Other social security expenses	4.411	4.238	0	0
Other staff expenses	1.655.420	1.574.272	0	0
	34.794.674	31.222.754	0	0
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	2.740.377	3.153.818	0	0
Supervisory Board	400.000	400.000	0	0
	3.140.377	3.553.818	0	0
Average number of employees	56	56	0	0
3 Financial income				
Other financial income	484.804	169.030	0	0
	484.804	169.030	0	0

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
4 Financial expenses				
Other financial expenses	4.454.000	4.008.905	1.301	1.175
	4.454.000	4.008.905	1.301	1.175
5 Tax on profit/loss for the year				
Current tax for the year	2.312.883	1.873.765	-3.036	-3.009
Deferred tax for the year	-2.493.322	-1.476.910	0	0
Adjustment of tax concerning previous years	-795	9.916	-795	9.916
	-181.234	406.771	-3.831	6.907
6 Intangible assets				
Group				
	Completed development projects DKK	Acquired patents DKK	Goodwill DKK	Total DKK
Cost at 1 January	1.872.853	27.240.862	2.985.360	32.099.075
Cost at 31 December	1.872.853	27.240.862	2.985.360	32.099.075
Impairment losses and amortisation at 1 January	1.872.853	3.839.417	2.047.280	7.759.550
Amortisation for the year	0	1.305.405	468.593	1.773.998
Impairment losses and amortisation at 31 December	1.872.853	5.144.822	2.515.873	9.533.548
at 31 December	0	22.096.040	469.487	22.565.527
Amortised over	5 years	5-20 years	7 years	

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	16.757.736	8.255.033	321.712	25.334.481
Additions for the year	56.000	2.594.140	0	2.650.140
Disposals for the year	0	-1.323.666	0	-1.323.666
Cost at 31 December	<u>16.813.736</u>	<u>9.525.507</u>	<u>321.712</u>	<u>26.660.955</u>
Revaluations at 1 January	16.070.765	0	0	16.070.765
Revaluations for the year	8.097.990	0	0	8.097.990
Revaluations at 31 December	<u>24.168.755</u>	<u>0</u>	<u>0</u>	<u>24.168.755</u>
Impairment losses and depreciation at 1 January	1.496.905	5.118.899	286.195	6.901.999
Depreciation for the year	53.989	1.485.995	0	1.539.984
Impairment and depreciation of sold assets for the year	0	-597.804	0	-597.804
Impairment losses and depreciation at 31 December	<u>1.550.894</u>	<u>6.007.090</u>	<u>286.195</u>	<u>7.844.179</u>
at 31 December	<u>39.431.597</u>	<u>3.518.417</u>	<u>35.517</u>	<u>42.985.531</u>
Depreciated over	<u>40 years</u>	<u>3-5 years</u>	<u>3-10 years</u>	

Notes to the Financial Statements

	Parent	
	2018 DKK	2017 DKK
8 Investments in subsidiaries		
Cost at 1 January	450.000	450.000
Cost at 31 December	450.000	450.000
Value adjustments at 1 January	38.822.468	34.602.355
Net profit/loss for the year	-3.899.687	2.672.738
Other equity movements, net	3.937.814	1.547.375
Value adjustments at 31 December	38.860.595	38.822.468
at 31 December	39.310.595	39.272.468

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
MCM International A/S	Gentofte	500.000	90%

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
9 Investments in associates				
Cost at 1 January	37.500	37.500	12.500	12.500
Cost at 31 December	37.500	37.500	12.500	12.500
Value adjustments at 1 January	1.545.521	440.978	20.817	0
Net profit/loss for the year	1.040.484	1.104.543	8.552	20.817
Value adjustments at 31 December	2.586.005	1.545.521	29.369	20.817
at 31 December	2.623.505	1.583.021	41.869	33.317

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Skovbakkevej 14 ApS	Tikøb	50.000 DKK	25%
Faunakram Pet Food ApS	Gentofte	50.000 DKK	50%

10 Prepayments

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

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
11 Distribution of profit				
Reserve for net revaluation under the equity method	1.040.484	1.104.546	-3.891.135	2.693.555
Minority interests' share of net profit/loss of subsidiaries	-2.693.079	1.764.749	0	0
Retained earnings	-4.941.589	1.568.430	-9.970	-20.582
	-6.594.184	4.437.725	-3.901.105	2.672.973

Notes to the Financial Statements

	Group		Parent	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	DKK	DKK	DKK	DKK
12 Provision for deferred tax				
Provision for deferred tax at 1 January	1.916.611	2.636.505	0	0
Amounts recognised in the income statement for the year	-2.493.322	-1.476.910	0	0
Amounts recognised in equity for the year	1.518.000	757.016	0	0
Provision for deferred tax at 31 December	<u>941.289</u>	<u>1.916.611</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
Mortgage loans				
	10.274.850	13.231.517	0	0
	3.020.977	697.696	0	0
	<u>13.295.827</u>	<u>13.929.213</u>	<u>0</u>	<u>0</u>
	757.540	173.084	0	0
	<u>14.053.367</u>	<u>14.102.297</u>	<u>0</u>	<u>0</u>

14 Cash flow statement - adjustments

	Group	
	2018 DKK	2017 DKK
Financial income	-484.804	-169.030
Financial expenses	4.454.000	4.008.905
Depreciation, amortisation and impairment losses, including losses and gains on sales	3.314.879	3.394.389
Income from investments in associates	-1.040.484	-1.104.543
Tax on profit/loss for the year	-181.234	406.771
Other adjustments	0	-70.790
	<u>6.062.357</u>	<u>6.465.702</u>

Notes to the Financial Statements

	Group	
	2018	2017
	DKK	DKK
15 Cash flow statement - change in working capital		
Change in inventories	9.409.453	-33.538.485
Change in receivables	-35.107.960	-11.648.527
Change in trade payables, etc	18.949.965	13.348.240
	-6.748.542	-31.838.772

Notes to the Financial Statements

	Group		Parent	
	2018	2017	2018	2017
	DKK	DKK	DKK	DKK
16 Contingent assets, liabilities and other financial obligations				

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a carrying value of	39.431.597	31.331.596	0	0
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Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. At the balance date, the jointly taxed Danish Group companies has no payable corporation tax liability. Foreign subsidiaries are, at the balance date, liable of a tax payment of DKK 826.737. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

BPI A/S has granted a floating charge of a nominal amount of DKK 48,1 million for bank debt to Jyske Bank A/S. On the balance date, BPI A/S debt to Jyske Bank A/S amounts to DKK 72,4 million.

BPI A/S has provided a surety (primary liability) in respect of the parent company MCM International A/S bank facility. On the balance date, MCM International A/S debt to Jyske Bank A/S amounts to DKK 23,9 million.

BPI A/S has provided a surety (primary liability) in respect of Westcon ApS bank facility. On the balance date, Westcon ApS debt to Jyske Bank A/S amounts to DKK 0.

BPI A/S has provided a surety (primary liability) in respect of the group company HH Sievers Gmbh bank facility. On the balance date, HH Sievers Gmbh debt to Jyske Bank A/S amounts to DKK 0,5 million.

BPI A/S has issued a letter of credit amounting to DKK 0,8 million.

BPI A/S has assumed lease obligations, which at the balance sheet date amounted to DKK 1,2 million in the period of non-terminability.

MCM International A/S has provided a surety (primary liability) for the company's debt to Jyske Bank A/S, amounting to DKK 23,9 million at the balance date.

Notes to the Financial Statements

17 Related parties

	<u>Basis</u>
Controlling interest	
Ole M. Hansen	Owner

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Transactions during the year with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties are made on market conditions.

	<u>Group</u>		<u>Parent</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	DKK	DKK	DKK	DKK
18 Fee to auditors appointed at the general meeting				
Audit fee to PricewaterhouseCoopers	260.000	257.500	12.500	12.500
Tax advisory services	25.000	25.000	0	0
Other services	25.000	25.000	0	0
	<u>310.000</u>	<u>307.500</u>	<u>12.500</u>	<u>12.500</u>

19 Subsequent events

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

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of FMH ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, FMH ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

20 Accounting Policies (continued)

Minority interests

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

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

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

20 Accounting Policies (continued)

Revenue

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

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

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

20 Accounting Policies (continued)

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 7 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 20 years.

Property, plant and equipment

Land and buildings

On acquisition land and buildings are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed properties comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

After the initial recognition land and buildings are measured at fair value.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves ma-

Notes to the Financial Statements

20 Accounting Policies (continued)

terial accounting estimates.

The fair value of certain land and buildings has been determined at 31 December 2018 for each property by using a return-based model under which the expected future cash flows for the coming year combined with a rate of return form the basis of the fair value of the property. The calculations are based on property budgets for the coming years. The budget takes into account developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The budgeted cash flow is divided by the estimated rate of return to arrive at the fair value of the properties.

The fair value of land and buildings has been assessed by the independent assessor firm 'Nordicals' at 19 February 2019.

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material.

Other fixed assets

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	40 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

Depreciation period and residual value, DKK 24,2 million for buildings, are reassessed annually.

Notes to the Financial Statements

20 Accounting Policies (continued)

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

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

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

Inventories

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

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

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Financial debts

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

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

Cash Flow Statement

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$