



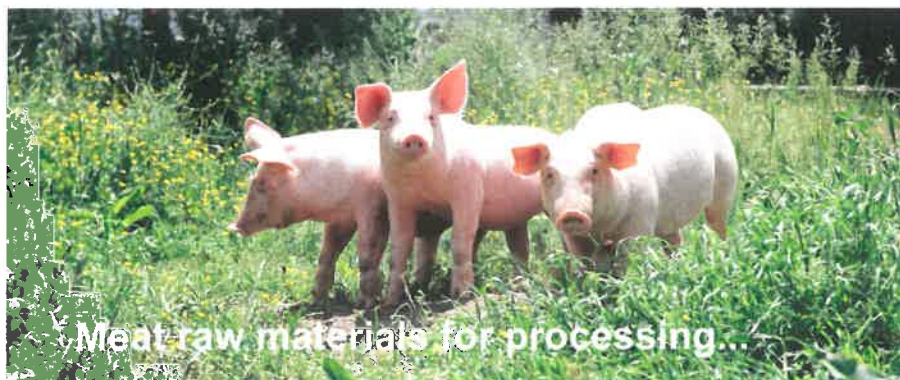
EUROPEAN QUALITY FOOD A/S
Central Business Registration No 25366816
Gl. Strandvej 29
6000 Kolding

Annual report 2017

The Annual General Meeting adopted the annual report on 10.04.2018

Chairman of the General Meeting

Name: Jørgen Meyer



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Entity details

Entity

EUROPEAN QUALITY FOOD A/S

Gl. Strandvej 29

6000 Kolding

Central Business Registration No (CVR): 25366816

Registered in: Kolding

Financial year: 01.01.2017 - 31.12.2017

Website: WWW.EQF.DK

E-mail: DK@EQF.DK

Board of Directors

Jørgen Meyer, Chairman

Morten Koed Refshauge

Ole Koed-Madsen

Executive Board

Ole Koed-Madsen, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of EUROPEAN QUALITY FOOD A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Kolding, 10.04.2018

Executive Board

Ole Koed-Madsen
Chief Executive Officer

Board of Directors

Jørgen Meyer
Chairman

Morten Koed Refshauge

Ole Koed-Madsen

Independent auditor's reports

To the shareholders of EUROPEAN QUALITY FOOD A/S

Report on extended review of the financial statements

We have performed an extended review of the financial statements of EUROPEAN QUALITY FOOD A/S for the financial year 01.01.2017 - 31.12.2017. The financial statements, which comprise the income statement, balance sheet, statement of changes in equity, notes and accounting policies, are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's reports

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 10.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Bjerregaard Nielsen
State Authorised Public Accountant
Identification No (MNE) mne29393

Management commentary

Primary activities

During the financial year, the company's activity has been export of meat raw materials to the meat processing industry.

Development in activities and finances

The year 2017 in outline

The market conditions have been much more difficult than it was foreseen because of some "Force Majeure" reason.

Due to veterinary restrictions it was impossible to purchase the quantities of products required by the clients.

Consequently the turnover and gross profit have been effected negatively.

Measures have been taken to reduce costs further and adapt the company structure according to the market situation.

Furthermore new local trading activities – not depending on veterinary regulations – were created.

For the second time during 18 years the company had to face a loss – a net result of TDKK (1,047), which is not satisfactory. The company balance sheet at 31.12.2017 shows an equity of TDKK 15,349.

The management expects a satisfactory result for the current year.

Commercial, financial and other risks

Debtors constitute the greatest asset, which means that giving credit is a very vital element. The risk is reduced through efficient management, when credit is authorized as well as during the continued trade. The debtors are insured against loss, if needed.

The significant financial risk that the company is faced with is related to changes in exchange rates, as purchasing as well as sale takes place in foreign currency. In order to counteract this risk the company is using derivative financial instruments on all significant commercial transactions or when the management finds it appropriate.

Events after the end of the financial year

No conditions that disturb the assessment of the annual report have occurred.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		1,524,912	2,276,571
Distribution costs	1, 2	(1,002,537)	(970,049)
Administrative expenses	1, 2	<u>(2,201,252)</u>	<u>(2,528,603)</u>
Operating profit/loss		(1,678,877)	(1,222,081)
Income from investments in group enterprises		231,995	(762,496)
Other financial income	3	436,445	416,739
Other financial expenses	4	<u>(386,356)</u>	<u>(262,433)</u>
Profit/loss before tax		(1,396,793)	(1,830,271)
Tax on profit/loss for the year	5	<u>349,444</u>	<u>256,217</u>
Profit/loss for the year		<u>(1,047,349)</u>	<u>(1,574,054)</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		2,500,000	200,000
Retained earnings		<u>(3,547,349)</u>	<u>(1,774,054)</u>
		<u>(1,047,349)</u>	<u>(1,574,054)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Other fixtures and fittings, tools and equipment		189,001	693,291
Property, plant and equipment	6	<u>189,001</u>	<u>693,291</u>
Investments in group enterprises		1,576,637	1,445,364
Other investments		597,768	683,328
Other receivables		0	270,000
Fixed asset investments	7	<u>2,174,405</u>	<u>2,398,692</u>
Fixed assets		<u>2,363,406</u>	<u>3,091,983</u>
Manufactured goods and goods for resale		0	296,549
Inventories		<u>0</u>	<u>296,549</u>
Trade receivables		4,986,915	1,534,827
Receivables from group enterprises		11,144,209	12,202,868
Deferred tax		630,122	280,678
Other receivables		363,580	580,814
Prepayments		2,676	35,940
Receivables		<u>17,127,502</u>	<u>14,635,127</u>
Other investments		1,050	1,050
Other investments		<u>1,050</u>	<u>1,050</u>
Cash		<u>3,005,298</u>	<u>1,016,969</u>
Current assets		<u>20,133,850</u>	<u>15,949,695</u>
Assets		<u>22,497,256</u>	<u>19,041,678</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> DKK	<u>2016</u> DKK
Contributed capital		1,000,000	1,000,000
Reserve for net revaluation according to the equity method		1,365,199	1,233,927
Retained earnings		10,484,299	14,263,643
Proposed dividend		2,500,000	200,000
Equity		15,349,498	16,697,570
Bank loans		6,018,681	519,971
Prepayments received from customers		257,125	957,197
Trade payables		643,380	639,703
Other payables		228,572	227,237
Current liabilities other than provisions		7,147,758	2,344,108
Liabilities other than provisions		7,147,758	2,344,108
Equity and liabilities		22,497,256	19,041,678
Contingent liabilities	8		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	1,000,000	1,233,927	14,263,643	200,000
Ordinary dividend paid	0	0	0	(200,000)
Exchange rate adjustments	0	(100,723)	0	0
Profit/loss for the year	0	231,995	(3,779,344)	2,500,000
Equity end of year	1,000,000	1,365,199	10,484,299	2,500,000
				Total DKK
Equity beginning of year				16,697,570
Ordinary dividend paid				(200,000)
Exchange rate adjustments				(100,723)
Profit/loss for the year				(1,047,349)
Equity end of year				15,349,498

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	1,290,688	1,513,058
Pension costs	184,836	201,324
Other social security costs	14,120	13,660
Other staff costs	87,326	125,994
	1,576,970	1,854,036
Average number of employees	2	2
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	7,990	185,779
Profit/loss from sale of intangible assets and property, plant and equipment	(70,000)	(4,885)
	(62,010)	180,894
	2017	2016
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	416,500	238,733
Fair value adjustments	14,440	178,006
Other financial income	5,505	0
	436,445	416,739
	2017	2016
	DKK	DKK
4. Other financial expenses		
Other interest expenses	244,594	52,780
Other financial expenses	141,762	209,653
	386,356	262,433

Notes

	2017	2016
	DKK	DKK
5. Tax on profit/loss for the year		
Change in deferred tax	<u>(349,444)</u>	<u>(256,217)</u>
	<u>(349,444)</u>	<u>(256,217)</u>
		Other
		fixtures and
		fittings,
		tools and
		equipment
		DKK
6. Property, plant and equipment		
Cost beginning of year		2,738,305
Additions		143,700
Disposals		<u>(2,688,211)</u>
Cost end of year		<u>193,794</u>
Depreciation and impairment losses beginning of year		(2,045,014)
Depreciation for the year		(7,990)
Reversal regarding disposals		<u>2,048,211</u>
Depreciation and impairment losses end of year		<u>(4,793)</u>
Carrying amount end of year		<u>189,001</u>

Notes

	Invest- ments in group enterprises DKK	Other investments DKK	Other receivables DKK
7. Fixed asset investments			
Cost beginning of year	211,438	100,000	270,000
Disposals	0	0	(270,000)
Cost end of year	211,438	100,000	0
Revaluations beginning of year	1,233,926	583,328	0
Exchange rate adjustments	(100,723)	0	0
Share of profit/loss for the year	231,996	0	0
Revaluations for the year	0	14,440	0
Reversal of revaluations	0	(100,000)	0
Revaluations end of year	1,365,199	497,768	0
Carrying amount end of year	1,576,637	597,768	0

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
Investments in group enterprises comprise:					
EUROPEAN QUALITY FOOD LLC	Moscow	LLC	99.0	1,358,224	234,339

8. Contingent liabilities

As security for bank balance a company pledge of nom. t.DKK 5,000 has been issued comprising unsecured debt, inventories, operating equipment etc.

EUROPEAN QUALITY FOOD A/S is included in a Danish joint taxation with KM Holding DK A/S as administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

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, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Fixed assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and production costs.

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.

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to plant and equipment.

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 property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery 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.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Accounting policies

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.

Tax on profit/loss for the year

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.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years
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Estimated useful lives and residual values are reassessed annually.

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

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 unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Accounting policies

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.

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

Receivables

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

Other investments

Other investments comprise unlisted shares which are measured at fair value (market price) at the balance sheet date.

Inventories

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

Cost consists of purchase price plus delivery costs.

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

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 carryforwards, 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.

Prepayments

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

Other investments

Securities recognised under current assets comprise listed securities measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Accounting policies

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.