# *BPI A/S*

HOLMEGÅRDEN, Lyngbyvej 403, DK-2820
Gentofte

# Annual Report for 1 January - 31 December 2018

CVR No 27 23 70 10

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

Jan Klarskov Henriksen
Chairman of the General Meeting

# Contents

# Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BPI A/S for the financial year 1 January - 31 December 2018.

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

In our 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.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

HOLMEGÅRDEN Gentofte, 23 May 2019

**Executive Board**

Ole Munksgaard Hansen

Jens Jacob Madsen

**Board of Directors**

Jan Klarskov Henriksen
Chairman

Ole Munksgaard Hansen

Flemming Skouboe

Henning Kruse Lorentzen

# Independent Auditor's Report

To the Shareholders of BPI A/S

**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 BPI A/S 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 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 | Jan Bunk Larsen |
| statsautoriseret revisor | statsautoriseret revisor |
| mne18628 | mne30224 |

# Company Information

| | |
|---|---|
| **The Company** | BPI A/S<br>HOLMEGÅRDEN<br>Lyngbyvej 403<br>DK-2820 Gentofte<br>Website: www.bpi.nu<br><br>CVR No: 27 23 70 10<br>Financial period: 1 January - 31 December<br>Municipality of reg. office: Gentofte Kommune |
| **Board of Directors** | Jan Klarskov Henriksen, Chairman<br>Ole Munksgaard Hansen<br>Flemming Skouboe<br>Henning Kruse Lorentzen |
| **Executive Board** | Ole Munksgaard Hansen<br>Jens Jacob Madsen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>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 | 1.361.150 | 1.217.468 | 1.025.428 | 1.026.333 | 1.187.117 |
| Operating profit/loss | -3.955 | 7.421 | 8.334 | 7.311 | 14.880 |
| Profit/loss before financial income and expenses | -3.974 | 7.391 | 8.421 | 7.394 | 14.925 |
| Net financials | -2.891 | -2.688 | -2.987 | -4.076 | -3.924 |
| Net profit/loss for the year | -6.666 | 4.330 | 3.631 | 2.364 | 8.158 |
| **Balance sheet** | | | | | |
| Balance sheet total | 298.794 | 263.482 | 225.423 | 233.965 | 277.429 |
| Equity | 71.721 | 71.768 | 64.837 | 60.822 | 58.351 |
| **Cash flows** | | | | | |
| Cash flows from: | | | | | |
| - operating activities | -17.577 | -16.492 | 38.318 | 40.134 | -1.263 |
| - investing activities | -1.908 | -2.172 | -4.388 | -14.225 | -30.320 |
| including investment in property, plant and equipment | -2.650 | -2.402 | -4.698 | -4.732 | -13.713 |
| - financing activities | 18.055 | 18.192 | -32.232 | -27.314 | 32.598 |
| Change in cash and cash equivalents for the year | -1.431 | -472 | 1.698 | -1.405 | 1.015 |
| Number of employees | 56 | 56 | 55 | 50 | 40 |

# Financial Highlights

| | Group | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| **Ratios** | | | | | |
| Gross margin | 2,5% | 3,4% | 3,9% | 3,6% | 3,5% |
| Profit margin | -0,3% | 0,6% | 0,8% | 0,7% | 1,3% |
| Return on assets | -1,3% | 2,8% | 3,7% | 3,2% | 5,4% |
| Solvency ratio | 24,0% | 27,2% | 28,8% | 26,0% | 21,0% |
| Return on equity | -9,3% | 6,3% | 5,8% | 4,0% | 16,4% |

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**

BPI A/S operates as a global trader of foodstuffs under its own brands as well as private labels.

**Development in the year**

The consolidated income statement for 2018 shows an EBIT of DKK - 3.973.665 and a loss of DKK 6.666.018. The group's balance sheet at 31 December 2018 shows equity of DKK 71.721.461 and a solvency ratio of 24%.

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

The group has realized revenues of more than mDKK 1.360, which is mDKK 143 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 - 6,7 which is mDKK 11 below the 2017 figure, which is 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 company 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, 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***

BPI A/S's core business is "back-to-back" trading, which to a large degree is low risk. As most goods traded by BPI have a long shelf life, BPI 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 on 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. BPI 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 company 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 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. BPI 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**

BPI A/S 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***

BPI 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.

We still have an increased focus on the working conditions on the chicken farms in Thailand (initiated in

# Management's Review

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*

BPI 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, 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 BPI 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 BPI can monitor the development by using KPIs.

### *Anti-corruption and bribery*

It is a decision and policy of BPI that the company not be involved in or be a part of corruption and bribery. At BPI, 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 BPI will be competitive in the future.

### *Non-financial key performance indicators*

BPI A/S are not using Non-financial key performance indicators.

### Statement on gender composition

BPI A/S 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 professionnal, 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.

# Management's Review

## Uncertainty relating to recognition and measurement

In the past financial year 2018, there have been no events or otherwise unusual circumstances that have affected the recognition or measurement of the company's activities.

## 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.

# Income Statement 1 January - 31 December

| | Note | Group 2018 | Group 2017 | Parent 2018 | Parent 2017 |
|---|---|---|---|---|---|
| | | DKK | DKK | DKK | DKK |
| **Revenue** | 1 | **1.361.149.662** | **1.217.468.252** | **1.331.670.824** | **1.168.535.898** |
| Other operating income | | 32.782 | 31.827 | 32.782 | 31.827 |
| Expenses for raw materials and consumables | | -1.304.178.949 | -1.149.871.840 | -1.283.044.759 | -1.105.436.479 |
| Other external expenses | | -22.880.072 | -25.684.224 | -21.301.701 | -31.136.514 |
| **Gross profit/loss** | | **34.123.423** | **41.944.015** | **27.357.146** | **31.994.732** |
| Staff expenses | 2 | -34.730.263 | -31.158.516 | -33.965.987 | -30.079.831 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | -3.314.879 | -3.333.023 | -1.798.799 | -1.791.719 |
| Other operating expenses | | -51.946 | -61.366 | -51.946 | -61.366 |
| **Profit/loss before financial income and expenses** | | **-3.973.665** | **7.391.110** | **-8.459.586** | **61.816** |
| Income from investments in subsidiaries | | 0 | 0 | 3.196.899 | 6.444.889 |
| Income from investments in associates | | 1.031.932 | 1.083.726 | 1.031.932 | 1.083.726 |
| Financial income | 3 | 482.600 | 169.030 | 68.232 | 227.831 |
| Financial expenses | 4 | -4.405.122 | -3.940.498 | -4.996.707 | -4.280.584 |
| **Profit/loss before tax** | | **-6.864.255** | **4.703.368** | **-9.159.230** | **3.537.678** |
| Tax on profit/loss for the year | 5 | 198.237 | -373.640 | 2.493.212 | 792.050 |
| **Net profit/loss for the year** | | **-6.666.018** | **4.329.728** | **-6.666.018** | **4.329.728** |

# Balance Sheet 31 December

## Assets

| | Note | Group 2018 DKK | Group 2017 DKK | Parent 2018 DKK | Parent 2017 DKK |
|---|---|---|---|---|---|
| Completed development projects | | 0 | 0 | 0 | 0 |
| Acquired patents | | 22.096.040 | 23.401.445 | 0 | 0 |
| Goodwill | | 469.487 | 938.080 | 320.141 | 640.284 |
| **Intangible assets** | 6 | **22.565.527** | **24.339.525** | **320.141** | **640.284** |
| Land and buildings | | 39.431.597 | 31.331.596 | 39.431.597 | 31.331.596 |
| Other fixtures and fittings, tools and equipment | | 3.518.417 | 3.136.134 | 3.437.894 | 2.913.616 |
| Leasehold improvements | | 35.517 | 35.517 | 0 | 0 |
| **Property, plant and equipment** | 7 | **42.985.531** | **34.503.247** | **42.869.491** | **34.245.212** |
| Investments in subsidiaries | 8 | 0 | 0 | 41.027.248 | 37.677.647 |
| Investments in associates | 9 | 2.581.636 | 1.549.704 | 2.581.636 | 1.549.704 |
| **Fixed asset investments** | | **2.581.636** | **1.549.704** | **43.608.884** | **39.227.351** |
| **Fixed assets** | | **68.132.694** | **60.392.476** | **86.798.516** | **74.112.847** |
| **Inventories** | | **49.365.689** | **57.253.086** | **49.365.689** | **55.660.357** |
| Trade receivables | | 171.803.213 | 138.057.472 | 171.803.213 | 136.842.171 |
| Receivables from group enterprises | | 306.710 | 266.000 | 2.130.950 | 4.830.683 |
| Receivables from associates | | 4.139.296 | 0 | 4.139.296 | 0 |
| Other receivables | | 3.647.312 | 5.036.567 | 3.021.465 | 4.640.097 |
| Corporation tax | | 692.000 | 0 | 692.000 | 221.361 |
| Prepayments | 10 | 399.181 | 737.644 | 399.181 | 736.654 |
| **Receivables** | | **180.987.712** | **144.097.683** | **182.186.105** | **147.270.966** |
| **Cash at bank and in hand** | | **307.843** | **1.738.636** | **66.183** | **35.433** |
| **Currents assets** | | **230.661.244** | **203.089.405** | **231.617.977** | **202.966.756** |
| **Assets** | | **298.793.938** | **263.481.881** | **318.416.493** | **277.079.603** |

# Balance Sheet 31 December

## Liabilities and equity

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | Note | 2018 | 2017 | 2018 | 2017 |
| | | DKK | DKK | DKK | DKK |
| Share capital | | 4.500.000 | 4.500.000 | 4.500.000 | 4.500.000 |
| Revaluation reserve | | 18.859.429 | 11.835.459 | 18.859.429 | 11.835.459 |
| Reserve for net revaluation under the equity method | | 2.556.636 | 1.524.704 | 15.907.733 | 11.675.384 |
| Other reserves | | 0 | 12.782 | 0 | 0 |
| Retained earnings | | 45.805.396 | 53.895.247 | 32.454.299 | 43.757.349 |
| **Equity** | | **71.721.461** | **71.768.192** | **71.721.461** | **71.768.192** |
| Provision for deferred tax | 12 | 941.289 | 1.916.611 | 941.289 | 1.916.611 |
| **Provisions** | | **941.289** | **1.916.611** | **941.289** | **1.916.611** |
| Mortgage loans | | 13.295.827 | 13.929.213 | 13.295.827 | 13.929.213 |
| **Long-term debt** | 13 | **13.295.827** | **13.929.213** | **13.295.827** | **13.929.213** |
| Mortgage loans | 13 | 757.540 | 173.084 | 757.540 | 173.084 |
| Credit institutions | | 73.003.957 | 54.957.498 | 72.521.510 | 54.742.870 |
| Prepayments received from customers | | 4.305.279 | 4.707.789 | 4.305.279 | 4.707.789 |
| Trade payables | | 121.720.871 | 103.602.259 | 121.647.207 | 102.552.374 |
| Payables to group enterprises | | 141.367 | 32.659 | 21.361.716 | 16.318.682 |
| Payables to associates | | 0 | 51.379 | 0 | 51.379 |
| Corporation tax | | 808.293 | 820.789 | 0 | 0 |
| Other payables | | 12.098.054 | 11.522.408 | 11.864.664 | 10.919.409 |
| **Short-term debt** | | **212.835.361** | **175.867.865** | **232.457.916** | **189.465.587** |
| **Debt** | | **226.131.188** | **189.797.078** | **245.753.743** | **203.394.800** |
| **Liabilities and equity** | | **298.793.938** | **263.481.881** | **318.416.493** | **277.079.603** |

| | |
|---|---|
| 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 | Total |
|---|---|---|---|---|---|
| | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 4.500.000 | 11.835.459 | 1.524.704 | 53.908.029 | 71.768.192 |
| Revaluation for the year | 0 | 8.097.990 | 0 | 0 | 8.097.990 |
| Tax on revaluation for the year | 0 | -1.518.000 | 0 | 0 | -1.518.000 |
| Exchange adjustments relating to foreign entities | 0 | 0 | 0 | 39.297 | 39.297 |
| Transfer, reserves | 0 | 443.980 | 0 | -443.980 | 0 |
| Net profit/loss for the year | 0 | 0 | 1.031.932 | -7.697.950 | -6.666.018 |
| **Equity at 31 December** | **4.500.000** | **18.859.429** | **2.556.636** | **45.805.396** | **71.721.461** |

## Parent

| | Share capital | Revaluation reserve | Reserve for net revaluation under the equity method | Retained earnings | Total |
|---|---|---|---|---|---|
| Equity at 1 January | 4.500.000 | 11.835.459 | 11.675.384 | 43.757.349 | 71.768.192 |
| Revaluation for the year | 0 | 8.097.990 | 0 | 0 | 8.097.990 |
| Tax on revaluation for the year | 0 | -1.518.000 | 0 | 0 | -1.518.000 |
| Exchange adjustments relating to foreign entities | 0 | 0 | 39.297 | 0 | 39.297 |
| Transfer, reserves | 0 | 443.980 | 0 | -443.980 | 0 |
| Net profit/loss for the year | 0 | 0 | 4.193.052 | -10.859.070 | -6.666.018 |
| **Equity at 31 December** | **4.500.000** | **18.859.429** | **15.907.733** | **32.454.299** | **71.721.461** |

# Cash Flow Statement 1 January - 31 December

| | Note | Group 2018 | Group 2017 |
|---|---|---|---|
| | | DKK | DKK |
| Net profit/loss for the year | | -6.666.018 | 4.329.728 |
| Adjustments | 14 | 6.098.474 | 6.384.980 |
| Change in working capital | 15 | -10.087.565 | -22.055.098 |
| **Cash flows from operating activities before financial income and expenses** | | **-10.655.109** | **-11.340.390** |
| Financial income | | 482.600 | 169.030 |
| Financial expenses | | -4.405.122 | -3.940.498 |
| **Cash flows from ordinary activities** | | **-14.577.631** | **-15.111.858** |
| Corporation tax paid | | -2.999.581 | -1.380.505 |
| **Cash flows from operating activities** | | **-17.577.212** | **-16.492.363** |
| Purchase of property, plant and equipment | | -2.650.141 | -2.401.895 |
| Sale of intangible assets | | 148.451 | 0 |
| Sale of property, plant and equipment | | 593.250 | 230.000 |
| **Cash flows from investing activities** | | **-1.908.440** | **-2.171.895** |
| Repayment of mortgage loans | | -14.448.930 | -187.724 |
| Repayment of loans from credit institutions | | 0 | -1.138 |
| Repayment of payables to group enterprises | | 108.708 | 7.204 |
| Repayment of payables to associates | | -51.379 | -621 |
| Raising of mortgage loans | | 14.400.000 | 0 |
| Raising of loans from credit institutions | | 18.046.460 | 18.374.058 |
| **Cash flows from financing activities** | | **18.054.859** | **18.191.779** |
| **Change in cash and cash equivalents** | | **-1.430.793** | **-472.479** |
| Cash and cash equivalents at 1 January | | 1.738.636 | 2.211.115 |
| **Cash and cash equivalents at 31 December** | | **307.843** | **1.738.636** |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 307.843 | 1.738.636 |
| **Cash and cash equivalents at 31 December** | | **307.843** | **1.738.636** |

# Notes to the Financial Statements

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | DKK | DKK | DKK | DKK |
| 1 | **Revenue** | | | | |
| | **Geographical segments** | | | | |
| | Revenue, Denmark | 225.975.554 | 196.687.072 | 225.975.554 | 196.687.072 |
| | Revenue, exports | 1.135.174.108 | 1.020.781.180 | 1.105.695.270 | 971.848.826 |
| | | **1.361.149.662** | **1.217.468.252** | **1.331.670.824** | **1.168.535.898** |
| | **Business segments** | | | | |
| | Meat | 938.012.287 | 827.112.607 | 938.012.287 | 827.112.607 |
| | Dairy | 308.523.686 | 259.360.373 | 308.523.686 | 259.360.373 |
| | Other | 114.613.689 | 130.995.272 | 85.134.851 | 82.062.918 |
| | | **1.361.149.662** | **1.217.468.252** | **1.331.670.824** | **1.168.535.898** |
| 2 | **Staff expenses** | | | | |
| | Wages and salaries | 30.366.079 | 27.184.864 | 29.601.803 | 26.106.179 |
| | Pensions | 2.708.764 | 2.399.380 | 2.708.764 | 2.399.380 |
| | Other staff expenses | 1.655.420 | 1.574.272 | 1.655.420 | 1.574.272 |
| | | **34.730.263** | **31.158.516** | **33.965.987** | **30.079.831** |
| | Including remuneration to the Executive Board and Board of Directors of: | | | | |
| | Executive Board | 2.680.377 | 3.153.818 | 2.680.377 | 3.153.818 |
| | Supervisory Board | 400.000 | 400.000 | 400.000 | 400.000 |
| | | **3.080.377** | **3.553.818** | **3.080.377** | **3.553.818** |
| | **Average number of employees** | **56** | **56** | **44** | **44** |

The board of directors consists of four persons. The board of executives consists of two persons, of which one is also a member of the board of directors.

# Notes to the Financial Statements

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | DKK | DKK | DKK | DKK |
| **3 Financial income** | | | | |
| Interest received from group enterprises | 0 | 0 | 51.266 | 226.747 |
| Other financial income | 482.600 | 169.030 | 16.966 | 1.084 |
| | **482.600** | **169.030** | **68.232** | **227.831** |
| **4 Financial expenses** | | | | |
| Interest paid to group enterprises | 2.258 | 3.006 | 620.367 | 357.601 |
| Other financial expenses | 4.402.864 | 3.937.492 | 4.376.340 | 3.922.983 |
| | **4.405.122** | **3.940.498** | **4.996.707** | **4.280.584** |
| **5 Tax on profit/loss for the year** | | | | |
| Current tax for the year | 2.295.085 | 1.850.550 | 110 | 684.860 |
| Deferred tax for the year | -2.493.322 | -1.476.910 | -2.493.322 | -1.476.910 |
| | **-198.237** | **373.640** | **-2.493.212** | **-792.050** |

# Notes to the Financial Statements

## 6 Intangible assets

**Group**

| | Completed development projects | Acquired patents | Goodwill | Total |
|---|---|---|---|---|
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 1.872.852 | 27.240.862 | 2.985.360 | 32.099.074 |
| Cost at 31 December | 1.872.852 | 27.240.862 | 2.985.360 | 32.099.074 |
| Impairment losses and amortisation at 1 January | 1.872.852 | 3.839.417 | 2.047.280 | 7.759.549 |
| Amortisation for the year | 0 | 1.305.405 | 468.593 | 1.773.998 |
| Impairment losses and amortisation at 31 December | 1.872.852 | 5.144.822 | 2.515.873 | 9.533.547 |
| **Carrying amount at 31 December** | **0** | **22.096.040** | **469.487** | **22.565.527** |
| Amortised over | 5 years | 5-20 years | 7 years | |

**Parent**

| | Completed development projects | Acquired patents | Goodwill | Total |
|---|---|---|---|---|
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 1.872.852 | 200.000 | 2.241.000 | 4.313.852 |
| Cost at 31 December | 1.872.852 | 200.000 | 2.241.000 | 4.313.852 |
| Impairment losses and amortisation at 1 January | 1.872.852 | 200.000 | 1.600.716 | 3.673.568 |
| Amortisation for the year | 0 | 0 | 320.143 | 320.143 |
| Impairment losses and amortisation at 31 December | 1.872.852 | 200.000 | 1.920.859 | 3.993.711 |
| **Carrying amount at 31 December** | **0** | **0** | **320.141** | **320.141** |
| Amortised over | 5 years | 5-8 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 | 16.813.736 | 9.525.507 | 321.712 | 26.660.955 |
| 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 | 24.168.755 | 0 | 0 | 24.168.755 |
| 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 | 1.550.894 | 6.007.090 | 286.195 | 7.844.179 |
| **Carrying amount at 31 December** | **39.431.597** | **3.518.417** | **35.517** | **42.985.531** |
| Depreciated over | 40 years | 3-8 years | 3-10 years | |

# Notes to the Financial Statements

## 7 Property, plant and equipment (continued)

**Parent**

| | Land and buildings | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 16.757.736 | 7.789.589 | 183.261 | 24.730.586 |
| Additions for the year | 56.000 | 2.594.140 | 0 | 2.650.140 |
| Disposals for the year | 0 | -1.243.000 | 0 | -1.243.000 |
| Kostpris at 31 December | 16.813.736 | 9.140.729 | 183.261 | 26.137.726 |
| 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 | 24.168.755 | 0 | 0 | 24.168.755 |
| Impairment losses and depreciation at 1 January | 1.496.905 | 4.875.973 | 183.261 | 6.556.139 |
| Depreciation for the year | 53.989 | 1.424.666 | 0 | 1.478.655 |
| Impairment and depreciation of sold assets for the year | 0 | -597.804 | 0 | -597.804 |
| Impairment losses and depreciation at 31 December | 1.550.894 | 5.702.835 | 183.261 | 7.436.990 |
| **Carrying amount at 31 December** | **39.431.597** | **3.437.894** | **0** | **42.869.491** |
| Depreciated over | 40 years | 3-8 years | 3-10 years | |

# Notes to the Financial Statements

| | Parent | |
|---|---|---|
| | 2018 | 2017 |
| | DKK | DKK |
| **8 Investments in subsidiaries** | | |
| Cost at 1 January | 27.191.417 | 27.191.417 |
| Additions for the year | 188.176 | 0 |
| Cost at 31 December | 27.379.593 | 27.191.417 |
| Value adjustments at 1 January | 10.150.680 | 3.776.581 |
| Exchange adjustment | 39.297 | -70.790 |
| Net profit/loss for the year | 4.502.304 | 7.750.294 |
| Amortisation of goodwill | -1.305.405 | -1.305.405 |
| Other adjustments | -35.779 | 0 |
| Value adjustments at 31 December | 13.351.097 | 10.150.680 |
| Equity investments with negative net asset value amortised over receivables | 296.558 | 335.550 |
| **Carrying amount at 31 December** | **41.027.248** | **37.677.647** |

Pursuant to section 127(4) of the Danish Financial Statements Act investments in subsidiaries are not disclosed.

# Notes to the Financial Statements

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | DKK | DKK | DKK | DKK |
| **9** | **Investments in associates** | | | | |
| | Cost at 1 January | 25.000 | 25.000 | 25.000 | 25.000 |
| | Cost at 31 December | 25.000 | 25.000 | 25.000 | 25.000 |
| | Value adjustments at 1 January | 1.524.704 | 440.978 | 1.524.704 | 440.978 |
| | Net profit/loss for the year | 1.031.932 | 1.083.726 | 1.031.932 | 1.083.726 |
| | Value adjustments at 31 December | 2.556.636 | 1.524.704 | 2.556.636 | 1.524.704 |
| | **Carrying amount at 31 December** | **2.581.636** | **1.549.704** | **2.581.636** | **1.549.704** |

Investments in associates are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership |
|---|---|---|---|
| Fanuakram Pet Food A/S | Denmark | 500.000 DKK | 50% |

## 10 Prepayments

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

## 11 Distribution of profit

| | Group 2018 | Group 2017 | Parent 2018 | Parent 2017 |
|---|---|---|---|---|
| Reserve for net revaluation under the equity method | 1.031.932 | 1.083.726 | 4.193.052 | 7.528.615 |
| Retained earnings | -7.697.950 | 3.246.002 | -10.859.070 | -3.198.887 |
| | **-6.666.018** | **4.329.728** | **-6.666.018** | **4.329.728** |

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | DKK | DKK | DKK | DKK |
| **12 Provision for deferred tax** | | | | |
| Provision for deferred tax at 1 January | 1.916.611 | 2.639.921 | 1.916.611 | 2.639.921 |
| Amounts recognised in the income statement for the year | -2.493.322 | -1.476.910 | -2.493.322 | -1.476.910 |
| Amounts recognised in equity for the year | 1.518.000 | 753.600 | 1.518.000 | 753.600 |
| **Provision for deferred tax at 31 December** | **941.289** | **1.916.611** | **941.289** | **1.916.611** |

Deferred tax has been provided at 22% corresponding to the current tax rate.

## 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:

**Mortgage loans**

| | Group 2018 | Group 2017 | Parent 2018 | Parent 2017 |
|---|---|---|---|---|
| After 5 years | 10.274.850 | 13.231.517 | 10.274.850 | 13.231.517 |
| Between 1 and 5 years | 3.020.977 | 697.696 | 3.020.977 | 697.696 |
| Long-term part | 13.295.827 | 13.929.213 | 13.295.827 | 13.929.213 |
| Within 1 year | 757.540 | 173.084 | 757.540 | 173.084 |
| | **14.053.367** | **14.102.297** | **14.053.367** | **14.102.297** |

## Notes to the Financial Statements

| | Group 2018 DKK | Group 2017 DKK |
|---|---|---|
| **14 Cash flow statement - adjustments** | | |
| Financial income | -482.600 | -169.030 |
| Financial expenses | 4.405.122 | 3.940.498 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 3.366.825 | 3.394.389 |
| Income from investments in associates | -1.031.932 | -1.083.726 |
| Tax on profit/loss for the year | -198.237 | 373.640 |
| Other adjustments | 39.296 | -70.791 |
| | **6.098.474** | **6.384.980** |

### 15 Cash flow statement - change in working capital

| | 2018 | 2017 |
|---|---|---|
| Change in inventories | 7.887.398 | -25.710.536 |
| Change in receivables | -36.198.030 | -9.644.342 |
| Change in trade payables, etc | 18.223.067 | 13.299.780 |
| | **-10.087.565** | **-22.055.098** |

# 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:

| | 2018 Group | 2017 Group | 2018 Parent | 2017 Parent |
|---|---|---|---|---|
| Land and buildings with a carrying value of | 39.431.597 | 31.331.596 | 39.431.597 | 31.331.596 |

**Contingent liabilities**

BPI A/S is jointly taxed with other Danish group interprises. As a group enterprise, together with the other group enterprises, BPI A/S has joint and unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalities within the joint taxation. The known total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation are disclosed in the financial statements of the administrative company, FMH ApS, registration no. 10 14 14 27. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

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.

# Notes to the Financial Statements

## 17 Related parties

| | Basis |
|---|---|
| **Controlling interest** | |
| MCM International A/S | Majority shareholder |

**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.

**Consolidated Financial Statements**

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

| Name | Place of registered office |
|---|---|
| FMH ApS, CVR-nr. 10141427 | Rudersdal |

## 18 Fee to auditors appointed at the general meeting

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | DKK | DKK |
| **PricewaterhouseCoopers** | | |
| Audit fee | 240.000 | 235.000 |
| Other assurance engagements | 10.000 | 0 |
| Tax advisory services | 25.000 | 25.000 |
| Other services | 25.000 | 25.000 |
| | **300.000** | **285.000** |

# Notes to the Financial Statements

## 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 BPI A/S 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, BPI A/S, 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)

**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.

**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.

# Notes to the Financial Statements

**20 Accounting Policies** (continued)

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.

### 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.

# Balance Sheet

**Intangible assets**

Goodwill is amortised over the estimated useful life, which is determined on the basis of management's experience with in the individual business areas. The amortisation period is beetween 5-20 years, the longest for strategic acquistions with a strong market position and long earningsprofile.

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

Interest expenses on loans contracted directly for financing the construction of assets are recognised in cost over the construction period.

After the initial recognition assets are measured at fair value.

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

The fair value of certain assets 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 assets has been assessed by the independent assessor firm 'Nordicals' at 19 February 2019.

The estimates applied are based on historical 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 expec-

# Notes to the Financial Statements

**20 Accounting Policies** (continued)

ted. Such difference may be material.

***Other fixed assets***

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:

| | |
|---|---|
| Buildings | 40 years |
| Other fixtures and fittings, tools and equipment | 3-8 years |
| Leasehold improvements | 3-10 years |

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

**Impairment of fixed assets**

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

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

**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 intercompany 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

# Notes to the Financial Statements

**20 Accounting Policies** (continued)

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.

### 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.

# Notes to the Financial Statements

**20 Accounting Policies** (continued)

**Deferred tax assets and liabilities**

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

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

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

**Current tax receivables and liabilities**

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

**Financial 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**

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

# Notes to the Financial Statements

**20 Accounting Policies** (continued)

included in cash and cash equivalents.

**Cash flows from investing activities**

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

**Cash flows from financing activities**

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

**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.

# Financial Highlights

**Explanation of financial ratios**

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