
Aller Aqua Group A/S

Allervej 130, DK-6070 Christiansfeld

Annual Report for 1 January - 31 December 2018

CVR No 30 90 97 55

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
21/5 2019

Hans Erik Bylling
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Aller Aqua Group 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.

Aller, 21 May 2019

Executive Board

Hans Erik Bylling

Carsten Jørgensen

Board of Directors

Hans Erik Bylling

Carsten Jørgensen

Ivan Bundgård Sørensen

Henrik Thygesen Halken

Allan Skovgaard

Monica Reib

Rolf Manfred Ebbesen

Independent Auditor's Report

To the Shareholder of Aller Aqua Group 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 Aller Aqua Group 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 Financial 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.

Trekantområdet, 21 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen
statsautoriseret revisor
mne30224

Henrik Forthoft Lind
statsautoriseret revisor
mne34169

Company Information

The Company

Aller Aqua Group A/S
Allervej 130
DK-6070 Christiansfeld

CVR No: 30 90 97 55
Financial period: 1 January - 31 December
Municipality of reg. office: Kolding

Board of Directors

Hans Erik Bylling
Carsten Jørgensen
Ivan Bundgård Sørensen
Henrik Thygesen Halken
Allan Skovgaard
Monica Reib
Rolf Manfred Ebbesen

Executive Board

Hans Erik Bylling
Carsten Jørgensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

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

	Group				
	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	1.252.865	999.972	944.125	739.400	644.830
Gross profit/loss	127.551	90.099	123.488	102.114	79.545
EBITDA	69.855	39.952	78.902	51.100	46.841
EBIT	56.100	28.385	69.108	46.087	42.192
Profit/loss before tax	49.726	25.734	72.046	75.591	48.969
Net financials	-6.374	-2.651	-9.384	1.875	-745
Net profit/loss for the year	43.395	19.240	53.100	64.962	40.629
Balance sheet					
Balance sheet total	773.604	674.310	583.065	444.758	327.387
Equity	244.315	214.119	225.475	234.769	175.688
Cash flows					
Cash flows from:					
- operating activities	-33.237	8.435	34.697	70.011	35.284
- investing activities	-7.692	-37.415	-83.829	-8.041	-8.325
including investment in property, plant and equipment	-21.840	-37.245	-66.279	-22.356	-8.008
- financing activities	30.764	10.290	42.585	-20.882	-10.846
Change in cash and cash equivalents for the year	-10.165	-18.690	-6.547	41.088	16.113
Number of employees	258	243	191	99	79
Ratios					
Gross margin	10,2%	9,0%	13,1%	13,8%	12,3%
EBITDA margin	5,6%	4,0%	8,3%	6,9%	7,3%
EBIT margin	4,5%	2,8%	7,3%	7,1%	6,5%
Profit margin	4,5%	2,8%	7,3%	6,2%	6,5%
Return on assets	7,3%	4,2%	11,9%	10,4%	12,9%
Solvency ratio	31,6%	31,8%	38,7%	52,8%	53,7%
Return on equity	18,9%	8,8%	23,1%	31,7%	25,3%

For definitions, see under accounting policies.

Management's Review

Key activities

The activities of the group primarily include manufacturing, production and sale of fish feed as well as trading with raw materials related to the production.

Development in the year

The income statement of the Group for 2018 shows a profit of TDKK 43.395, and at 31 December 2018 the balance sheet of the Group shows equity of TDKK 244.315.

In 2018 the 2 new factories in China and Zambia was operating in their first full year.

Production facilities and units in general are improved on a continuous basis. This means that investments are continuously made in existing as well as new production equipment and techniques. In 2018 Aller Aqua Group focused on the increase of its sales and efficiency, and in this context a number of organizational changes and initiatives were launched, incl. new recruitments. The new colleagues will support and contribute to the continued development of the companies in the Group.

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

In 2018 the Group realized a result of TDKK 43.395 against TDKK 19.240 in 2017. The 2018 result live up to expectations.

Special risks - operating risks and financial risks

Operating risks

The group's most significant operating risk is attached to the ability to be strongly positioned in the markets where the products are sold and to ensure that production prices are always competitive.

Foreign exchange risks

The existing price and currency risk are within the standard for the business. The Group is continuously entering into contracts and forward foreign exchange contracts to cover the risks.

Targets and expectations for the year ahead

Profit expectations for the coming years are positive and the expectations is minimum a result as in 2018.

Research and development

Research is ongoing to develop and improve the products of the company.

Management's Review

External environment

The Group is continuously working on securing a safe and healthy work environment in a way where environmental and climate conditions are included in the processes.

Statutory statement on corporate social responsibility in accordance with section 99a of the Danish Financial Statements Act

Business model

Aller Aqua ("The Group") is a Danish founded company, which globally including associates employs approximately 450 people at seven different production facilities in seven different countries (Denmark, Germany, Poland, Serbia, Egypt, Zambia and China). The Group's primary activity is the production and manufacturing of fish feed and related trading with raw materials. The Group has sales in 60 different countries and is the third largest fish feed producer in EU in the freshwater segment.

The Group is aware of its environmental, ethical and societal responsibility, which is an integrated part of our business. Additionally to our work within the area of CSR, the Group has during the past years entered into a program supporting the United Nations Sustainable Development Goals (UN SDG) where we have specific focus on goals no. 2, 8, 13 & 14. The UN SDG goals have been incorporated into our strategy in order for all entities to maintain focus.

Climate change and environmental approach

The work around climate change and environmental issues is an important part of Aller Aqua's activities. As we source many raw materials and have several production sites, there is a risk of unintended impact on the surrounding environment. We address this risk by working on ISO 22000 certification of our production sites, we aim to source raw materials locally to minimise transportation and in our product line we also have ecological feed products to meet customer demands.

Further, in 2018 we have aligned our efforts for lower environmental impact with the UN SDG's focusing on goals no. 13 – Climate Actions and no. 14 – Life below water to further enhance the global sustainability development by further improving aquaculture since aquaculture is the least carbon emitting meat production.

Our fish feed reduces the discharge to water, hence it positively impacts life below water, and can provide a source of feed for aquaculture that may reduce the pressure on natural fish stocks.

In 2018, we have introduced systematic training programs towards our clients, in order to secure best practice and performance, which leads to the lowest environmental impact. Furthermore, we have continued our focus to reduce our environmental impact from production facilities, and have thus implemented activities to reduce energy consumption and thereby CO2 emissions across all entities.

Human rights and social relations approach

As our activities are spread across the world, and since we have activities that involves a multiple number of stakeholders, we acknowledge the need for addressing human rights related issues. We know that the

Management's Review

protection and support of international accepted human rights guidelines are very important to our stakeholders, and we acknowledge the risk of not living up to these expectations.

Employee relations

We value our employees highly, and we are aware of the need to be able to attract and maintain competent employees on the staff. Therefore, we have a focus on providing proper working conditions for our employees worldwide.

At our production facility in Zambia and Egypt we have introduced busses that employees can use to get to work since the population is scarce in the near proximity of our production site and in Egypt challenges with transport are huge. This practice have continued in 2018.

Our work related to the SDG goal no. 8 implies advocating for an increase in the aquaculture sector as this will support economic growth in areas where other forms of agricultural activities are not possible and where it will create decent work for locals. We wish to provide our employees with a decent and stable workplace, which can support a sustainable development in the area where we are present.

Anti-corruption and bribery approach

The Group have a zero tolerance towards corruption and the Group maintain high ethics and integrity in all business relations. Aller Aqua is aware of how corruption, bribery and poor business ethics may harm the business.

Therefore, the Board of Directors have maintained a close relationship with top management throughout the companies of the Group and make sure that the Group's position and values are known and complied in all places. In the employee handbook, the Group's guidelines on e.g. gifts and ethical conduct are described to secure that the requirements are communicated across geographical areas.

In 2018, we have continued our process to screen our suppliers and apply guidelines that they are required to implement and comply with and which contain requirements regarding anti-corruption and bribery as well as human rights. We have not identified any material issues related to corruption in 2018.

Statutory statement on gender diversity in accordance with section 99b of the Danish Financial Statements Act

Target for the Board of Directors

Among the seven members of our Board of Directors there is one female. Thereby, Aller Aqua Group reached its target to have one woman on the Board by 2018. Consequently, the Group has set a new target to have two women on the Board by 2023.

Policy for other management levels

It is Group's policy to increase the number of women in our management team, but under the primary condition always to hire the most competent candidate for the job.

Management's Review

In 2018 we have continued to ensure that both genders are offered the same opportunities to further educate themselves as well as we have continued to nudge female talent within our organization to seek out career opportunities when relevant. When using external recruiters we require receiving a shortlist with both male and female candidates, and we generally strive for more women to enter into management. However, in 2018 too few management positions were vacant to show significant change in the overall gender split in our management team. We will continue our efforts in the years to come.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Revenue	1	1.252.865	999.972	0	0
Other operating income		5.945	2.321	0	0
Expenses for raw materials and consumables		-1.015.557	-839.378	0	0
Other external expenses		-115.702	-72.816	-198	-447
Gross profit/loss		127.551	90.099	-198	-447
Staff expenses	2	-57.218	-49.338	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-13.755	-11.566	0	0
Other operating expenses		-478	-810	0	0
Profit/loss before financial income and expenses		56.100	28.385	-198	-447
Income from investments in subsidiaries		0	0	34.024	28.795
Income from investments in associates		5.995	10.685	-5.980	-3.616
Financial income	3	15.678	6.003	2.059	969
Financial expenses	4	-28.047	-19.339	-1.626	-11.344
Profit/loss before tax		49.726	25.734	28.279	14.357
Tax on profit/loss for the year	5	-6.331	-6.494	-47	-39
Net profit/loss for the year		43.395	19.240	28.232	14.318

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Acquired other similar rights		229	0	0	0
Intangible assets	6	229	0	0	0
Land and buildings		70.315	34.980	0	0
Plant and machinery		105.730	70.488	0	0
Property, plant and equipment in progress		793	66.049	0	0
Property, plant and equipment	7	176.838	171.517	0	0
Investments in subsidiaries	8	0	0	165.804	154.075
Investments in associates	9	66.483	67.950	8.371	11.756
Other investments	10	1.787	1.507	0	0
Fixed asset investments		68.270	69.457	174.175	165.831
Fixed assets		245.337	240.974	174.175	165.831
Inventories	11	134.017	130.708	0	0
Trade receivables		328.494	236.838	0	0
Receivables from group enterprises		0	1.367	170.705	160.779
Receivables from associates		900	1.828	0	0
Other receivables		16.482	11.689	3.053	0
Deferred tax asset	12	10.967	8.812	0	45
Corporation tax		3.319	342	0	0
Prepayments		2.941	440	0	0
Receivables		363.103	261.316	173.758	160.824
Cash at bank and in hand		31.147	41.312	1	0
Currents assets		528.267	433.336	173.759	160.824
Assets		773.604	674.310	347.934	326.655

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Share capital		3.000	3.000	3.000	3.000
Reserve for net revaluation under the equity method		0	0	66.746	41.602
Retained earnings		198.865	167.764	132.119	126.162
Proposed dividend for the year		0	15.000	0	15.000
Equity attributable to shareholders of the Parent Company		201.865	185.764	201.865	185.764
Minority interests		42.450	28.355	0	0
Equity		244.315	214.119	201.865	185.764
Provision for deferred tax	12	2.577	6.185	0	0
Provisions relating to investments in group enterprises		0	0	12.408	20.590
Provisions relating to investments in associates		2.480	0	2.480	0
Other provisions	14	1.620	340	0	0
Provisions		6.677	6.525	14.888	20.590
Credit institutions		45.216	55.433	0	0
Long-term debt	15	45.216	55.433	0	0

Balance Sheet 31 December *(continued)*

Liabilities and equity

	Note	Group		Parent	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Credit institutions	15	176.682	118.560	0	0
Trade payables		131.925	105.134	40	40
Payables to group enterprises		131.136	120.719	131.136	120.261
Payables to associates		0	32.364	0	0
Corporation tax		7.260	1.924	5	0
Other payables		30.393	19.532	0	0
Short-term debt		477.396	398.233	131.181	120.301
Debt		522.612	453.666	131.181	120.301
Liabilities and equity		773.604	674.310	347.934	326.655
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	18				
Related parties	19				
Fee to auditors appointed at the general meeting	20				
Subsequent events	21				
Accounting Policies	22				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	3.000	0	167.764	15.000	185.764	28.354	214.118
Exchange adjustments	0	0	2.869	0	2.869	1.049	3.918
Ordinary dividend paid	0	0	0	-15.000	-15.000	-2.141	-17.141
Other equity movements	0	0	-762	0	-762	787	25
Net profit/loss for the year	0	0	28.994	0	28.994	14.401	43.395
Equity at 31 December	3.000	0	198.865	0	201.865	42.450	244.315

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	3.000	41.602	126.162	15.000	185.764	0	185.764
Exchange adjustments	0	2.869	0	0	2.869	0	2.869
Ordinary dividend paid	0	0	0	-15.000	-15.000	0	-15.000
Net profit/loss for the year	0	22.275	5.957	0	28.232	0	28.232
Equity at 31 December	3.000	66.746	132.119	0	201.865	0	201.865

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2018 TDKK	2017 TDKK
Net profit/loss for the year		43.395	19.240
Adjustments	16	26.178	20.638
Change in working capital	17	-80.499	1.421
Cash flows from operating activities before financial income and expenses		-10.926	41.299
Financial income		15.678	6.003
Financial expenses		-28.048	-19.338
Cash flows from ordinary activities		-23.296	27.964
Corporation tax paid		-9.941	-19.529
Cash flows from operating activities		-33.237	8.435
Purchase of intangible assets		-250	0
Purchase of property, plant and equipment		-21.840	-37.245
Fixed asset investments made etc		-300	0
Sale of property, plant and equipment		1.898	0
Dividends received from associates		10.058	0
Other adjustments		2.742	-170
Cash flows from investing activities		-7.692	-37.415
Raising of loans from credit institutions		47.905	35.290
Dividend paid		-17.141	-25.000
Cash flows from financing activities		30.764	10.290
Change in cash and cash equivalents		-10.165	-18.690
Cash and cash equivalents at 1 January		41.312	60.002
Cash and cash equivalents at 31 December		31.147	41.312
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		31.147	41.312
Cash and cash equivalents at 31 December		31.147	41.312

Notes to the Financial Statements

	Group		Parent	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
1 Revenue				
Geographical segments				
Europe	812.495	766.188	0	0
Asia	184.812	37.516	0	0
Africa	255.558	196.268	0	0
	1.252.865	999.972	0	0
2 Staff expenses				
Wages and salaries	51.728	44.914	0	0
Pensions	2.409	2.714	0	0
Other social security expenses	1.805	852	0	0
Other staff expenses	1.276	858	0	0
	57.218	49.338	0	0
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	2.852	2.950	0	0
Supervisory Board	378	315	0	0
	3.230	3.265	0	0
Average number of employees	258	243	0	0
3 Financial income				
Interest received from group enterprises	0	0	2.058	966
Other financial income	15.678	6.003	1	3
	15.678	6.003	2.059	969

Notes to the Financial Statements

	Group		Parent	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
4 Financial expenses				
Interest paid to group enterprises	1.597	970	1.597	11.255
Other financial expenses	26.422	18.369	1	0
Exchange adjustments, expenses	28	0	28	89
	28.047	19.339	1.626	11.344
5 Tax on profit/loss for the year				
Current tax for the year	12.300	8.245	5	84
Deferred tax for the year	-5.965	-1.751	46	-45
Adjustment of tax concerning previous years	-4	0	-4	0
	6.331	6.494	47	39
6 Intangible assets				
Group			Acquired other similar rights TDKK	
Cost at 1 January				0
Additions for the year				250
Cost at 31 December				250
Impairment losses and amortisation at 1 January				0
Amortisation for the year				21
Impairment losses and amortisation at 31 December				21
Carrying amount at 31 December				229

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 January	44.208	130.316	66.049
Exchange adjustment	166	2.962	0
Additions for the year	38.650	48.446	793
Disposals for the year	-983	-2.553	-66.049
Cost at 31 December	<u>82.041</u>	<u>179.171</u>	<u>793</u>
Impairment losses and depreciation at 1 January	9.226	59.827	0
Exchange adjustment	-55	410	0
Depreciation for the year	2.555	15.122	0
Reversal of impairment and depreciation of sold assets	0	-1.918	0
Impairment losses and depreciation at 31 December	<u>11.726</u>	<u>73.441</u>	<u>0</u>
Carrying amount at 31 December	<u>70.315</u>	<u>105.730</u>	<u>793</u>

Notes to the Financial Statements

	Parent	
	2018	2017
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	87.416	88.355
Additions for the year	0	45
Disposals for the year	-765	-984
Cost at 31 December	<u>86.651</u>	<u>87.416</u>
Value adjustments at 1 January	46.069	107.635
Exchange adjustment	2.754	-3.172
Net profit/loss for the year	34.785	28.796
Dividend to the Parent Company	-16.863	-29.764
Other adjustments	0	-56.716
Transfers for the year	0	-710
Value adjustments at 31 December	<u>66.745</u>	<u>46.069</u>
Equity investments with negative net asset value transferred to provisions	<u>12.408</u>	<u>20.590</u>
Carrying amount at 31 December	<u>165.804</u>	<u>154.075</u>

Notes to the Financial Statements

8 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Aller Aqua A/S	Christiansfeld, Denmark	TDKK 10.000	100%
Aller Aqua China A/S	Christiansfeld, Denmark	TDKK 40.629	57%
Aller Aqua (Qingdao) Co. Ltd. (subsidiary of Aller Aqua China A/S)	Qingdao, China	TRMB 38.333	57%
Aller Aqua Polska sp. z.o.o	Golub-Dobrzyn, Poland	TPLN 4.573	91%
Aller Aqua Ukraina sp. z.o.o. (subsidiary of Aller Aqua Polska sp. z.o.o)	Okreg Lwowski, Ukraine	TUAH 39	91%
Aller Aqua AM (Armenien) (subsidiary of Aller Aqua Polska sp. z.o.o)	Ararat, Armenia	TEUR 0	61%
Aller Aqua Norway AS	Bergen, Norway	TNOK 100	100%
Seamatech AS (subsidiary of Aller Aqua Norway AS)	Bønes, Norway	TNOK 1.800	100%
Gulen Marine Farm AS (subsidiary of Aller Aqua Norway AS)	Ånneland, Norway	TNOK 200	90%
Aller Aqua Research GmbH	Büsum, Germany	TEUR 25	100%
Aller Aqua Nigeria Limited	Lagos, Nigeria	TNGA 9.019	97%
Aller Aqua Kenya Limited	Nairobi, Kenya	TKES 1.000	99,8%
Aller Aqua Ghana Limited	Akosombo, Ghana	TGHS 1.000	100%
Aller Aqua Egypt For Industrialization - S.A.E.	Giza, Egypt	TEGP 23.967	55%
Aller Aqua Mauritius Ltd.	Ebene, Mauritius	TDKK 0	100%
Aller Aqua Balkan d.o.o	Južno-Backi, Serbia	TEUR 0	100%

Notes to the Financial Statements

	Group		Parent	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
9 Investments in associates				
Cost at 1 January	17.936	18.102	16.221	54.788
Disposals for the year	0	0	0	-38.567
Transfers for the year	0	-166	0	0
Cost at 31 December	17.936	17.936	16.221	16.221
Value adjustments at 1 January	50.014	40.331	-4.465	2.220
Exchange adjustment	115	-190	115	-190
Net profit/loss for the year	5.996	10.707	-5.980	-3.616
Dividends received	-10.058	0	0	0
Other adjustments	0	-834	0	-2.879
Value adjustments at 31 December	46.067	50.014	-10.330	-4.465
Equity investments with negative net asset value transferred to provisions	2.480	0	2.480	0
Carrying amount at 31 December	66.483	67.950	8.371	11.756

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Binderup Mølle Dambrug A/S	Nibe, Denmark	TDKK 509	30%
Aller Ejendomsselskab A/S	Christiansfeld, Denmark	TDKK 3.000	50%
Aller Aqua Zambia Limited	Lusaka, Zambia	TZMW 10	40%
Emsland Aller Aqua GmbH	Golssen, Germany	TEUR 363	45%

Notes to the Financial Statements

10 Other fixed asset investments

	<u>Group</u> Other investments TDKK
Cost at 1 January	1.507
Exchange adjustment	-20
Additions for the year	<u>300</u>
Cost at 31 December	<u>1.787</u>
Carrying amount at 31 December	<u>1.787</u>

	<u>Group</u>		<u>Parent</u>	
	<u>2018</u> TDKK	<u>2017</u> TDKK	<u>2018</u> TDKK	<u>2017</u> TDKK
11 Inventories				
Raw materials and consumables	43.979	77.000	0	0
Work in progress	0	36	0	0
Finished goods and goods for resale	90.038	52.748	0	0
Prepayments for goods	0	924	0	0
	<u>134.017</u>	<u>130.708</u>	<u>0</u>	<u>0</u>

12 Deferred tax asset

Deferred tax asset at 1 January	2.627	0	45	0
Amounts recognised in the income statement for the year	5.965	1.751	-46	45
Amounts recognised in equity for the year	<u>-202</u>	<u>876</u>	<u>1</u>	<u>0</u>
Deferred tax asset at 31 December	<u>8.390</u>	<u>2.627</u>	<u>0</u>	<u>45</u>

Provision for deferred tax relates to difference between the carrying amount and the tax value of tangible fixed assets, prepayments, inventories and tax loss carried forward.

The deferred tax asset is recognised as it is expected that the company can utilise the tax loss within a few years. The prepared budgets, including the expectations for the future show, that the tax loss is expected to be utilised within a period of 3-5 years.

Notes to the Financial Statements

	Group		Parent	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
13 Distribution of profit				
Proposed dividend for the year	0	15.000	0	15.000
Reserve for net revaluation under the equity method	0	0	22.275	0
Transfer for the year to other reserves	0	0	0	-14.870
Minority interests' share of net profit/loss of subsidiaries	14.401	4.923	0	0
Retained earnings	28.994	-683	5.957	14.188
	43.395	19.240	28.232	14.318

14 Other provisions

Other provisions for liabilities comprise provisions related to expected local tax claims regarding the group's activities abroad.

Other provisions	1.620	340	0	0
	1.620	340	0	0

Notes to the Financial Statements

15 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 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Credit institutions				
Between 1 and 5 years	45.216	55.433	0	0
Long-term part	45.216	55.433	0	0
Within 1 year	15.267	17.015	0	0
Other short-term debt to credit institutions	161.415	101.545	0	0
Short-term part	176.682	118.560	0	0
	221.898	173.993	0	0

16 Cash flow statement - adjustments

	Group	
	2018 TDKK	2017 TDKK
Financial income	-15.678	-6.003
Financial expenses	28.047	19.339
Depreciation, amortisation and impairment losses, including losses and gains on sales	13.473	11.493
Income from investments in associates	-5.995	-10.685
Tax on profit/loss for the year	6.331	6.494
	26.178	20.638

Notes to the Financial Statements

	Group	
	2018	2017
	TDKK	TDKK
17 Cash flow statement - change in working capital		
Change in inventories	-3.309	-22.093
Change in receivables	-96.655	-48.507
Change in other provisions	3.760	0
Change in trade payables, etc	15.705	72.021
	-80.499	1.421

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
18 Contingent assets, liabilities and other financial obligations				

Charges and security

The following assets have been placed as security with bankers:

A floating charge of TDKK 100.000 has been provided for debts to banks with intangible rights, machinery, inventories and receivables with a book value of

173.159	180.705	0	0
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Rental and lease obligations

Lease obligations, period of non-terminability until the 1 January 2030

27.902	29.376	0	0
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The company has also entered into operational lease contracts in a limited scale. The lease contracts amounts to TDKK 559.

Notes to the Financial Statements

18	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Contingent assets, liabilities and other financial obligations (continued)				

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hans Erik Bylling Holding ApS, which is the management company of the joint taxation purposes. 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.

The parent company has issued an on-demand guarantee for a subsidiary's enterprise's loan with mEUR 2,5, equivalent to mDKK 18,6.

The parent company has issued an on-demand guarantee for a subsidiary's enterprise's loan with mUSD 3, equivalent to mDKK 19,5.

The parent company has issued an on-demand guarantee for an associated enterprise's loan with mUSD 3,5, equivalent to mDKK 22,7.

The parent company has issued a guarantee of payment for subsidiary's debt to a bank. The debt was mDKK 125 as at 31. december 2018.

The parent company has issued a guarantee of payment for subsidiary's debt to a bank of up to mDKK 18, equivalent to mDKK 17,1.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Hans Erik Bylling	CEO and ultimate owner
Hans Erik Bylling Holding ApS	Parent company
Other related parties	
Carsten Jørgensen	Member of the board of Directors
Henrik Thygesen Halken	Member of the board of Directors
Ivan Bundgård Sørensen	Member of the board of Directors
Allan Skovgaard	Member of the board of Directors
Monica Reib	Member of the board of Directors
Rolf Manfred Ebbesen	Member of the board of Directors

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.

Consolidated Financial Statements

The company is included in the consolidated report for the parent company

Name	Place of registered office
Hans Erik Bylling Holding ApS	Allervej 130, 6070 Christiansfeld

Notes to the Financial Statements

	Group		Parent	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
20 Fee to auditors appointed at the general meeting				
PwC				
Audit fee	272	0	55	0
Tax advisory services	230	0	210	0
Other services	75	0	50	0
	<u>577</u>	<u>0</u>	<u>315</u>	<u>0</u>
BDO				
Audit fee	83	300	0	30
Other services	20	295	0	101
	<u>103</u>	<u>595</u>	<u>0</u>	<u>131</u>
Other auditors				
Audit fee	114	64	0	0
Tax advisory services	27	0	0	0
Other services	30	61	0	0
	<u>171</u>	<u>125</u>	<u>0</u>	<u>0</u>
	<u>851</u>	<u>720</u>	<u>315</u>	<u>131</u>

21 Subsequent events

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

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Aller Aqua Group 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 TDKK.

Correction of material misstatements

Comparative figures in the note for remuneration to the Executive Board and the Board of Directors have been adjusted due to errors in the calculation.

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, Aller Aqua Group 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 Compa-

Notes to the Financial Statements

22 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

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

22 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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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 Hans Erik Bylling Holding ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

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 5 years.

Property, plant and equipment

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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

Buildings	20-50 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	5-15 years

Depreciation period and residual value 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 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.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable

Notes to the Financial Statements

22 Accounting Policies (continued)

amount.

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.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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

22 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 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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 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	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Notes to the Financial Statements

22 Accounting Policies (continued)

EBITDA margin

$$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$$

EBIT margin

$$\frac{\text{EBIT} \times 100}{\text{Revenue}}$$