Copenhagen Chocolate Factory ApS

Amager Landevej 123, DK-2770 Kastrup

Annual Report for 1. Januar - 31. December 2018

CVR No 32 76 18 44

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 4 /6 2019

Mette Kapsch
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 Copenhagen Chocolate Factory ApS 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 give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations 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.

Copenhagen, 4 June 2019

Executive Board

Niels Østenkær
CEO

Board of Directors

Johan Ewald Lorentzen Chairman	Henrik Gram	Jón Björnsson

Independent Auditor's Report

To the Shareholder of Copenhagen Chocolate Factory ApS

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

We have audited the Financial Statements of Copenhagen Chocolate Factory ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("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 Company 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 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 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 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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the

Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 4 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen State Authorized Public Accountant mne18651	Claus Carlsson State Authorized Public Accountant mne29461

Company Information

The Company	Copenhagen Chocolate Factory ApS Amager Landevej 123 DK-2770 Kastrup CVR No: 32 76 18 44 Financial period: 1 January - 31 December Municipality of reg. office: Tårnby
Board of Directors	Johan Ewald Lorentzen, Chairman Henrik Gram Jón Björnsson
Executive Board	Niels Østenkær
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's Review

Financial Statements of Copenhagen Chocolate Factory ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The objects for which the Company is established are to carry on business in the fields of production and distribution of food and to undertake, perform and carry on all such other things as the board of directors deems incidental to the attainment of such objects.

Development in the year

The income statement of the Company for 2018 shows a loss of DKK 14,509,036, and at 31 December 2018 the balance sheet of the Company shows negative equity of DKK 6,080,360.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018	2017
		DKK	DKK
Gross profit/loss		**8,532,949**	**10,745,122**
Staff expenses	2	(18,906,047)	(16,447,554)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		(5,328,891)	(4,033,316)
Profit/loss before financial income and expenses		**(15,701,989)**	**(9,735,748)**
Financial income		3,126	2,127
Financial expenses	3	(371,754)	(328,226)
Profit/loss before tax		**(16,070,617)**	**(10,061,847)**
Tax on profit/loss for the year	4	1,561,581	4,702,801
Net profit/loss for the year		**(14,509,036)**	**(5,359,046)**

Distribution of profit

Proposed distribution of profit

Retained earnings	(14,509,036)	(5,359,046)
	(14,509,036)	**(5,359,046)**

Balance Sheet 31 December

Assets

	Note	2018	2017
		DKK	DKK
Completed development projects		72,515	236,092
Software		442,950	377,938
Goodwill		0	3,493,707
Intangible assets		**515,465**	**4,107,737**
Other fixtures and fittings, tools and equipment		1,930,931	2,373,033
Leasehold improvements		364,599	450,725
Property, plant and equipment		**2,295,530**	**2,823,758**
Deposits		301,783	287,070
Fixed asset investments		**301,783**	**287,070**
Fixed assets		**3,112,778**	**7,218,565**
Raw materials and consumables		581,566	759,231
Work in progress		750,001	466,875
Finished goods and goods for resale		3,591,142	4,821,496
Inventories		**4,922,709**	**6,047,602**
Trade receivables		3,434,294	7,732,735
Receivables from group enterprises		0	3,787,189
Other receivables		1,074,278	0
Prepayments		352,809	379,513
Receivables		**4,861,381**	**11,899,437**
Currents assets		**9,784,090**	**17,947,039**
Assets		**12,896,868**	**25,165,604**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		DKK	DKK
Share capital		126,000	125,000
Share premium account		2,999,000	0
Retained earnings		(9,205,360)	(2,641,933)
Equity	5	**(6,080,360)**	**(2,516,933)**
Credit institutions		4,289,455	9,306,487
Trade payables		6,552,688	6,823,557
Payables to group enterprises		6,014,467	7,945,611
Other payables		2,120,618	3,606,882
Short-term debt		**18,977,228**	**27,682,537**
Debt		**18,977,228**	**27,682,537**
Liabilities and equity		**12,896,868**	**25,165,604**
Going concern	1		
Contingent assets, liabilities and other financial obligations	6		
Related parties	7		
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Notes to the Financial Statements

1 Going concern

The Company has received a letter of support from the parent company Solstra Investments A/S. The letter is effective until 1 January 2020

	2018	2017
	DKK	DKK

2 Staff expenses

	2018 DKK	2017 DKK
Wages and salaries	16,983,653	14,772,608
Pensions	1,029,286	875,101
Other social security expenses	244,220	248,121
Other staff expenses	648,888	551,724
	18,906,047	**16,447,554**
Average number of employees	**38**	**37**

3 Financial expenses

	2018 DKK	2017 DKK
Interest paid to group enterprises	22,949	14,030
Other financial expenses	332,209	310,297
Exchange adjustments	16,596	3,899
	371,754	**328,226**

4 Tax on profit/loss for the year

	2018 DKK	2017 DKK
Current tax for the year	(1,591,697)	(2,781,421)
Adjustment of tax concerning previous years	30,116	(1,921,380)
	(1,561,581)	**(4,702,801)**

Notes to the Financial Statements

5 Equity

	Share capital	Share premium account	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	125,000	0	(2,641,933)	(2,516,933)
Cash capital increase	1,000	2,999,000	0	3,000,000
Conversion of debt to Parent Company	0	0	7,945,609	7,945,609
Net profit/loss for the year	0	0	(14,509,036)	(14,509,036)
Equity at 31 December	**126,000**	**2,999,000**	**(9,205,360)**	**(6,080,360)**

The share capital consists of 126,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	125,000	125,000	125,000	125,000	125,000
Capital increase	1,000	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**126,000**	**125,000**	**125,000**	**125,000**	**125,000**

Notes to the Financial Statements

		2018	2017
		DKK	DKK
6	**Contingent assets, liabilities and other financial obligations**		
	Rental and lease obligations		
	Lease obligations under operating leases. Total future lease payments:		
	Within 1 year	2,967,880	2,910,566
	Between 1 and 5 years	730,237	1,197,981
		3,698,117	**4,108,547**
	Including rental agreements within 1 year related to group enterprises	2,166,200	2,166,200

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax of the Group's jointly taxed income etc for 2018. The total amount is stated in the Annual Report of Solstra Investments A/S, which is the administration company in relation to joint taxation.

7 Related parties

Related parties are considered to be the Board of Directors, Key Management and Copenhagen Chocolate Factory A/S' parent company Solstra Investments A/S.

	Basis
Controlling interest	
ALFI Mark Trust, Liechtenstein	Ultimate parent company
Markerina Investments Ltd., Cyprus	Intermediate parent company
Solstra Holdings Cyprus Ltd., Cyprus	Intermediate parent company
Solstra Investments A/S, Copenhagen	Intermediate parent company

Solstra Investments A/S is holding 100% of the votes in the Company.

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of Solstra Investments A/S

Name	Place of registered office
Solstra Investments A/S	Copenhagen

Notes to the Financial Statements

7 **Related parties** (continued)

The Consolidated Financial Statements of Solstra Investments A/S may be obtained at the following address:

Solstra Investments A/S
Lautrupgade 7, 3. tv.
DK-2100 København Ø
The Company is included in the Consolidated Financial Statements of the ultimate parent company ALFI Mark Trust. As a result of the legislation in Liechtenstein the Consolidated Financial Statements are not published.

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Copenhagen Chocolate Factory ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

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.

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 Company.

Notes to the Financial Statements

8 Accounting Policies (continued)

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 expenses for premises, sales and distribution, marketing, administration, bad debts as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, change in inventories of finished goods, work in progress and goods for resale and other external expenses.

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.

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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

8 Accounting Policies (continued)

Balance Sheet

Intangible assets

Goodwill is amortized over the estimated useful life of 10 years, and is determined based on management's experience in the business area, the company's strong market position and longterm earnings profile

Development projects that are clearly defined and identifiable and for which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intabgible assets.
Development projects is amortised on a straightline basis over its useful life, which is assessed as 10 years

Software licences are measured at the lower of cost less accumulated and amortisation and recoverable amount. Licences are amortised over the licence period; however not exceeding 5 years.

Projects that do not meet criteria for recognition in the balance sheet are recognized as expenses in the income statement as incurred.

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.

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:

Other fixtures and fittings, tools and equipment	3 - 15 years
Leasehold improvements	3 - 5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Notes to the Financial Statements

8 Accounting Policies (continued)

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments consist of rent deposits and are measured at amortised cost.

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.

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 insurance premiums. Prepayments are measured at cost.

Current tax receivables and liabilities

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

Notes to the Financial Statements

8 Accounting Policies (continued)

Financial debts

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