

## **Anpartsselskabet af 9. September 2010**

Avderødvej 27 C  
2980 Kokkedal  
Central Business Registration  
No 33151705

## **Annual report 01.10.2018 - 31.12.2018**

The Annual General Meeting adopted the annual report on 12.03.2019

### **Chairman of the General Meeting**

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Name: Esben Bay Jørgensen

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## Entity details

### Entity

Anpartsselskabet af 9. September 2010  
Avderødvej 27 C  
2980 Kokkedal

Central Business Registration No (CVR): 33151705  
Registered in: Fredensborg  
Financial year: 01.10.2018 - 31.12.2018

### Executive Board

Esben Bay Jørgensen  
Jacob Østergaard Bergenholtz  
Jesper Wadum Nielsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus C

## Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Anpartsselskabet af 9. September 2010 for the financial year 01.10.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.10.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kokkedal, 12.03.2019

### Executive Board

Esben Bay Jørgensen

Jacob Østergaard Bergenholtz

Jesper Wadum Nielsen

## Independent auditor's report

### To the shareholders of Anpartsselskabet af 9. September 2010

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Anpartsselskabet af 9. September 2010 for the financial year 01.10.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement .

The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

#### 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

#### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

## Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 12.03.2019

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Jacob Nørmark  
State Authorised Public Accountant  
Identification No (MNE) mne30176

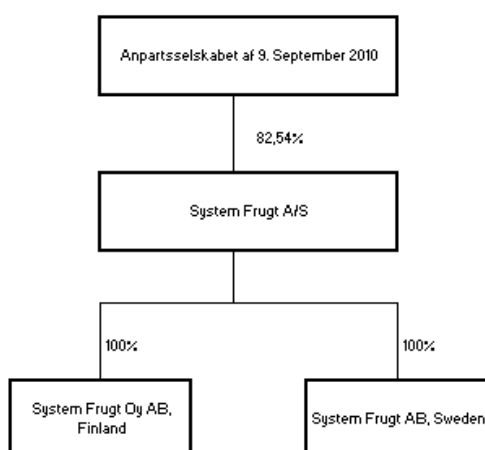
## Management commentary

	2018 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	177.069	502.293	511.249	638.840	650.916
Gross profit/loss	22.919	58.601	73.514	83.051	115.499
Operating profit/loss	3.595	(23.762)	(26.087)	(17.332)	15.423
Net financials	(6.055)	(15.301)	(10.992)	(9.963)	(9.059)
Profit/loss for the year	(2.460)	(50.462)	(36.628)	(23.920)	3.530
Total assets	249.028	282.421	288.384	324.921	391.579
Investments in property, plant and equipment	1.534	15.746	5.614	16.446	19.918
Equity incl minority interests	(17.960)	(14.782)	30.162	65.312	87.375
Average numbers of employees	145	145	204	232	247
<b>Ratios</b>					
Gross margin (%)	12,9	11,7	14,4	13,0	17,7
Net margin (%)	(1,4)	(10,0)	(7,2)	(3,7)	0,5
Return on equity (%)	-	(656,2)	(76,7)	(31,3)	4,3
Equity ratio (%)	(7,2)	(5,2)	10,5	20,1	22,3
Revenue per employee	1.221,2	3.464,1	2.506,1	2.753,6	2.635,3

During the financial year 2016/17, the Group has sold Crispo Denmark ApS, which has led to the termination of activity. Crispo Denmark ApS is therefore included in the consolidated and parent financial statements of 2016/17 as a discontinued activity. No comparison has been made with comparative figures, so the figures for the last year are not directly comparable with previous year.

Key figures for 2018 are not directly comparable with previous years, as these include the period 01.10.2018 to 31.12.2018.

### Group structure





## Management commentary

Financial highlights are defined and calculated in accordance with current "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

## Management commentary

### Primary activities

Anpartsselskabet af 9. September 2010 is the parent of a number of companies in the System Frugt Group, and its primary activity is to be a holding company and to provide the financing of the Group.

The Group's primary activities comprise:

- Develop, source, pack and supply the Nordic and Dutch market with naturally healthy consumer products based on dried fruits, nuts, seeds, pulses, natural snacks and fresh specialties.
- Our products are marketed under the brand "Earth Control" and our customers own labels.

At 31 December 2018, the Group consists of the following companies:

- Anpartsselskabet af 9. September 2010, Denmark
- System Frugt A/S, Denmark
- System Frugt AB, Sweden
- System Frugt Oy AB, Finland

### Development in activities and finances

Focus on developing the Earth Control brand has continued in the past year. The brand gets a stronger and stronger foothold in the retail markets in the Nordic countries. This focus on creating the first choice among consumers in natural dried products is the main driver behind the Earth Control brand. Fresh Fruit has stabilised, however at a significantly lower level – but also here focus is on developing the core products and growing on a profitable base.

In the previous financial year, it was decided to discontinue part of the operations of System Frugt. The impact thereof is seen in the costs for the current reporting period.

The financial period covers the high season and therefore constitutes a relatively high share of an annual business. Total revenue for the period ended at DKK 177,069k (2017/18: DKK 502,293k).

Operating profit for the period is realised at DKK 3,595k (2017/18: DKK -23,762k). This reflects the significant changes made during the past year and also the fact that the current reporting period is the high season.

Loss after tax for the period amounts to DKK -2,460k (2017/18 DKK -39,063k).

### Change of financial year

System Frugt has decided to change the financial year to follow the calendar year. This implies that the presented financial statements cover the three-month period from 1 October to 31 December. In accordance with the Danish Financial Statements Act, comparative figures are not restated and therefore represent 12-month periods.

## Management commentary

### Investments

In the financial year, investments amounted to DKK 1,534k (2017/18: DKK 15,746k). The main investment was in IT infrastructure, production equipment and software.

### Financial resources

The equity ratio is -7,2% (2017/18: -5,2%), equivalent to equity at 31 December 2018 of DKK -17,960k (2017/18: DKK -14,782k).

### Outlook

Revenue is expected to stabilize on a slightly lower level, mainly due to Fresh Fruit. Gross margins are expected to improve compared to last year leading to better profitability. Fixed costs are expected to stabilize. As a whole, financial performance is expected to significantly improve compared to current year reflecting the new structure and focus of the business leaving a positive EBITA at the level of DKK 5 millions.

### Particular risks

#### Price risks:

The Group's most significant operating risk relates to the development in raw material prices and the possibility of passing on increases to sales prices. The Company has well-developed policies and procedures to reduce these price risks.

#### Exchange rate risks:

A considerable part of the Company's purchase is made in USD, which results in a risk of exchange rate fluctuations and a derived impact on financial performance, equity and cash flows. It is the Company's policy to hedge these commercial foreign exchange risks mainly by using forward exchange contracts or options.

### Capital structure

Anpartsselskabet 9. September 2010's share capital is divided into share classes.

Management assesses on a regular basis whether the Company and the Group have an adequate capital structure, and Management assesses on a continuing basis whether the Company's capital structure is consistent with the Company's and its stakeholders' interests. The general objective is to ensure a capital structure that supports long-term and profitable growth.

At 31. December 2018, the Group's net interest-bearing debt amounts to DKK 150,215k (at 30 September 2018: DKK 140,448k), which is considered a reasonable level compared to the actual need for financial flexibility. Hereof DKK 129,408k is in the form of a subordinated shareholder loan.

It is Management's assessment that the present capital structure provides the necessary flexibility to meet the Company's future strategy.

### Intellectual capital resources

System Frugt is BRC-certified and has implemented a well-functioning quality control system, which is developed on a regular basis. Moreover, the Company has built considerable knowledge about the individual products and their sourcing.

## Management commentary

### Staff

System Frugt A/S constantly invests in development and marketing of new products and to optimize methods and processes. This also requires a constant development of employees in order so assure the right level of competences in the organization.

### Corporate governance

The Board of Directors and the Executive Board of System Frugt A/S continuously aim at ensuring that the Group's management structure and control systems are appropriate and well-functioning.

The foundation for organizing Management's tasks includes the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association, policies approved by the Board of Directors as well as good practice for enterprises of the same size as System Frugt A/S.

As a company owned by a private equity fund, the group must also follow the DVCA recommendations and guidelines for responsible ownership and corporate governance. It is Management's assessment that the recommendations are followed.

Please refer to [www.dvca.dk](http://www.dvca.dk) for further information on the guidelines. The Board of Directors ensures that the Executive Board observes the objectives, strategies and business processes laid down by the Board of Directors.

System Frugt A/S has established a formal group reporting process comprising a monthly reporting process, which includes budget follow-up, performance assessment and achievement of adopted goals etc. The reporting is assessed at directors' and chairman's meetings.

The Board of Directors of the System Frugt Group convenes at least five times a year based on a fixed meeting schedule. Furthermore, the Chairman and the CEO have meetings at least once every month. Extraordinary meetings will be convened if necessary.

The Board of Directors has decided not to appoint a separate audit committee.

### Ownership information

Anpartsselskabet af 9. September 2010 is the parent of System Frugt A/S with underlying subsidiaries. Anpartsselskabet af 9. September 2010 is fully owned by BWB Partners.

### Employees

In the financial year 2018, the Group has had an average of 145 employees (2017/18: 145). 131 of this average are employed with the Danish companies (2017/18: 131) and 14 with the foreign companies (2017/18: 14).

## Management commentary

### Board of Directors

The Board at System Frugt A/S consist of four members:

Name	Michael Zøhner-Pedersen	Esben Bay Jørgensen	Jacob Ø.Bergholtz	Jørgen Danielson
Position on the board	Chairman	Member	Member	Member
Entry date	28.02.2019	09.09.2010	08.03.2016	30.09.2010
Ownership of System Frugt A/S				15,30%
Current position	Director	Partner, BWB Partners P/S	Managing Partner, BWB Partners P/S	Director
Managing director	CAPITALIX A/S, CAPITALIS INVESTMENT CO. ApS, MR Zohner Investment & Co. A/S, JR Zohner Capital & Co. A/S, Red River Mountain ApS, Red Mountain Holding ApS, Reppien & Zøhner A/S, Equestrian ApS	Anpartsselskabet af 31. oktober 2007, Anpartsselskabet af 14. oktober 2013, Anpartsselskabet af 28. marts 2007, Anpartsselskabet af 4. juli 2008, Anpartsselskabet af 1. december 2011, Anpartsselskabet af 9. september 2010, Anpartsselskabet af 28. juni 2012, Anpartsselskabet af 7. juni 2007, EBJ ApS, Bay & co. invest ApS, BWB Partners GP	Anpartsselskabet af 31. oktober 2007, BWB Partners GP ApS, BWB Partners P/S, CIPP Technology Solutions A/S, Anpartsselskabet af 16. november 2015, Anpartsselskabet af 14. oktober 2013, Anpartsselskabet af 1. december 2011, Anpartsselskabet af 9. september 2010, Anpartsselskabet af 28. juni 2012, JB1 ApS, Anpartsselskabet	Kolding Retail Holding ApS, Emsen A/S, System Frugt Estate A/S, System Estate A/S, Jørgen Danielsen ApS, Casablanca Aarhus ApS, Aarhus City Hostel A/S

## Management commentary

		ApS, BWBP CIV GP ApS, Anpartsselskabet af 16. november 2015, Holdingselskabet af 27. marts 2017 ApS.	af 28. marts 2007, Anpartsselskabet af 4. juli 2008, Anpartsselskabet af 7. juni 2007, BWBP CIV GP ApS.	
Chairman	System Frugt A/S, Plass Data Software A/S, Bf-Oks A/S, Billig Ventilation ApS, Tytex A/S, Vernal A/S, Nyscan Holding A/S, Ejendoms-selskabet Baldyr ApS, Kjærgaard Paprør A/S	Jagger Junk Holding ApS, Jagger Junk ApS, Moep A/S, Jack-Up Holding A/S, Holdingselskabet af 27. marts 2017 ApS.	28. juni 2012 II A/S, SH Group A/S, 14. Oktober 2013 A/S, Odin Equity Partners Management II K/S.	Ejendoms-selskabet Finsensvej 19 A/S, Kolding Retail A/S, Triofrugt Holding A/S, Triofrugt ApS
Vice Chairman			Hydratech Industries Holding A/S, CIPP Technology Holding ApS	
Board member	CAPITALIX A/S, MR Zohner Investment & Co. A/S, JR Zohner Capital & Co. A/S, Gertz Holding ApS, Reppien & Zohner A/S	ZITON A/S, 28. juni 2012 II A/S, ODIN Equity Partners Management II K/S, Hydratech Industries A/S, HTHH ApS, Qubiqa A/S, Qubiqa Holding A/S, SH Group	STEMA Holding A/S, System Frugt A/S, BWBP Fonden, BWP Partners P/S, CIP Technology Solutions A/S, Jack-Up Holding A/S, Moep A/S.	Omega 3 erhverv A/S, Emsen A/S, System Frugt Estate A/S, Peter Sabroe Gade Holding ApS, Ejendoms-selskabet 24.10.2013 ApS, System Estate A/S, K/S Sorø, System

## Management commentary

		A/S, BWB Partners P/S, System Frugt A/S, Hydratech Industries A/S		Frugt A/S, Eventyr Invest A/S, Saltholmsgade ApS, Saltholmsgade Holding A/S, Aarhus City Hostel A/S, Lange-linieparken Holding A/S, Lange-linieparken Århus AS
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### Environmental performance

The Company does not run any business resulting in dangerous or special impacts on the external environment. It is environmentally conscious and seeks to reduce the environmental impacts from operations.

### Research and development activities

System Frugt constantly focuses on improving the quality of the product portfolio and efficiency of marketing and production facilities.

### Statutory report on corporate social responsibility

In our daily operations, we focus on acting responsibly towards our surrounding society and the environment. This section contains our disclosure on Corporate Social Responsibility according to §99a and §99b of the Danish Financial Statements Act during the financial year 2018.

### Business model and strategy

System Frugt A/S is the parent company in the System Frugt Group. The primary activities comprise:

- Develop, source, pack and supply the Nordic and Dutch market with naturally healthy consumer products based on dried fruits, nuts, seeds, pulses, natural snacks and fresh specialties.
- Our products are marketed under the brand "Earth Control" and our customers own labels.
- System Frugt sources natural foods from all over the World.

Our wide range of natural products is sourced from all over the world in areas where the climate ensure products of the highest quality. Our products are grown by a variety of farms, from small family farms to bigger and more commercial operations. We work directly with farmers, local companies and local trusted traders of produce to ensure that we bring high quality products to our customers and consumers.

Global sourcing is an unavoidable term when it comes to nuts and dried fruits, as very few natural products in this category can be grown locally in Denmark. This results in a complex supply chain for us to handle, but

## Management commentary

we put a lot of effort into continuously improving how we work in order to become an even more responsible supplier day by day.

We are a member of the **UN Global Compact** that sets a structured, high standard for worldwide CSR. To promote the UN Global Compact, we have joined the **BSCI Code of Conduct** – a practical set of principles and values referring to the UN Global Compact conventions to improve working conditions in the supply chain. By joining BSCI, we have committed ourselves to promote the **11 principles of the Code of Conduct** in our supply chain.

1. The Rights of Freedom of Association and Collective Bargaining.
2. No Discrimination
3. Fair Remuneration
4. Decent Working Hours
5. Occupational Health and Safety
6. No Child Labor
7. Special Protection for Young Workers
8. No Precarious Employment
9. No Bonded Labor
10. Protection of the Environment
11. Ethical Business

### **People – human rights, employee and social matters**

We employ people directly and indirectly in every link of our supply chain all over the world. Naturally, there can be a risk to ensure that employees have the same working conditions all over the world and that human rights are respected, but we encourage and guide our suppliers to look after their employees in accordance with the Global Compact and BSCI principles.

### **Internally at System Frugt**

At System Frugt in Denmark, we are proud of our highly dedicated employees, who come from a large variety of different backgrounds. We constantly work to improve the work environment in all of our departments. Among other things, we receive staff feedback *every day* to ensure a positive environment with focus on safety and well-being. The evaluation uses a colored ballistic system to ensure that there is feedback given for the respective employees. In addition, System Frugt has held development talks with 75% of the employees during the last year. We also have a dedicated internal "Safety Team" working proactively to prevent work accidents. In addition, we have a long-term partnership with the social enterprise [Borup Pakkeri](#) for



## Management commentary

special packaging tasks, and we take responsibility in integrating refugees into Danish society by offering internships and education.

System Frugt is not aware of any breaches of human rights in System Frugt in 2018. We believe that our continuous focus on working conditions have contributed to a sustained high level in this field.

### Supply chain and external relations

By sourcing our products locally at small farms, we bring an economic incentive to the local farming enterprises in many developing countries. A local farmer growing their business allows for economic and technical development, while improving living and working conditions for employees and suppliers as well.

We constantly guide and encourage our suppliers to improve themselves in order to become more responsible. For instance, we always ask suppliers to sign the BSCI Code of Conduct when we enter into a partnership with them. We dedicate resources in our Quality and Sourcing departments to visit our suppliers on a scheduled regular basis in order to monitor and test the quality of our products.

During 2018 System Frugt has guided additional suppliers to join the BSCI principles, which is in line with our policy on responsible sourcing. We have hereby contributed to a high level of protection of human and labor rights and conditions in our supply chain, of which we are proud. People play a central role in System Frugt and in the future the work with BSCI at suppliers will continue.

### Environment and climate

Nature is our most important supplier, and we should leave it in a better state than we found it. We recognize that there may be a risk of impacting the environment and climate in a negative way through our ecological footprint. We are continuously taking steps to reduce our footprint. Among other things, we work with environmentally friendly initiatives such as changing to energy-saving lighting and compressors, only using RSPO-certified palm oil, reducing transport of products as well as reducing packaging material.

We also encourage consumers to ENJOY NATURALLY by promoting a greener lifestyle with natural foods such as nuts, dried fruits and greens as their main source of nutrition. Green and vegetable-based food is more environmentally friendly as it creates far less CO2 emissions than many other traditional food sources.

One of our initiatives within this area is a business sponsorship agreement with the World Wildlife Fund, WWF. The reason for this initiative is that our products are primarily sourced from raw materials found in nature across the world – raw materials that need nature's scarce resources to be maintained. Hereby, we too want to contribute to WWF's nature conservation programs to help ensure long-term sustainability. During 2018 we sponsored to WWF from our Earth Control® product campaigns, which were launched during the summer in Finland and Denmark. Furthermore, we have adopted focus areas from WWF into our own audit checklist to bring this focus to our suppliers.

From 1 January 2015, we ceased using palm oil direct in our products, converting to the use of the less environmentally harmful sunflower oil. Other products continuing to rely on palm oil have switched to 100% RSPO-certified palm oil.

## Management commentary

During 2018 we have continued the focus on environment and climate protection and has decided to shift to green electricity from 2019. In this connection, we have reduced our electricity consumption by 25% since 2017 and we have also replaced all product containers with FSC.

### **Ethical Business and anti-corruption**

Sourcing globally entails dealing with ethical business issues. It is challenging to ensure that all our conditions relating to labor rights, human rights, environment and anti-corruption are met by our suppliers, but we are definitely on the right track thanks to our work with the BSCI Code of Conduct. When operating a global business, there can be a risk that employees or business partners become exposed to or involved in corruption. To mitigate this risk System Frugt operates a zero-tolerance policy for fraud and adulteration.

Internally, System Frugt has strict rules on the maximum value of gifts an employee can receive and give. The levels for gifts are specified in the employee handbook.

Externally, we perform risk assessments of suppliers and external relations. The assessment includes all raw material groups and includes assessment of the following areas: Simplicity/complexity of adulteration/substitution, detection, historical evidence, origin of raw material and corruption risk, control systems for detection of fraud, internal control of raw material and internal personnel ideologically motivated fraud.

We are not aware of any breaches regarding corruption in System Frugt in 2018. If you want to know more about our sustainability efforts, please refer to:

[https://systemfrugt.dk/media/1523/communication\\_on\\_progress\\_cop\\_2018.pdf](https://systemfrugt.dk/media/1523/communication_on_progress_cop_2018.pdf)

<https://systemfrugt.dk/media/1492/we-care-share.pdf>

### **Statutory report on the underrepresented gender**

In accordance with §99b, Anpartsselskabet af 9. September 2010 has drawn up a policy for gender diversity in the management bodies of the Company with the aim to ensure more female representatives on both the Board of Directors and at other management levels of the organization.

None of the three seats on the Executive Board is currently held by a woman. It is the Company's objective to have at least 1 female member within five years. In 2018 there has not been any changes in the gender composition of the top management, so the initiated activities for diversity in the top management have not yet been successful. The objective to have at least 1 female member has not been achieved during the financial year, due to the fact that there has not been a replacement in the Executive Board. The process of recruiting female members has already been initiated through internal as well as external recruitment, where relevant candidates of each gender should be considered for management positions.

Likewise in accordance with section 99b in the Danish Financial Statements Act, System Frugt A/S has drawn up a policy for gender diversity in the management bodies of the Company with the aim to ensure more female representatives on both the Board of Directors and at other management levels of the organization.

## Management commentary

The ambition of the Company is to have one of the seats on the Board of Directors held by women. This is reduced from a target of two in the past, due to a reduction of the members of the Board from 5 to 4. The target share of female members is thus increased from 20% in past to 25% going forward and should be achieved within the coming five years. Currently there is no female members of the Board compared to one last year. This should be seen in the light that the number of Board members have been reduced. Last year the ratio was one of five (20%) women compared no zero of 4 this year. Recruiting of Board members is based on skills before gender, but the aim is still to have female members in the future. There has been no changes in the board since the Annual Report 2017/18.

The top management of the Company consists of five members, all male. The Extended Management Group consist of 28 members including the top management. Currently, there are 12 female members of the Extended Management Group. The Company has implemented a policy for ensuring more women in management positions at System Frugt A/S, however progress is dependent on changes and replacements taking place in top management. In 2018 there has not been any changes in the gender composition of the top management, so the initiated activities for diversity in the top management have not yet been successful. The process of recruiting female members in top management positions has already been initiated through internal as well as external recruitment, where relevant candidates of each gender should be considered for management positions.

### Events after the balance sheet date

After the balance sheet date, there has been a change in the Board of Directors, as the Chairman is changed.

## Consolidated income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Revenue	1	177.069	502.293
Production costs	3	(154.150)	(443.692)
<b>Gross profit/loss</b>		<b>22.919</b>	<b>58.601</b>
Distribution costs	3	(14.107)	(60.686)
Administrative expenses	2, 3	(5.217)	(21.848)
Other operating income		0	171
<b>Operating profit/loss</b>		<b>3.595</b>	<b>(23.762)</b>
Other financial income		12	356
Other financial expenses		(6.067)	(15.657)
<b>Profit/loss before tax</b>		<b>(2.460)</b>	<b>(39.063)</b>
Tax on profit/loss for the year	4	0	183
<b>Profit/loss from continuing operations</b>		<b>(2.460)</b>	<b>(38.880)</b>
<b>Profit/loss from discontinued operations</b>	5	<b>0</b>	<b>(11.582)</b>
<b>Profit/loss for the year</b>	6	<b>(2.460)</b>	<b>(50.462)</b>

## Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Acquired intangible assets		1.573	1.669
Goodwill		115.814	118.364
<b>Intangible assets</b>	7	<b>117.387</b>	<b>120.033</b>
Plant and machinery		22.250	22.738
Other fixtures and fittings, tools and equipment		5.992	6.222
Leasehold improvements		2.206	2.380
<b>Property, plant and equipment</b>	8	<b>30.448</b>	<b>31.340</b>
<b>Fixed assets</b>		<b>147.835</b>	<b>151.373</b>
Manufactured goods and goods for resale		56.331	91.143
<b>Inventories</b>		<b>56.331</b>	<b>91.143</b>
Trade receivables		3.554	14.251
Deferred tax	9	7.868	7.667
Other receivables		28.147	13.510
Prepayments	10	907	746
<b>Receivables</b>		<b>40.476</b>	<b>36.174</b>
<b>Cash</b>		<b>4.386</b>	<b>1.620</b>
<b>Current assets</b>		<b>101.193</b>	<b>128.937</b>
<b>Assets regarding discontinued operations</b>	5	<b>0</b>	<b>2.111</b>
<b>Assets</b>		<b>249.028</b>	<b>282.421</b>

## Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Contributed capital		665	665
Retained earnings		(18.625)	(15.447)
<b>Equity</b>		<b>(17.960)</b>	<b>(14.782)</b>
Subordinate loan capital		129.408	97.132
Finance lease liabilities		4.339	4.225
<b>Non-current liabilities other than provisions</b>	<b>11</b>	<b>133.747</b>	<b>101.357</b>
Current portion of long-term liabilities other than provisions	11	1.125	1.273
Bank loans		25.193	44.936
Trade payables		76.675	116.375
Other payables		30.248	29.915
<b>Current liabilities other than provisions</b>		<b>133.241</b>	<b>192.499</b>
<b>Liabilities other than provisions</b>		<b>266.988</b>	<b>293.856</b>
<b>Liabilities regarding discontinued operations</b>	<b>5</b>	<b>0</b>	<b>3.347</b>
<b>Equity and liabilities</b>		<b>249.028</b>	<b>282.421</b>
Financial instruments	12		
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

## Consolidated statement of changes in equity for 2018

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	665	(15.447)	(14.782)
Exchange rate adjustments	0	(9)	(9)
Value adjustments	0	(909)	(909)
Tax of entries on equity	0	200	200
Profit/loss for the year	0	(2.460)	(2.460)
<b>Equity end of year</b>	<b>665</b>	<b>(18.625)</b>	<b>(17.960)</b>

## Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Operating profit/loss		3.595	(23.762)
Amortisation, depreciation and impairment losses		5.072	19.895
Profit from discontinued operations		0	11.582
Increase/decrease in inventories		34.814	(3.754)
Increase/decrease in receivables		(3.698)	8.780
Increase/decrease in trade payables etc.		(39.369)	39.030
<b>Cash flow from ordinary operating activities</b>		<b>414</b>	<b>51.771</b>
Financial income received		12	356
Financial expenses paid		(6.067)	(15.657)
<b>Cash flows from operating activities</b>		<b>(5.641)</b>	<b>36.470</b>
Acquisition etc of intangible assets		0	(664)
Acquisition etc of property, plant and equipment		(1.534)	(15.364)
Sale of property, plant and equipment		0	383
<b>Cash flows from investing activities</b>		<b>(1.534)</b>	<b>(15.645)</b>
Loans raised		29.718	1.594
Incurrence of lease obligations		265	5.168
Reduction of lease commitments		(299)	(274)
Repayments of loans etc		0	(30.000)
<b>Cash flows from financing activities</b>		<b>29.684</b>	<b>(23.512)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>22.509</b>	<b>(2.687)</b>
Cash and cash equivalents beginning of year		(43.316)	(40.629)
<b>Cash and cash equivalents end of year</b>		<b>(20.807)</b>	<b>(43.316)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		4.386	1.620
Short-term debt to banks		(25.193)	(44.936)
<b>Cash and cash equivalents end of year</b>		<b>(20.807)</b>	<b>(43.316)</b>



## Notes to consolidated financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>1. Revenue</b>		
Denmark	90.907	285.792
Other Countries	86.162	216.501
	<b>177.069</b>	<b>502.293</b>

The Group's segments comprise business areas and geographical markets.

The Group's primary activities comprise purchase, packing and sale of fresh and dried fruits and vegetables. Referring to §96 of the Danish Financial Statements Act, Management does not want to further disclose revenue per activity as this will be of considerable damage to the competitive situation.

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>2. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	175	260
Other assurance engagements	0	18
Tax services	0	15
Other services	150	276
	<b>325</b>	<b>569</b>

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	15.139	69.524
Pension costs	2.817	10.395
Other social security costs	382	1.374
Other staff costs	567	1.585
	<b>18.905</b>	<b>82.878</b>
Average number of employees	<b>145</b>	<b>145</b>

Referring to §98b of the Danish Financial Statement Act, disclosures on management's remuneration have been omitted.

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>4. Tax on profit/loss for the year</b>		
Adjustment concerning previous years	0	(183)
	<b>0</b>	<b>(183)</b>

## Notes to consolidated financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>5. Discontinued operations</b>		
<b>Income statement</b>		
Revenue	0	3.429
Production costs	0	(6.346)
Distribution costs	0	(5.279)
Administrative expenses	0	(3.386)
<b>Profit/loss for the period</b>	<b>0</b>	<b>(11.582)</b>
<b>Assets</b>		
Current assets	0	2.111
<b>Assets related to discontinued operations</b>	<b>0</b>	<b>2.111</b>
	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>6. Proposed distribution of profit/loss</b>		
Retained earnings	(2.460)	(45.228)
Minority interests' share of profit/loss	0	(5.234)
	<b>(2.460)</b>	<b>(50.462)</b>
	<b>Acquired</b> <b>intangible</b> <b>assets</b> <b>DKK'000</b>	<b>Goodwill</b> <b>DKK'000</b>
<b>7. Intangible assets</b>		
Cost beginning of year	2.774	210.411
<b>Cost end of year</b>	<b>2.774</b>	<b>210.411</b>
Amortisation and impairment losses beginning of year	(1.105)	(92.047)
Amortisation for the year	(96)	(2.550)
<b>Amortisation and impairment losses end of year</b>	<b>(1.201)</b>	<b>(94.597)</b>
<b>Carrying amount end of year</b>	<b>1.573</b>	<b>115.814</b>

Goodwill is amortised on a straight-line basis over its estimated useful time, which is determined based on Management's experience within each business area.

When determining the amortisation period, Management has chosen to base the amortisation on useful lives, which are determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile.

It is Management's assessment that the carrying amount of goodwill embodies useful lives which are assessed to be long-term since the goodwill relates to affiliated markets where the Company has a strong market profile and continuously invests to meet the potential. Consequently, Management assesses the earnings profile to be long-term.

## Notes to consolidated financial statements

Based on the above, Management has assessed that it will be a fairer presentation if the amortisation period of goodwill is 20 years. Moreover, Management will reassess the useful lives so that they reflect the continuous market and earnings profile.

Goodwill is written down to the lower of recoverable amount and carrying amount.

	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>	<b>Leasehold improve- ments DKK'000</b>
<b>8. Property, plant and equipment</b>			
Cost beginning of year	59.293	20.601	9.461
Additions	812	655	67
<b>Cost end of year</b>	<b>60.105</b>	<b>21.256</b>	<b>9.528</b>
Depreciation and impairment losses beginning of year	(36.555)	(14.379)	(7.081)
Depreciation for the year	(1.300)	(885)	(241)
<b>Depreciation and impairment losses end of year</b>	<b>(37.855)</b>	<b>(15.264)</b>	<b>(7.322)</b>
<b>Carrying amount end of year</b>	<b>22.250</b>	<b>5.992</b>	<b>2.206</b>
Recognised assets not owned by entity	<b>7.116</b>	-	-
		<b>2018 DKK'000</b>	<b>2017/18 DKK'000</b>
<b>9. Deferred tax</b>			
Intangible assets		5.079	5.059
Property, plant and equipment		326	(142)
Inventories		(205)	(299)
Tax losses carried forward		2.668	3.049
		<b>7.868</b>	<b>7.667</b>
<b>Changes during the year</b>			
Beginning of year		7.667	
Other changes		201	
<b>End of year</b>		<b>7.868</b>	
<b>10. Prepayments</b>			

Prepayments relate to prepaid costs, including licenses and insurance etc.

## Notes to consolidated financial statements

	Due within 12 months 2018 DKK'000	Due within 12 months 2017/18 DKK'000	Due after more than 12 months 2018 DKK'000
<b>11. Liabilities other than provisions</b>			
Subordinate loan capital	0	0	129.408
Finance lease liabilities	1.125	1.273	4.339
	<u>1.125</u>	<u>1.273</u>	<u>133.747</u>

No long-term debt falls due after five years.

### 12. Financial instruments

#### Disclosure on forward exchange contracts acquired to hedge liabilities

Other receivables include currency hedging of future cash flow regarding purchase of goods. The amount per 31.12.2018 is DKK 2,220k. The forward exchange contracts have been acquired to hedge the foreign currency risk of future trade payables in USD. The exchange gain has been set off against the value adjustments of the hedged payables in the income statement. The forward exchange contracts have a term of 0-13 months. The forward exchange contracts have been entered into with the Company's usual bank.

For 2017/18 the amount per 30.09.2018 was DKK 3,139k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD.

	2018 DKK'000	2017/18 DKK'000
<b>13. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u>13.767</u>	<u>13.657</u>

Unrecognised rental and lease commitments relate to operating leases totalling DKK 5,874k as well as rental commitments totalling DKK 7,893k.

### 14. Contingent liabilities

The Entity has committed itself to fixed price and quantity contracts towards its suppliers of goods and services on delivery of raw material in the coming financial years. The contractual commitments from the concluded contracts at 31 December 2018 amount to DKK 82,921k (2017/18: DKK 93,999k).

The Entity's bank has issued a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 398k (2017/18: DKK 405k).

### 15. Assets charged and collateral

The Group has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 52k (2017/18: DKK 52k).

As security for all accounts with Jyske Bank, a floating charge has been granted of nominal DKK 30,000k over System Frugt A/S' unsecured claims arising from the sale of goods and services and inventories. The carrying amount is DKK 58,957k at 31.12.2018.

## Notes to consolidated financial statements

A negative pledge is registered regarding System Frugt A/S for unsecured claims arising from the sale of goods and services.

### 16. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK'000</u>	<u>Profit/loss DKK'000</u>
<b>17. Subsidiaries</b>					
System Frugt A/S	Aarhus	A/S	82,5	137.827	2.194
- System Frugt AB	Stockholm	AB	100,0	1.853	(415)
- System Frugt OY AB	Espoo	AB	100,0	1.222	873

## Parent income statement for 2017/18

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Administrative expenses		(33)	(33)
<b>Operating profit/loss</b>		<b>(33)</b>	<b>(33)</b>
Income from investments in group enterprises		(6.827)	0
Other financial income		275	356
Other financial expenses		(2.435)	(5.400)
<b>Profit/loss before tax</b>		<b>(9.020)</b>	<b>(5.077)</b>
Tax on profit/loss for the year	1	0	183
<b>Profit/loss for the year</b>	<b>2</b>	<b>(9.020)</b>	<b>(4.894)</b>

## Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Investments in group enterprises		134.800	107.511
Receivables from group enterprises		0	8.406
<b>Fixed asset investments</b>	<b>3</b>	<b>134.800</b>	<b>115.917</b>
<b>Fixed assets</b>		<b>134.800</b>	<b>115.917</b>
Deferred tax	4	1	1
Joint taxation contribution receivable		0	183
<b>Receivables</b>		<b>1</b>	<b>184</b>
<b>Cash</b>		<b>222</b>	<b>222</b>
<b>Current assets</b>		<b>223</b>	<b>406</b>
<b>Assets</b>		<b>135.023</b>	<b>116.323</b>

## Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017/18 DKK'000</u>
Contributed capital	5	665	665
Retained earnings		10.349	19.369
<b>Equity</b>		<b>11.014</b>	<b>20.034</b>
Subordinate loan capital		123.408	95.538
<b>Non-current liabilities other than provisions</b>	6	<b>123.408</b>	<b>95.538</b>
Trade payables		66	33
Payables to group enterprises		535	718
<b>Current liabilities other than provisions</b>		<b>601</b>	<b>751</b>
<b>Liabilities other than provisions</b>		<b>124.009</b>	<b>96.289</b>
<b>Equity and liabilities</b>		<b>135.023</b>	<b>116.323</b>
Contingent liabilities	7		
Assets charged and collateral	8		
Transactions with related parties	9		



## Parent statement of changes in equity for 2018

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	665	19.369	20.034
Profit/loss for the year	0	(9.020)	(9.020)
<b>Equity end of year</b>	<b>665</b>	<b>10.349</b>	<b>11.014</b>

## Notes to parent financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>1. Tax on profit/loss for the year</b>		
Adjustment concerning previous years	0	(183)
	<b>0</b>	<b>(183)</b>

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>2. Proposed distribution of profit/loss</b>		
Retained earnings	(9.020)	(4.894)
	<b>(9.020)</b>	<b>(4.894)</b>

	<b>Investments in group enterprises</b> <b>DKK'000</b>	<b>Receivables from group enterprises</b> <b>DKK'000</b>
<b>3. Fixed asset investments</b>		
Cost beginning of year	184.692	8.406
Additions	34.116	1.920
Disposals	0	(10.326)
<b>Cost end of year</b>	<b>218.808</b>	<b>0</b>
Impairment losses beginning of year	(77.181)	0
Impairment losses for the year	(6.827)	0
<b>Impairment losses end of year</b>	<b>(84.008)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>134.800</b>	<b>0</b>

	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>	<b>Equity DKK'000</b>	<b>Profit/loss DKK'000</b>
System Frugt A/S	Aarhus	A/S	82,5	137.827	2.194
- System Frugt AB	Stockholm	AB	100,0	1.853	(415)
- System Frugt OY AB	Espoo	AB	100,0	1.222	873

## Notes to parent financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>
<b>4. Deferred tax</b>		
Tax losses carried forward	1	1
	<b>1</b>	<b>1</b>
<b>Changes during the year</b>		
Beginning of year	1	
<b>End of year</b>	<b>1</b>	

	<b>Number</b>	<b>Par value</b> <b>DKK'000</b>	<b>Nominal</b> <b>value</b> <b>DKK'000</b>
<b>5. Contributed capital</b>			
A shares	388.551	1	389
B shares	252.605	1	253
C shares	23.944	1	23
	<b>665.100</b>		<b>665</b>

### 6. Liabilities other than provisions

No long-term debt falls due after five years.

### 7. Contingent liabilities

The entity serves as the administration company on a Danish joint taxation arrangement. According to the joint taxation provision of the Danish Corporation Tax Act, the Entity is therefor liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

### 8. Assets charged and collateral

The Company's investments in group enterprises have been provided as security for all debt to Jyske Bank. The carrying amount at 31.12.2018 is DKK 134,800k.

### 9. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

## Accounting policies

### Reporting class

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

This accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

### Recognition and measurement

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

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

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

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

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

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

## Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Derivative financial instruments

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

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

### Income statement

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

#### Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

#### Administrative expenses

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation,

## Accounting policies

depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

### Income from investments in group enterprises

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

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Parent and all the Parent's other Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, which is estimated at 5 years.

## Accounting policies

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

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

### Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for Net revaluation according to the equity method under equity.

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

### Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

## Accounting policies

### Receivables

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

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### Other financial liabilities

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

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.



## Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank debt.

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