

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

Avderødvej 27 C  
2980 Kokkedal  
Central Business Registration  
No 33151705

## **Annual report 2019**

The Annual General Meeting adopted the annual report on 07.05.2020

### **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: 01.01.2019 - 31.12.2019

### 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 Board of Directors and the Executive Board have today considered and approved the annual report of Anpartsselskabet af 9. September 2010 for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 14.04.2020

### 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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 Parent'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 these 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 Parent'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 Parent'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, 14.04.2020

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

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

Chris Middelhede  
State Authorised Public Accountant  
Identification No (MNE) mne45823

## Management commentary

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>	<b>2017/18</b> <b>DKK'000</b>	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	403,466	177,069	502,293	511,249	638,840
Gross profit/loss	61,073	22,919	58,601	73,514	83,051
Operating profit/loss	(3,284)	3,595	(23,762)	(26,087)	(17,332)
Net financials	(16,529)	(6,055)	(15,301)	(10,992)	(9,963)
Profit/loss for the year	(25,751)	(2,460)	(50,462)	(36,628)	(23,920)
Total assets	217,921	249,028	280,310	288,384	324,921
Investments in property, plant and equipment	7,004	1,534	15,746	5,614	16,446
Equity	(45,545)	(17,960)	(14,782)	30,162	65,312
Average numbers of employees	132	145	145	204	232
<b>Ratios</b>					
Gross margin (%)	15.1	12.9	11.7	14.4	13.0
Net margin (%)	(6.4)	(1.4)	(10.0)	(7.2)	(3.7)
Return on equity (%)	(81.1)	(15.0)	(656.2)	(76.7)	(31.3)
Equity ratio (%)	(20.9)	(7.2)	(5.3)	10.5	20.1
Revenue per employee	3,056.6	1,221.2	3,464.1	2,506.1	2,753.6

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 2019 or previous years, as these include the period 01.10.2018 to 31.12.2018.

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



## Management commentary

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
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 (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	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 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.
- As of beginning of January 2020 the fresh specialties have been divested from System Frugt
- Our products are marketed under the brand "Earth Control" and our customers own labels.

The consolidated financial statement of System Frugt A/S consist of the following companies (the Group):

- System Frugt A/S, Denmark
- System Frugt AB, Sweden
- System Frugt Oy AB, Finland
- System Frugt Norge AS, Norway (under establishment)

### Development in activities and finances

In line with strategic decisions made in previous years the focus has continued to be on increasing and strengthening the position of Earth Control across the Nordic markets. The brand gets a still stronger foothold in the markets and plays an important role in assisting and guiding the consumer into making green and healthy decisions.

Fresh Fruit has performed on a stable level during 2019. But in order to increase the focusing of System Frugt, the Fresh Fruit business was divested at the end of 2019. It is therefore treated as discontinued operations in the financial statement.

With this divestment System Frugt is now focussed on dried products in the future and will continue to inspire the consumer in making healthy, green and convenient decisions.

The financial period covers a full calendar year whereas the comparative figures only cover 3 months, which however constitute the high season. Total revenue for continuing operations for the period ended at DKK 403,466k (2018: DKK 177,069k).

Operating profit for the period is realised at DKK -3,284k (2018: DKK 3,595k).

Loss after tax for the period amounts to DKK -25,751k (2018 DKK -2,460k).

### Investments

In the financial year, investments amounted to DKK 10,940k (2018: DKK 1.534k). The main investment is in IT-infrastructure, production equipment and software.

### Financial resources

The solvency ratio is -20.9% (2018: 7.2%), equivalent to equity at 31 December 2019 of DKK -45,545k (31 December 2018: DKK -17,960k).

### Outlook

Revenue is expected to stabilize on a slightly lower level than the past 12 months, mainly due to Fresh Fruit.

## Management commentary

Gross margins are expected to improve compared to last year leaving a better profitability. After discontinuing operations in the past year, fixed costs are expected to stabilize on the level of the continuing operations. As a whole financial performance is expected to improve leaving a net result in the positive level of breakeven. This will be a significant improvement compared to current year and will reflect the new structure and focusing of the business.

The outbreak and spreading of COVID-19 in the beginning of 2020 has still not directly impacted the activity level of System Frugt. It does however cause some uncertainties in regards to take off by costumers, deliveries from suppliers and especially the whole supply chain infrastructure in Europe. The management has not changed the expectations indicated above, as it will be more or less impossible to quantify impact on sales or profitability.

Reference is made to the part of the management commentary relating to Subsequent events.

### 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 2019, the Group's net interest-bearing debt amounts to DKK 173,825k (at 31 December 2019: DKK 155,679k), which is considered a reasonable level compared to the actual need for financial flexibility. Hereof DKK 136,117k 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 A/S 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

### 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 the Danish Financial Statements Act §99a and §99b during the financial year 2019.

### 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 A/S constantly focus on improving the quality of products and efficiency of marketing and production facilities. This will be within the current product portfolio. New launches will be in the form of line extensions.

### 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 the Danish Financial Statements Act §99a and §99b during the financial year 2019.

### Corporate social responsibility

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

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.

## Management commentary

The efforts done, and targets achieved are described in the Communication on Progress report, which can be found here:

<https://systemfrugt.dk/media/1899/communication-on-progress-cop-2019-results-final.pdf>

### People

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

During 2019 initiatives were made to involve all employees more in the strategic direction of the company. The first thing was to make everyone aware of the final destination of our products. This was done by installing information screens in the cantina – where other information is shared.

System Frugt is not aware of any breaches of human rights in System Frugt in 2019. We believe that our continuous focus on working conditions have contributed to a sustainable 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. Local farmers growing their business allow for economic and technical development, while improving living and working conditions for employees and suppliers as well.

During 2019 System Frugt has continued to guide additional suppliers to join the BSCI principles, which is in line with our policy on responsible sourcing. System Frugt has also strengthened the cooperation with Borup Pakkeri and is now using them as a more integrated part of the packing department, when special tasks occur.

People play a central role in System Frugt and in the future the work with BSCI at suppliers will continue as will the work with diversity on employment and social responsibility towards employees and partners.

### 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. But 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

## Management commentary

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 other food sources such as meat or processed foods.

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 the fiscal year of 2019, an amount of DKK 200.000 has been donated and sponsored to WWF from our Earth Control® product campaigns, which were launched in Finland and Norway.

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.

During 2019 the plant has operated on certified green electricity and we continue to develop means to reduce consumption.

Together with our suppliers and customers we have developed a sustainable foil which is partly based on raw materials from sugar cane.

During 2020 we will do a rolling change of all remaining packaging materials into single type foils, which are 100% recyclable.

### **Ethical Business**

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 level for gifts are specified in the employee handbook. Any gift which may exceed the maximum amount will be used in the annual employee bingo game.

Externally, we perform risk assessments of suppliers and external relations. The assessment includes all raw material groups and include 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 in System Frugt in 2019 concerning corruption and bribery.

## Management commentary

If you want to know more about our sustainability efforts, please see the link above.

### 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.

### Statutory report on the underrepresented gender

In accordance with §99b, 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.

The ambition of the Company is still to have one of the seats on the Board of Directors held by women. This will lead to a share of female board members of 20%. Currently there is no female member of the Board. There was an election for the Board in the financial year, where a male candidate with the required competences was selected and elected as member of the Board. Within the coming 4 years the aim is to have at least one female Board member. Recruiting of Board members is based on skills before gender, but the aim is still to have female members in the future.

The top management of the Company consists of three members, all male. This is a reduction from former five members in the top management, which reflect the resizing process of the company. The Extended Management Team consist of 22 members including the top management. Currently, there are 9 female members of the Extended Management Team – corresponding to 41%. 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 the financial year 2019, 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 are considered for management positions.

### Statutory report on 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.

## Management commentary

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 as the board wants to retain the direct involvement in the group's accounting considerations.

### Employees

In the financial year 2019, the Group has had an average of 132 employees (2018: 145). 115 of this average are employed with the Danish companies (2018: 131) and 17 with the foreign companies (2018: 14). The decrease in average employees reflects the new structure of the business after rightsizing being performed in the past.

The development of employees from the beginning of 2019 to the end of 2019 can be illustrated as follows:

	<b>Denmark</b>	<b>Rest of the world</b>
Number of employees, beginning of 2019	127	17
Net increase/decrease	1	0
<b>Number of employees, end of 2019</b>	<b>128</b>	<b>17</b>



## Management commentary

### Board of Directors and management team

The Board at System Frugt A/S consists of five members:

#### Board of Directors

Name	Michael Zøhner-Pedersen (Chairman)	Tino Bendix	Jacob Østergaard Bergenholtz	Esben Bay Jørgensen	Jørgen Peter Danielsen
Position	Director	Director	Managing Partner - BWB Partners	Partner - BWB Partners	Director
Chairman of the Board of Directors in	VERNAL A/S, SYSTEM FRUGT A/S, KJÆRGAARD PAPPØR A/S, BF-OKS A/S, GERTZ HOLDING ApS, SCANPO A/S, Cripto ApS, SU'VI:T ApS, Ejendomsselskabet Baldur ApS		ODIN EQUITY PARTNERS MANAGEMENT II K/S, SH GROUP A/S, 28. JUNI 2012 II A/S, 14. OKTOBER 2013 A/S	MOEP A/S, JACK-UP HOLDING A/S, Jagger Junk ApS, Jagger Junk Holding ApS, Holdingselskabet af 27. marts 2017 ApS	TRIOFRUGT ApS, KOLDING RETAIL A/S, TRIOFRUGT HOLDING A/S, EJENDOMSSELSKABET FINSENSVEJ 19 A/S, Skæring Skolevej 199 A/S
Deputy chairman of the Board of Directors in			HOLMRIS B8 A/S, HYDRATECH INDUSTRIES HOLDING A/S, HOLMRIS HOLDING A/S		
Member of the Board of Directors in	CAPITALIX A/S, JR Zohner Capital Co. A/S, MR Zohner Investment & Co. A/S, Reppien & Zøhner A/S	SYSTEM FRUGT A/S	MOEP A/S, SYSTEM FRUGT A/S, HTHH ApS, JACK-UP HOLDING A/S, BWB Partners P/S, BWBP Fonden	SYSTEM FRUGT A/S, ZITON A/S, ODIN EQUITY PARTNERS MANAGEMENT II K/S, HTHH ApS, SH GROUP A/S, HYDRATECH INDUSTRIES A/S, QUBIQA A/S, HYDRATECH INDUSTRIES HOLDING A/S, 28. JUNI 2012 II A/S, BWB Partners P/S, QUBIQA HOLDING A/S	SYSTEM ESTATE A/S, SYSTEM FRUGT A/S, LANGELINIEPARKEN ÅRHUS ApS, LANGELINIEPARKEN HOLDING A/S, SYSTEM FRUGT ESTATE A/S, K/S SORØ, OMEGA 3 ERHVERV A/S, EMSEN A/S, EJENDOMSSELSKABET 24.10.2013 ApS, PETER SABROE GADE HOLDING ApS, Saltholmsgade ApS, Aarhus City Hostel A/S, Saltholmsgade Holding A/S, Saltholmsgade Byhuse ApS
Member of the Executive Board in	Red Mountain Holding ApS, CAPITALIS INVESTMENT CO. ApS, Red River Holding ApS, CAPITALIX A/S, JR Zohner Capital & Co. A/S, MR Zohner Investment & Co. A/S, Reppien & Zøhner A/S	JØRGEN KRUISE A/S	ANPARTSSELSKABET AF 31. OKTOBER 2007, JB1 ApS, ANPARTSSELSKABET AF 4. JULI 2008, ANPARTSSELSKABET AF 9. SEPTEMBER 2010, ANPARTSSELSKABET AF 1. DECEMBER 2011, ANPARTSSELSKABET AF 28. JUNI 2012, ANPARTSSELSKABET AF 14. OKTOBER 2013, ANPARTSSELSKABET AF 7. JUNI 2007, BWB Partners GP ApS, BWB Partners P/S, BWBP CIV GP ApS	BAY & CO. INVEST ApS, ANPARTSSELSKABET AF 31. OKTOBER 2007, EBJ ApS, ANPARTSSELSKABET AF 4. JULI 2008, ANPARTSSELSKABET AF 9. SEPTEMBER 2010, ANPARTSSELSKABET AF 1. DECEMBER 2011, ANPARTSSELSKABET AF 28. JUNI 2012, ANPARTSSELSKABET AF 14. OKTOBER 2013, ANPARTSSELSKABET AF 7. JUNI 2007, BWB Partners GP ApS, BWBP CIV GP ApS, Holdingselskabet af 27. marts 2017 ApS	JØRGEN DANIELSEN ApS, SYSTEM ESTATE A/S, SYSTEM FRUGT ESTATE A/S, KOLDING RETAIL HOLDING ApS, CASABLANCA AARHUS ApS, EMSEN A/S, Aarhus City Hostel A/S, DL ESTATE ApS, Restaurationsselskabe t DGM ApS, JMT Nordic ApS

The Board of Directors has been appointed by the two largest shareholders. The management team consists of Flemming Ib Windfeld who is also on the Executive Board of Windfeld Invest ApS.

## Management commentary

### Events after the balance sheet date

The break-out and spreading of COVID-19 in the beginning of 2020 has so far not had negative impact on the turnover or result of System Frugt. It has however created uncertainties about the future activity level. This relate to cancelled orders, missing supplies, lock-down of production i.e.

It is the judgement of the management, that the current situation will not have severe impact on the long run, and that System Frugt will manage through the difficult and challenging period.

Besides the above, nothing has happened after the balance sheet date, that could impact the content of the financial statement.

## Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue	1	403,466	177,069
Production costs	3	(342,393)	(154,150)
<b>Gross profit/loss</b>		<b>61,073</b>	<b>22,919</b>
Distribution costs	3	(52,642)	(14,107)
Administrative expenses	2, 3	(11,715)	(5,217)
<b>Operating profit/loss</b>		<b>(3,284)</b>	<b>3,595</b>
Other financial income		0	12
Other financial expenses		(16,529)	(6,067)
<b>Profit/loss before tax</b>		<b>(19,813)</b>	<b>(2,460)</b>
Tax on profit/loss for the year		0	0
<b>Profit/loss from continuing operations</b>		<b>(19,813)</b>	<b>(2,460)</b>
<b>Profit/loss from discontinued operations</b>	4	<b>(5,938)</b>	<b>0</b>
<b>Profit/loss for the year</b>	5	<b>(25,751)</b>	<b>(2,460)</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Acquired intangible assets		7,869	1,573
Goodwill		105,292	115,814
<b>Intangible assets</b>	<b>6</b>	<b>113,161</b>	<b>117,387</b>
Plant and machinery		14,638	22,250
Other fixtures and fittings, tools and equipment		927	5,992
Leasehold improvements		1,730	2,206
<b>Property, plant and equipment</b>	<b>7</b>	<b>17,295</b>	<b>30,448</b>
<b>Fixed assets</b>		<b>130,456</b>	<b>147,835</b>
Manufactured goods and goods for resale		47,655	56,331
<b>Inventories</b>		<b>47,655</b>	<b>56,331</b>
Trade receivables		13,091	3,554
Deferred tax	8	8,250	7,868
Other receivables		9,188	28,147
Prepayments		437	907
<b>Receivables</b>		<b>30,966</b>	<b>40,476</b>
<b>Cash</b>		<b>2,082</b>	<b>4,386</b>
<b>Current assets</b>		<b>80,703</b>	<b>101,193</b>
<b>Assets regarding discontinued operations</b>	<b>4</b>	<b>6,762</b>	<b>0</b>
<b>Assets</b>		<b>217,921</b>	<b>249,028</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		665	665
Retained earnings		(46,210)	(18,625)
<b>Equity</b>		<b>(45,545)</b>	<b>(17,960)</b>
Subordinate loan capital		136,117	129,408
Finance lease liabilities		2,585	4,339
<b>Non-current liabilities other than provisions</b>	9	<b>138,702</b>	<b>133,747</b>
Current portion of long-term liabilities other than provisions	9	17,162	1,125
Bank loans		20,043	25,193
Trade payables		62,772	76,675
Other payables		20,740	30,248
<b>Current liabilities other than provisions</b>		<b>120,717</b>	<b>133,241</b>
<b>Liabilities other than provisions</b>		<b>259,419</b>	<b>266,988</b>
<b>Liabilities regarding discontinued operations</b>	4	<b>4,047</b>	<b>0</b>
<b>Equity and liabilities</b>		<b>217,921</b>	<b>249,028</b>
Financial instruments	10		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		
Transactions with related parties	14		
Subsidiaries	15		

**Consolidated statement of changes in equity for 2019**

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	665	(18,625)	(17,960)
Exchange rate adjustments	0	(59)	(59)
Value adjustments	0	(1,750)	(1,750)
Other entries on equity	0	(410)	(410)
Tax of entries on equity	0	385	385
Profit/loss for the year	0	(25,751)	(25,751)
<b>Equity end of year</b>	<b>665</b>	<b>(46,210)</b>	<b>(45,545)</b>

## Consolidated cash flow statement for 2019

<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Operating profit/loss	(3,284)	3,595
Amortisation, depreciation and impairment losses	23,886	5,072
Profit/loss from discontinued operations	(5,938)	0
Increase/decrease in inventories	6,355	34,814
Increase/decrease in receivables	8,142	(3,698)
Increase/decrease in trade payables etc.	(23,601)	(39,369)
<b>Cash flow from ordinary operating activities</b>	<b>5,560</b>	<b>414</b>
Financial income received	0	12
Financial expenses paid	(16,529)	(6,067)
<b>Cash flows from operating activities</b>	<b>(10,969)</b>	<b>(5,641)</b>
Acquisition etc of intangible assets	(3,936)	0
Acquisition etc of property, plant and equipment	(3,867)	(1,534)
<b>Cash flows from investing activities</b>	<b>(7,803)</b>	<b>(1,534)</b>
Loans raised	23,211	29,718
Incurrence of lease obligations	0	265
Reduction of lease commitments	0	(299)
Repayments of loans etc	(1,593)	0
Change in bank debt	(5,150)	(19,743)
<b>Cash flows from financing activities</b>	<b>16,468</b>	<b>9,941</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>(2,304)</b>	<b>2,766</b>
Cash and cash equivalents beginning of year	4,386	1,620
<b>Cash and cash equivalents end of year</b>	<b>2,082</b>	<b>4,386</b>

## Notes to consolidated financial statements

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>1. Revenue</b>		
Denmark	334,809	90,907
Other Countries	68,657	86,162
	<b>403,466</b>	<b>177,069</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>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>2. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	378	175
Tax services	25	0
Other services	391	150
	<b>794</b>	<b>325</b>

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	55,462	15,139
Pension costs	8,314	2,817
Other social security costs	7,513	382
Other staff costs	7,884	567
	<b>79,173</b>	<b>18,905</b>
Average number of employees	<b>132</b>	<b>145</b>

Referring to §98b of the Danish Financial Statement Act, disclosures on management's remuneration have been omitted. Staff cost regarding discontinued operations is included in the above.



## Notes to consolidated financial statements

### 4. Discontinued operations

	<b>2019</b> <b>DKK'000</b>
Income statement	
Revenue	53,002
Production costs	(53,143)
Distribution costs	(3,477)
Administrative expenses	(2,262)
<b>Profit/loss for the period</b>	<b>(5,880)</b>
Financial expenses	(58)
<b>Pre-tax profit/loss from discontinued operations</b>	<b>(5,938)</b>

**During the financial year, the discontinued operation has affected the cash flow statement as follows:**

Cash flows from operating activities	(5,938)
Cash flows from investing activities	0
Cash flows from financing activities	(2,200)
	<b>(8,138)</b>

### 5. Proposed distribution of profit/loss

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
Retained earnings	(25,751)	(2,460)
	<b>(25,751)</b>	<b>(2,460)</b>

### 6. Intangible assets

	<b>Acquired intangible assets DKK'000</b>	<b>Goodwill DKK'000</b>
Cost beginning of year	2,774	210,411
Transfers	11,397	0
Additions	4,187	0
<b>Cost end of year</b>	<b>18,358</b>	<b>210,411</b>
Amortisation and impairment losses beginning of year	(1,201)	(94,597)
Transfers	(6,446)	0
Amortisation for the year	(2,842)	(10,522)
<b>Amortisation and impairment losses end of year</b>	<b>(10,489)</b>	<b>(105,119)</b>
<b>Carrying amount end of year</b>	<b>7,869</b>	<b>105,292</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,

## Notes to consolidated financial statements

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.

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 improvements DKK'000</b>
<b>7. Property, plant and equipment</b>			
Cost beginning of year	60,105	21,256	9,528
Transfers	(10,688)	(12,089)	(1,089)
Additions	5,397	553	1,054
<b>Cost end of year</b>	<b>54,814</b>	<b>9,720</b>	<b>9,493</b>
Depreciation and impairment losses beginning of year	(37,854)	(15,263)	(7,322)
Transfers	6,669	7,264	547
Depreciation for the year	(8,991)	(794)	(988)
<b>Depreciation and impairment losses end of year</b>	<b>(40,176)</b>	<b>(8,793)</b>	<b>(7,763)</b>
<b>Carrying amount end of year</b>	<b>14,638</b>	<b>927</b>	<b>1,730</b>
Recognised assets not owned by entity	<b>3,213</b>	-	-

## Notes to consolidated financial statements

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>8. Deferred tax</b>		
Intangible assets	4,560	5,079
Property, plant and equipment	3,462	326
Inventories	(186)	(205)
Tax losses carried forward	414	2,668
	<b>8,250</b>	<b>7,868</b>

### Changes during the year

Beginning of year	7,868
Recognised in the income statement	(3)
Other changes	385
<b>End of year</b>	<b>8,250</b>

	<b>Due within 12</b> <b>months</b> <b>2019</b> <b>DKK'000</b>	<b>Due within 12</b> <b>months</b> <b>2018</b> <b>DKK'000</b>	<b>Due after more</b> <b>than 12 months</b> <b>2019</b> <b>DKK'000</b>
<b>9. Liabilities other than provisions</b>			
Subordinate loan capital	16,502	0	136,117
Finance lease liabilities	660	1,125	2,585
	<b>17,162</b>	<b>1,125</b>	<b>138,702</b>

### 10. 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 31.12.2019 is DKK 487k. 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 0-16 months. The forward exchange contracts have been entered into with the Company's usual bank.

For 2018 the amount per 31.12.2018 was DKK 2,230k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD.

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>11. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>16,787</b>	<b>13,767</b>

Unrecognised rental and lease commitments relate to operating leases totalling DKK 2,396k as well as rental commitments totalling DKK 13,090k.

## Notes to consolidated financial statements

### 12. 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 68,381k (2018: DKK 82,921k).

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 469k (2018: DKK 398k).

### 13. Assets charged and collateral

The Group has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 52k (2018: 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 58,799k at 31.12.2019 (2018: 58,957k).

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

### 14. 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>15. Subsidiaries</b>					
System Frugt A/S	Aarhus	A/S	82.5	133,523	(2,486)
- System Frugt AB	Stockholm	AB	100.0	2,542	737
- System Frugt OY AB	Espoo	AB	100.0	1,049	258

## Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Administrative expenses		(33)	(34)
<b>Operating profit/loss</b>		<b>(33)</b>	<b>(34)</b>
Income from investments in group enterprises		0	(6,827)
Other financial income		0	276
Other financial expenses		(12,709)	(2,435)
<b>Profit/loss before tax</b>		<b>(12,742)</b>	<b>(9,020)</b>
Tax on profit/loss for the year	1	(1)	0
<b>Profit/loss for the year</b>	2	<b>(12,743)</b>	<b>(9,020)</b>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Investments in group enterprises		134,800	134,800
<b>Fixed asset investments</b>	3	<u>134,800</u>	<u>134,800</u>
<b>Fixed assets</b>		<u>134,800</u>	<u>134,800</u>
Receivables from group enterprises		0	1
Deferred tax	4	0	1
<b>Receivables</b>		<u>0</u>	<u>2</u>
<b>Cash</b>		<u>155</u>	<u>222</u>
<b>Current assets</b>		<u>155</u>	<u>224</u>
<b>Assets</b>		<u>134,955</u>	<u>135,024</u>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital	5	665	665
Retained earnings		(2,394)	10,349
<b>Equity</b>		<u><b>(1,729)</b></u>	<u><b>11,014</b></u>
Subordinate loan capital		136,117	123,408
<b>Non-current liabilities other than provisions</b>	6	<u><b>136,117</b></u>	<u><b>123,408</b></u>
Trade payables		33	67
Payables to group enterprises		534	535
<b>Current liabilities other than provisions</b>		<u><b>567</b></u>	<u><b>602</b></u>
<b>Liabilities other than provisions</b>		<u><b>136,684</b></u>	<u><b>124,010</b></u>
<b>Equity and liabilities</b>		<u><b>134,955</b></u>	<u><b>135,024</b></u>
Contingent liabilities	7		
Assets charged and collateral	8		
Transactions with related parties	9		

## Parent statement of changes in equity for 2019

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	665	10,349	11,014
Profit/loss for the year	0	(12,743)	(12,743)
<b>Equity end of year</b>	<b>665</b>	<b>(2,394)</b>	<b>(1,729)</b>



## Notes to parent financial statements

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>1. Tax on profit/loss for the year</b>		
Change in deferred tax	1	0
	<b>1</b>	<b>0</b>

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>2. Proposed distribution of profit/loss</b>		
Retained earnings	(12,743)	(9,020)
	<b>(12,743)</b>	<b>(9,020)</b>

	<b>Investments in group enterprises</b> <b>DKK'000</b>
<b>3. Fixed asset investments</b>	
Cost beginning of year	218,808
<b>Cost end of year</b>	<b>218,808</b>
Impairment losses beginning of year	(84,008)
<b>Impairment losses end of year</b>	<b>(84,008)</b>
<b>Carrying amount end of year</b>	<b>134,800</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>
<b>4. Deferred tax</b>		
Tax losses carried forward	0	1
	<b>0</b>	<b>1</b>
<b>Changes during the year</b>		
Beginning of year	1	
Recognised in the income statement	(1)	
<b>End of year</b>	<b>0</b>	

## Notes to parent financial statements

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
<b>5. Contributed capital</b>			
A shares	388,551	1	389
B shares	252,605	1	253
C shares	23,944	1	23
	<u><b>665,100</b></u>		<u><b>665</b></u>

### 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 31.12.2019 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).

Accounting policies are unchanged compared to last year except some reclassifications between accounts and within the cash flow statement.

### Non-comparability

Since the financial year 2018 only covers 3 months, no comparison can be made with the financial year 2019, which covers 12 months.

### 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

## Accounting policies

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.

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.

### Discontinued operations

Discontinued operations are material business areas or geographical areas planned, or decided, to be disposed of, discontinued or abandoned and which may be separated from the entity's other operations.

Results from discontinued operations are presented in the income statement as a separate item consisting of profit/loss after tax of the relevant operation and any gains or losses from fair value adjustments or sale of the assets and liabilities related to the operation.

Assets relating to discontinued operations are presented separately in the balance sheet as assets related to discontinued operations. Liabilities related to the discontinued operations are presented separately in the balance sheet as liabilities related to discontinued operations.

The comparative figures in the income statement and the balance sheet are not restated.

### 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.

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

### Income statement

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when control of goods sold has transferred to the customers. Revenue is recognised net of VAT, duties and

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

### Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

### 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 income comprises dividends etc received on other investments, interest income, including interest income on receivables from 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).

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### 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

Intangible assets 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.

Intangible assets 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

Investments in group enterprises are measured at cost. Investments 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

## Accounting policies

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.

### 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.

## Accounting policies

### 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.

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.