

# Lantmännens Unibake Holding A/S

Oensvej 28-30 8700 Horsens

CVR no. 37 24 92 11

## Annual report 2019

Approved at the Company's annual general meeting on 12 June 2020

Chairman:

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## Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lantmännene Unibake Holding A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Horsens, 12 June 2020

Executive Board:

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Erik Flemming Nielsen  
CEO

Board of Directors:

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Werner Devinck  
Chairman

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Morten Leth

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Erik Flemming Nielsen

## **Independent auditor's report.**

### **To the shareholder of Lantmännen Unibake Holding A/S**

#### **Opinion**

We have audited the financial statements of Lantmännen Unibake Holding A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 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 additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

### Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 12 June 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Ole Hedemann  
State Authorised  
Public Accountant  
mne14949

Anders Flymer-Dindler  
State Authorised  
Public Accountant  
mne35423

## Management's review

### Financial highlights

In DKK millions, except for per share data	2019	2018	2017	2016	2015
<b>Key figures</b>					
Other operating income	303	251	319	267	206
Gross profit	152	102	152	131	90
EBIT	32	-5	33	15	-4
Profit/Loss for the year	94	-15	17	-23	23
Equity	2,319	2,225	1,140	1,123	1,696
Total assets	3,566	3,468	2,305	2,289	2,960
Investments in the year	30	1,224	21	38	16
<b>Financial ratios</b>					
Operating margin	10.6 %	-2.0 %	10.3 %	5.6 %	-1.9%
Gross margin	50.2 %	40.6 %	47.7 %	49.1 %	43.7%
Current ratio	311 %	187 %	273 %	210 %	244.7%
Equity ratio	65.0 %	64.2 %	49.5 %	49.1 %	57.3%
Return on equity	4.14 %	-0.89 %	1.50 %	-1.63 %	1.4%
Average number of full-time employees	78	71	64	54	45

### Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\text{Operating profit (EBIT)} \times 100 / \text{Revenue}$
Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Current ratio	$\text{Current assets} \times 100 / \text{Current liabilities}$
Equity ratio	$\text{Equity, year-end} \times 100 / \text{Total equity and liabilities, year-end}$
Return on equity	$\text{Profit or loss for the year} \times 100 / \text{Average equity}$

## Management's review

### Management commentary

#### Business/Financial review

Lantmännen Unibake Holding A/S is a holding company for parts of the Lantmännen Unibake Group with subsidiaries in Europe, Russia, Australia and US.

The Lantmännen Unibake Group is a leading international bakery group with expertise in frozen and fresh bakery products. The groups' mission is to make bread a profitable business for its customers through high quality products and superior solutions – always based on a sustainable mindset and behaviour as well as excellent food safety standards.

The income statement for Lantmännen Unibake Holding A/S for the year 2019 shows a net profit of MDKK 94 and an equity end of the year of MDKK 2,319. Gross profit shows a gain of MDKK 152 and the profit before net financials and tax (EBIT) a gain of MDKK 32. After net impact from financial items of MDKK 81, primarily from dividends from subsidiaries and interest on internal loans, receivables and payables, the profit before tax is MDKK 113 and after taxes MDKK 94. The result for 2019 is reflecting the underlying operation of the company in line with management's expectations.

#### Other events 2019

Lantmännen Unibake Holding A/S is a limited partner in Lantmännen Unibake Germany GmbH & Co. KG, which was profitable in 2019. This means, because of tax transparency rules, that Lantmännen Unibake Holding A/S is liable for a corporate tax expense in Germany of 5.3 MDKK for 2019. This expense is included in "Tax for the year" in the profit and loss statement. Lantmännen Unibake Holding A/S has for 2019 not received any dividend from Germany and thus not recognized any income from the German partnership.

A double taxation procedure (MAP) between the Danish and the US tax authorities was formally concluded in February 2020. The procedure relates to the periode 2010-2016 and the conclusion confirms that a repatriation of 89 MDKK should be made from Lantmännen Unibake USA to Lantmännen Unibake Holding A/S and its subsidiary Lantmännen Unibake Denmark A/S. The repatriation will reduce the taxable income in US for the mentioned period and eliminate the double taxation situation caused by corrections to the Danish taxable income as consequence of SKAT's tax audit of the mentioned period. The tax expense from SKAT's tax audit was for 2010-2014 expensed in the annual report for 2016 and is for 2015-2016 expensed in this annual report with 6.2 MDKK. The repatriation of 89 MDKK from Lantmännen Unibake USA has for the share to Lantmännen Unibake Denmark A/S of 28 MDKK as well as the share to Lantmännen Unibake Holding A/S of 61 MDKK been accounted for as group contributions and are thus recognized in this annual report as income from investments in group enterprises in accordance with § 49,3 in the Danish financial statement act.

### Special risks

#### **Competition and price risk**

The company's activities within production and sale of bread products are a highly competitive business. This has increased as more customers and producers have consolidated their businesses. The company seeks to respond to this increased competition with high customer service, quality and consistency of supply.

Pricing of the Group's product depends on supply, quality and demand. The Group strives to minimize the risk through customer agreements and optimization within procurement.

#### **Quality risks**

As a food manufacturer, the company is exposed to risks related to quality. The company has a strong focus on adherence to quality norms and is certified through HACCP and BRC.

#### **Financial risks**

Financing of the company is primarily done with medium-long credit agreements with the Lantmännen Group and to a lesser extent short-term bank credits. The terms of interest are primarily variable and the

earning is therefore exposed for changes in the interests in the short run. Buildings are only to a small extent financed via loans in the Danish mortgage provider institutions with fixed interest.

### **Currency risks**

The reporting and functional currency is Danish Kroner, which is very closely related to the Euro. Sales in the Group are mainly carried out in Euros, British pounds and American dollars. The currency risk is therefore a material risk for the Group. This is mitigated by hedging of key currencies.

### **Knowledge resources**

The employees are a crucial asset for Lantmännen Unibake Holding A/S. It is the policy of the company to educate its employees in order to maintain a high competence level as well as a high service level to the customers.

### **Corporate Social Responsibility**

Lantmännen Unibake Holding A/S refers to the annual report of the parent company for their statutory report on Corporate Social Responsibility according to §99a in the Danish financial statements act. This can be found on: [https://www.lantmannen.com/siteassets/documents/01-om-lantmannen/finanssiell-information/lantmannen\\_annual\\_report\\_with\\_sustainable\\_report-2019.pdf](https://www.lantmannen.com/siteassets/documents/01-om-lantmannen/finanssiell-information/lantmannen_annual_report_with_sustainable_report-2019.pdf)

The company has implemented Lantmännen's 'Code of Conduct' which contains guidelines for implementation of internal routines and execution of social responsibility. Go to Code of Conduct published on: <https://www.lantmannen.com/lantmannen-supplier-portal/code-of-conduct/>

Lantmännen's Code of Conduct is integrated in the company's quality control system and all employees are educated in the Code of Conduct.

Follow-up is carried out through quality systems, employee surveys, yearly appraisal dialogues and customer surveys.

### **Environmental aspects and Climate impact**

The company works continuously on sustainability issues, including initiatives that reduce the company's effect on the environment. The company carries out work environment audits on an ongoing basis in order to improve the work environment for the employees.

Furthermore, the company is a part of the Lantmännen Sustainable Development, containing the Climate target for the intire group: <https://inside.lantmannen.com/mywork/sustainable-development/climatetarget/Sidor/default.aspx>

### **Goals and policies for the underrepresented gender**

The Board has set a target figure for the underrepresented gender in the Board of Directors of 33%, corresponding to 1 out of 3 members. The board aimed to meet this target in 2020. At present all 3 board members are male. There where no female candidates at the election of board members in 2019, why the target figure was not fulfilled.

The company's policy is to maintain and develop a high level of competence of the employees, including a focus on female employees being able to hold managerial positions. The ambition of Lantmännen Unibake Holding A/S is to have a balanced representation of men and women in senior positions within the Group. In order to increase the level of women in senior positions, the company has among others implemented recruitments procedures assuring candidate short lists representing both genders.

At the company's other management levels there are 26% female managers (24% in 2018).

### **Research and development activities**

In order to secure future earnings and growth, the necessary funds needed to develop products and trademarks are used. Product development and innovation take place in the local production units and in cooperation with the parent company's innovation team.

### **Post balance sheet events**

After the end of the financial year, in March 2020, restrictions related to the spread of the Coronavirus have entered into force in the majority of the countries where the company's subsidiaries are located, which significantly reduce the economic development in the countries and in the rest of the world. It is not known how the situation will develop in the future, and therefore there is a high degree of uncertainty about



the economic development. The company's management constantly evaluates the situation. Currently, the Company and its subsidiaries have implemented profit protection plans, cost savings initiatives and other measures to minimize the financial effects. Management believes that the Company will be able to overcome the effects of the Coronavirus during 2020 through the above-mentioned compensatory measures. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events may differ from the management's current assessment.

No other events have occurred after the financial year-end, which could significantly affect the company's financial position.

#### **Outlook**

The company is expecting a positive result for 2020, but at a lower level than 2019.

## Financial statements 1 January – 31 December

### Income statement

Note	DKK '000	2019	2018
3	Other operating income	302,787	251,051
	Other external expenses	-150,601	-149,092
	<b>Gross profit</b>	152,186	101,959
4	Staff costs	-100,315	-82,299
5	Amortisation, depreciation and impairment losses	-20,139	-24,723
	<b>EBIT</b>	31,732	-5,063
2	Result from investments in group enterprises	88,974	0
6	Financial income	8,567	8,540
7	Financial expenses	-16,070	-25,249
	<b>Profit/loss before tax</b>	113,203	-21,772
8	Tax for the year	-18,900	6,744
	<b>Profit/loss for the year</b>	94,303	-15,028

18 Recommended appropriation of profit/loss

## Financial statements 1 January – 31 December

### Balance sheet

Note	DKK'000	2019	2018
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
	Software	46,717	55,996
9	<b>Intangible assets</b>	46,717	55,996
	Land and buildings	97,799	106,835
	Other fixtures and fittings, tools & equipment	551	416
10	<b>Property, plant and equipment</b>	98,350	107,251
11	Investments in subsidiaries	2,880,514	2,852,452
	Receivables from subsidiaries	312,945	312,849
	Other receivables	708	814
	<b>Financial assets</b>	3,194,167	3,166,115
	<b>Total non-current assets</b>	3,339,234	3,329,362
	<b>Current assets</b>		
	Receivables from related parties	212,195	101,490
	Corporation tax receivable	0	460
	Other receivables	14,616	36,649
	<b>Receivables</b>	226,811	138,599
	<b>Total current assets</b>	226,811	138,599
	<b>TOTAL ASSETS</b>	3,566,045	3,467,961

## Financial statements 1 January – 31 December

### Balance sheet

Note	DKK'000	2019	2018
<b>EQUITY AND LIABILITIES</b>			
12	Share capital	300,000	300,000
	Retained earnings	2,019,428	1,925,068
	<b>Total equity</b>	<b>2,319,428</b>	<b>2,225,068</b>
<b>Long-term liabilities</b>			
13	Provision for deferred tax	15,359	12,926
14	Debt to mortgage credit institutions	4,152	5,543
14	Payables to related parties	1,150,838	1,150,357
	Other payables	2,873	0
	<b>Total long-term liabilities</b>	<b>1,173,222</b>	<b>1,168,826</b>
<b>Short-term liabilities</b>			
14	Debt to mortgage credit institutions	1,384	1,370
	Trade payables	11,792	13,513
	Payables to related parties	11,301	41,896
	Income taxes	16,333	0
	Other payables	32,585	17,288
	<b>Total short-term liabilities</b>	<b>73,395</b>	<b>74,067</b>
	<b>Total liabilities</b>	<b>1,246,617</b>	<b>1,229,967</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,566,045</b>	<b>3,467,961</b>

- 1 Accounting policies
- 15 Contractual obligations and contingencies, etc.
- 16 Mortgages and collateral
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- 18 Appropriation of profit/loss

## Financial statements 1 January – 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	<b>Equity at 1 January 2018</b>	300,000	839,843	1,139,843
18	Appropriation of profit/loss	0	-15,028	-15,028
	Value adjustment, hedging of future cash flows	0	68	68
	Capital increase	0	1,100,185	1,100,185
	<b>Equity at 1 January 2019</b>	300,000	1,925,068	2,225,068
18	Appropriation of profit/loss	0	94,303	94,303
	Value adjustment, hedging of future cash flows	0	57	57
	<b>Equity at 31 December 2019</b>	300,000	2,019,428	2,319,428

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Lantmännen Unibake Holding A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year

#### Consolidated financial statements

According to §112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statement of Lantmännen Unibake Holding A/S and subsidiaries are included in the consolidated financial statements for Lantmännen ek för.

#### Cash flow statement

According to §86(4) of the Danish Financial Statements Act, no cash flow statement is included in the annual report for Lantmännen Unibake Holding A/S. The cash flow statement for Lantmännen Unibake Holding A/S is included in the cash flow statement in the consolidated financial statements for Lantmännen ek för.

#### Fee to auditor

According to §96(3) of the Danish Financial Statements Act, the fee to the appointed auditor is not disclosed. The auditor's fee is included in the consolidated financial statements for Lantmännen ek för.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

## **Income statement**

### **Other operating income**

Income from supply of services is recognised as other operating income with reference to the stage of completion. Licence, royalty income and rent is recognised when the underlying transaction is carried through.

### **Other external costs**

Other external costs comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

### **Amortisation/depreciation and write-downs**

The item includes amortisation/depreciation and write-downs of intangible assets and property, plant and equipment.

Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the assessments of the useful life.

### **Result from investments in group enterprises**

Dividend from investments in subsidiaries is recognised in the income statement in the year of declaration. Distributions of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company's investments in the subsidiary exceeds the carrying amount of the subsidiary's net asset value will be evidence of impairment, meaning that an impairment test must be conducted.

Group contributions are accounted for as dividends and is recognised in the income statement as a result from investments in group enterprises. This also for group contributions between subsidiaries.

### **Financial income and expenses**

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

### **Tax for the year**

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Tax expenses from partnerships applying to tax transparency rules are recognised in "Current tax for the year for foreign partnerships" as a part of the 'Tax for the year' in the income statement.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Balance sheet

###### Intangible assets

On initial recognition, intangible assets are measured at cost.

Development costs comprise expenses, salaries and amortisation charges directly attributable to the Company's development activities.

Software is measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 7 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

###### Property, plant and equipment

Land and buildings, plant and equipment and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Interest expenses on loans to finance the construction of items of property, plant and equipment, and which relate to the construction period, are recognised in cost of the asset. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	20-33 years
Fixtures and fittings, tools and equipment	3-15 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

#### Investments in subsidiaries and associates

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct purchase costs. In case of evidence of impairment, an impairment test must be conducted. Investments are written down to the lower of the carrying amount and the recoverable amount.

#### Impairment of non-current assets

The carrying amount of intangible assets, Investments in subsidiaries and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Equity

##### *Dividend*

Dividend proposed for the year is recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income.

The parent and all Danish group enterprises are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation method).

Lantmännen Unibake Holding A/S acts as a management company for all the companies encompassed by the joint taxation arrangement meaning that the company is responsible for ensuring that taxes, etc. are paid to the Danish tax authorities.

Jointly taxed companies entitled to a tax refund are as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Tax in foreign partnerships applying to tax transparency rules, are recognized in the balance sheet as current tax payables.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value which typically equals nominal value.

## Financial statements 1 January – 31 December

### Notes

#### 2 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred for extensive structuring of processes and basic structural adjustments as well as any related disposal gains and losses, that have a material impact over time. Special items also comprise significant one-off items that, in Management's opinion, do not form part of the Group's operating activities.

As disclosed in the Management's review, the profit/loss for the year is affected by a number of matters that Management does not consider part of the operating activities.

Special items for the year are specified below, including the line items in which they are recognised in the income statement.

DKK'000	2019	2018
<b>Income</b>		
Repatriation of income from Lantmännen Unibake USA (US MAP)	88,974	0
<b>Special items are recognised in the below line items</b>		
Result from investments in group enterprises	88,974	0
<b>Net profit/loss from special items</b>	<b>88,974</b>	<b>0</b>
<b>3 Other operating income</b>		
Income from royalty, license- and management fee from related parties	277,460	221,728
Rental income from related parties	12,227	12,227
Other operating income	13,100	17,096
	<b>302,787</b>	<b>251,051</b>
<b>4 Staff costs</b>		
Wages and salaries	93,032	75,559
Pensions	6,655	6,199
Other social security costs	628	541
	<b>100,315</b>	<b>82,299</b>
Average number of full-time employees	<b>78</b>	<b>71</b>

According to section 98 (3 no. 2) of the Danish Financial Statements Act, no information is disclosed on wages and salaries to the Executive Board and Board of Directors.

<b>5 Amortisation/depreciation and impairment losses</b>		
Software	10,644	14,616
Land and buildings	9,149	9,513
Other fixtures and fittings, tools & equipment	346	594
	<b>20,139</b>	<b>24,723</b>

DKK'000	2019	2018
<b>6 Financial income</b>		
Interest income from related parties	8,333	7,898
Other financial income	234	642
	<u>8,567</u>	<u>8,540</u>
<b>7 Financial expenses</b>		
Interest expense to related parties	15,986	22,519
Other financial expenses	84	2,730
	<u>16,070</u>	<u>25,249</u>
<b>8 Tax for the year</b>		
Current tax for the year	4,813	-480
Current tax for the year for foreign partnerships	5,349	0
Change in deferred tax	-112	-3,217
Prior year adjustments	8,850	-3,047
	<u>18,900</u>	<u>-6,744</u>
Analysed as follows:		
Tax for the year	10,050	-3,678
Prior year adjustments	8,850	-3,047
Tax on changes in equity	0	-19
	<u>18,900</u>	<u>-6,744</u>

**9 Intangible assets**

DKK'000	Software
Cost at 1 January 2019	280,008
Additions	1,365
Disposals	-21,999
Cost at 31 December 2019	<u>259,374</u>
Amortisation and impairment losses at 1 January 2019	224,012
Amortisation	10,644
Disposals	-21,999
Amortisation and impairment losses at 31 December 2019	<u>212,657</u>
<b>Carrying amount at 31 December 2019</b>	<u>46,717</u>
Amortised over	<u>7 years</u>

## 10 Property, plant and equipment

DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	364,603	7,893	372,496
Additions	113	481	594
Cost at 31 December 2019	364,716	8,374	373,090
Depreciation and impairment losses at 1 January 2019	257,768	7,477	265,245
Depreciation	9,149	346	9,495
Depreciation and impairment losses at 31 December 2019	266,917	7,823	274,740
<b>Carrying amount at 31 December 2019</b>	<b>97,799</b>	<b>551</b>	<b>98,350</b>
Depreciated over	20-33 years	3-15 years	

## Financial statements 1 January – 31 December

### Notes

DKK'000		2019	2018
<b>11 Investments in subsidiaries</b>			
Cost at 1 January		2,852,452	1,640,620
Additions		28,062	1,211,832
Cost at 31 December		<u>2,880,514</u>	<u>2,852,452</u>

### Specification of directly owned subsidiaries in accordance with ÅRL §97a (profit/loss and equity per latest released financial statements per Local GAAP)

Name and registered office	Year	Currency	Voting rights and ownership	Profit/loss '000	Equity '000
Lantmännen Unibake Denmark A/S, Denmark	2018	DKK	100%	4,575	87,504
Lantmännen Unibake Germany GmbH, Germany	2018	EUR	100%	19	2,013
Lantmännen Unibake GmbH & Co, Germany	2018	EUR	100%	-1,298	5,062
Lantmännen Unibake Geshäftschft. GmbH, Germany	2018	EUR	100%	14	61
Oy Lantmännen Unibake Finland, Finland	2018	EUR	100%	-3,526	12,227
Lantmännen Unibake Benelux NV, Belgium	2018	EUR	100%	305	14,621
Lantmännen Unibake UK Holding Ltd., England	2018	GBP	100%	-535	137,570
Lantmännen Unibake USA Ltd., USA	2018	USD	100%	4,591	55,693
Lantmännen Unibake Hungary Zrt, Hungary	2018	HUF	100%	113,692	828,354
Lantmännen Unibake S.L., Spain	2016	EUR	100%	-717	602
Lantmannen Unibake R ApS, Denmark	2018	DKK	99,995%	-7	50,716
Lantmännen Unibake Poland S.P.z.o.o, Poland	2018	PLN	51,61%	26,400	150,726

All subsidiaries are considered separate entities.

## Financial statements 1 January – 31 December

### Notes

#### 12 Share capital

The share capital comprises 3 million shares of DKK 100 nominal value each. All shares rank equally. The share capital has remained unchanged for the last 5 years.

DKK'000	2019	2018
<b>13 Deferred tax</b>		
Deferred tax at 1 January	12,926	19,272
Prior-year adjustments	2,529	-3,129
Adjustment of the deferred tax charge for the year	-112	-3,217
Adjustment of the deferred tax related to hedging of future cash flows	16	0
<b>Deferred tax at 31 December</b>	<b>15,359</b>	<b>12,926</b>

The deferred tax charge relates to:

Intangible assets	10,278	12,258
Property, plant and equipment	12,423	11,945
Current assets	1,112	0
Provisions	-8,454	-11,277
	<b>15,359</b>	<b>12,926</b>

#### 14 Non-current liabilities and other provisions

DKK'000	Total debt at 31 Dec. 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred Tax	15,359	0	15,359	0
Mortgage debt	5,300	1,325	3,975	0
Debt to related parties	1,150,838	0	1,150,838	0
Hedging instrument	236	59	177	0
	<b>1,171,733</b>	<b>1,384</b>	<b>1,170,349</b>	<b>0</b>

#### 15 Contractual obligations and contingencies, etc.

##### Operating lease liabilities

Lease liabilities (operating leases), which fall due within 4 years, total MDKK 2.7 (2018: MDKK 2.5).

##### Other financial obligations

Rent payments concerning rent contract, which fall due within 11 years, total MDKK 46 (2018: MDKK 1.8).

#### 16 Mortgages and collateral

Land and buildings totalling MDKK 55.4 at 31 December 2019 have been provided as collateral for debt to mortgage credit institutions, MDKK 5.3 at 31 December 2019.

#### 17 Related party disclosures

Lantmännen Unibake Holding A/S' related parties comprise the following:

### Parties exercising control

Lantmännen ek för, S:t Göransgatan 160 A, Stockholm, Sweden, which controls the Company. The Company is included in the consolidated financial statements for Lantmännen ek för. The Consolidated financial statements can be found at;

[https://www.lantmannen.com/siteassets/documents/01-om-lantmannen/finansiell-information/lantmannen\\_annual\\_report\\_with\\_sustainable\\_report-2019.pdf](https://www.lantmannen.com/siteassets/documents/01-om-lantmannen/finansiell-information/lantmannen_annual_report_with_sustainable_report-2019.pdf)

During 2019 the Company has had the following transactions with related parties

Income from royalty, license- and management fee from related parties		277,460	
Rental income from related parties		12,227	
Invoicing of personnel costs and travel cost to related parties		5,336	
IT costs to related parties		7,271	
Financial income from related parties		8,333	
Financial costs to related parties		15,986	
Joint taxation, net		-4,296	
Group contribution (repatriation of profits, US MAP)		88,974	
Receivables from subsidiaries		312,945	
Receivables from related parties		212,195	
Payables to related parties		1,162,139	
<b>DKK'000</b>		<b>2019</b>	<b>2018</b>
<b>18 Distribution of profit/loss</b>			
<b>Proposed distribution of profit/loss</b>			
Transferred to reserves under equity		94,303	-15,028
		<u>94,303</u>	<u>-15,028</u>