Mejerigaarden A/S

Sennelsvej 1, DK-7700 Thisted

Consolidated financial statements for the financial year ended 31 December 2019

CVR-nr. 37 31 73 14

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31 August 2020

Kim Gade Pedersen
Chairman

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Managements statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Mejerigaarden A/S (the Company), including consolidated Annual Report of Mejerigaarden A/S and its solely owned subsidiary Hjem-Is Danmark A/S (the Group) for the financial year 1 January 2019 to 31 December 2019.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. Management's Review 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 at 31 December 2019 of the Company and the Group and of the results of the Company's and the Group's operations and cash flows for the financial year 1 January 2019 to 31 December 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company and the Group, of the results for the year and of the financial position of the Company and the Group as well as a description of the most significant risks and elements of uncertainty facing the Company and the Group.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Thisted, 25 August 2020

Executive Board

Kim Gade Pedersen	Claus Dahlmann Larsen
CEO	CCO

Board of Directors

Andrei Beskhmelnitskii	Normunds Stanevics	Nodir Normatov
Chairman of the Board	Board member	Board member

Information on the Parent company

The Company	Mejerigaarden A/S CVR No. 37 31 73 14
Address of the Company	Sennelsvej 1, DK-7700 Thisted Municipality of re. office: Thisted
Board of Directors	Andrei Beskhmelnitskii (Chairman of the Board) Normunds Staņēvičs (Member of the Board) Nodir Normatov (Member of the Board)
Executive Board	Kim Gade Pedersen Claus Dahlmann Larsen (from 1 September 2019) Christian Brink (till 1 July 2019)
Subsidiary	Hjem-Is Danmark A/S (100%) Kokholm 1 B, 6000, Kolding, Denmark
Reporting period	1 January 2019 – 31 December 2019
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Resenvej 81, Postboks 19 DK-7800 Skive CVR No. 33 77 12 31
Bankers	Danske Bank A/S Finanscenter Jylland Nord Prinsensgade 22, DK-9000 Aalborg (till 03.07.2020) Ringkjøbing Landbobank (since 08.06.2020)

Report of the Management

Management's review

The Annual Report of Mejerigaarden A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Principal activities

Mejerigaarden carries on production, sale and distribution of ice-cream products primarily for the Danish market.

Market overview

The overall market in Denmark for Mejerigaarden's products is generally stable but showed a decrease in 2019 compared with 2018 due to, among other things, poorer summer weather. The market remains subject to some difficult general conditions and is still a very competitive market with much focus on price.

Development in the year

The financial year 2019 was characterised by normal operating conditions, including normal summer weather. Also the price level of important raw materials such as cream and natural vanilla saw a high level in 2019.

The Company maintained its total market share in 2019.

Overall, the above is reflected in the financial development; the income statement shows a loss of DKK 5 656k and equity amounts to DKK 88 646k.

The results did not meet Management's expectations for 2019 and are considered unsatisfactory.

Expected financial development

The Company and the Group expect to see improved results for 2020. Reference is made to subsequent events disclosures as regards the possible effect of COVID-19.

Special risks

Operations

The Company's earnings may to a significant extent be affected by the weather in the summer months in Denmark. Moreover, the Company's activities are affected by the price level of basic raw materials such as cream, proteins, sugar, etc.

Financial risks

The Company is not exposed to changes in exchange rates and interest-rate levels to any material extent.

Exchange rate and interest-rate risks

The Company's activities in foreign currencies are limited; consequently, changes in exchange rates and interest rates will not affect results, cash flows and equity to any material extent. The Company's interest-bearing debt consists primarily of intercompany payables or is based on a fixed interest rate and, therefore, changes in interest rates will have a limited effect on earnings.

Research and development activities

The Company applies considerable resources on product development. Product development costs are treated for accounting purposes as part of the production costs.

External environment

The Company makes targeted efforts to reduce its consumption of resources and environmental impact.

The climate and environmental policy adopted is based on financially and environmentally sound operations and is a natural and important element of Management's target of optimising both production conditions and product quality.

Report of the Management *(continued)*

Corporate social responsibility report

The Group's business model

Mejerigaarden A/S carries on production, sale and distribution of ice-cream products primarily for the Danish market.

The production of ice-cream products takes place primarily at the Company's plant in Thisted. The Company also imports ice-cream products. The products are sold under the trademarks Premier Is, Polar Is, Gammeldags, Mejerigaarden, Underground and Rønbjerg.

The distribution of the Company's own products is operated partly through our own sales vans to retailers and partly through central warehouses to wholesalers.

The Company has minor exports to the Scandinavian markets and to Germany.

Mejerigaarden is part of the Food Union Group.

Mejerigaarden A/S wants to contribute to social responsibility throughout its value chain and has a size that requires but not least entitles the Company to take active social responsibility. Mejerigaarden A/S wants to work with CSR as an integrated part of its strategy and operations with focus on internal and external responsibility including impact on the environment, requirements for sub-suppliers, working conditions and training. Based on the already existing policies and results, CSR will therefore continue to form a natural part of the day-to-day work of Mejerigaarden A/S and comprises all activities carried out by Mejerigaarden A/S as defined in policies for the Company's environmental impact, public health, working conditions, gender composition of Management, welfare to work programmes and training, human rights, child labour and anti-corruption.

Mejerigaarden A/S will continue to relate to its surroundings and further develop its CSR strategy to take into account not only CSR but all that CSR means to the entire Mejerigaarden A/S.

Ethical trading and anti-corruption rules

All types of corruption, bribery, fraud and money laundering are strictly prohibited. We reject all unfair and restrictive trading practices. No employee of the Company is allowed to accept personal gifts, services, travels, event offers or similar benefits of material value from suppliers or other business partners.

It is strictly forbidden to grant, offer or promise any benefit, whether directly or indirectly, to any public officer with a view to wrongfully influencing the exercise of public authority in connection with purchases, tendering or any other type of business or business transaction that may result in an undue gain.

We are on the lookout for conflicts of interests, and our employees should always safeguard the Company's interests over their personal interests. We encourage everyone to use their common sense.

We focus on the Company's internal procedure and control measures and are striving continuously to adapt these to our day-to-day work and in response to external impacts. We did not during the year identify any instances in the nature of bribery, fraud or corruption.

It is an unconditional requirement that our suppliers declare to meet an internally defined code of conduct, which contains CSR requirements defined by, among others, the UN, OECD and the Danish Ministry of Business, Industry and Financial Affairs.

The purpose of the internal code of conduct is, among other things, to ensure that Mejerigaarden actively aims at complying with laws, regulations and generally accepted practice to avoid any form of corruption, including bribery and money laundering.

Employees and working environment

Also in 2019, Mejerigaarden A/S saw good results from its focus on an improved working environment, including measures to prevent accidents as well as a number of tools to support development, training and job satisfaction.

The Company actively works on setting up action plans based on APVs (workplace assessments) for the purpose of taking action in the areas that will contribute the most to improving the working environment.

Together with the job centre, the Company forms part of a project called code of care which aims at helping disadvantaged citizens out of unemployment and into jobs.

Report of the Management *(continued)*

Environment and climate

Mejerigaarden A/S produces ice-cream products, which requires a significant consumption of energy. The energy consumption is mainly used for cooling, heating and freezing.

The actual energy consumption varies compared to the production volume and product mix and, consequently, the determination of gross production target figures is less relevant for the Company.

The energy consumption has developed as follows:

	Electricity			Natural gas		
	2019	2018	2017	2019	2018	2017
KWH	5 508 330	5 615 488	4 718 747			
M3				243 564	258 656	244 507
Per production hourly wage	56.82	51.44	61.54	2.51	2.25	3.19

The target for 2019 was not met mainly due to the improved production efficiency; in 2019 fewer production hours per line were spent compared with 2018, which affects the comparability with 2018 negatively. The target for 2020 is to maintain the same energy efficiency as achieved in 2018 through ongoing energy optimisation of the production by investing in more energy efficient equipment etc.

Mejerigaarden A/S continuously works on minimising its indirect environmental impact by selecting packaging types with the least possible impact on the environment. Thus, sustainability, including the climate impact, constitutes the Company's primary strategy area.

A few years ago, the Company entered into a climate partnership with Dong (Ørsted) and implemented an energy savings project under which feasible energy efficiency measures were introduced.

The Company's waste water is monitored and neutralised before it is released to a purification plant, and waste from the production is sold for biogas production to the extent possible.

Statement on gender representation

Gender representation in Management

At Mejerigaarden A/S, we emphasise the development of our organisation and employees. We see diversity among our employees as a strength and make an active effort to avoid negative discrimination of employees based on gender, ethnicity or religious beliefs so that all employees at all levels have the same rights, duties, opportunities and equal pay for the same work.

Presently, the gender representation at management levels is as follows:

	Women	Targets for women	Men
Board of Directors	0%	25%	100%
Other managers	33%	33%	67%

The Board of Directors consists of two representatives of the Company's foreign owners and a representative of Group Management.

In 2019, it was decided to merge Mejerigaarden A/S with Hjem-Is Danmark A/S, and the plan was to consolidate the Board of Directors so that the female board member of Hjem-Is Danmark A/S would continue as a member of the Board of Directors of the continuing company.

At the balance sheet date, the merger of the companies was not yet implemented and, consequently, the target of gender representation in the Board of Directors has not yet been met.

As a first step in the direction of an equal gender representation, the Executive Board of Mejerigaarden A/S will, through dialogue, actively seek to influence the owners to increase the Board of Directors to four members elected at the General Meeting in order thus to open up for the possibility of having women represented on the Company's Board of Directors.

Report of the Management *(continued)*

As regards other executives, it is the Company's intention to ensure equal opportunities for both genders in order to promote an equal gender representation. Emphasis is placed on attracting both male and female candidates particularly in connection with recruitment.

Human rights

Mejerigaarden A/S obtains its raw materials and packaging worldwide. Through supply agreements and supplier cooperation as well as the use of certified ingredients (UTZ, RSPO), we place specific requirements for suppliers' compliance with human rights as per UN conventions and the ILO as well as for not using child labour.

Subsequent events

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

The Company's outlook for the future will be negatively as well as positively affected by the COVID-19 outbreak and the measures taken by the Danish government to mitigate the impacts of the outbreak. It is too early yet to give an opinion as to the extent of implications on the Company's outlook. So far, it has been possible to maintain normal production at the Company's factory in Thisted, however, with increased costs for personal protection equipment, securing social distancing and sending home employees in special risk groups.

The total sale of ice-cream products in the market is not expected to be significantly affected; however, a number of the Company's customers were directly affected by the ban on being open, which will have a negative effect on revenue. All sales channels, including e-commerce, are expected to grow as a result of the close-down of society.

Material uncertainty is still attached to the consequences of the COVID-19 outbreak and, therefore, the Company is not able reliably to state any expectations for the years ahead.

Report of the Management *(continued)*

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Profit/loss					
Revenue	427 942	468 046	342 209	294 785	198 066
Gross profit	213 441	226 169	109 856	124 070	73 991
Operating profit	5 628	19 397	4 155	31 994	14 269
Profit/loss before financial income and expenses	5 628	19 397	4 155	30 730	13 693
Net financial items	-10 526	- 13 112	- 5 710	- 1 681	- 1 119
Net profit/loss for the year	-5 656	4 877	- 84	22 660	8 540
Balance sheet					
Balance sheet total	426 144	360 525	335 827	141 491	136 135
Equity	88 646	94 302	89 425	61 388	38 728
Cash flows					
Cash flows from:					
- operating activities	51 147	47 172	5 254	38 780	34 769
- investing activities	-15 334	- 23 931	- 127 783	- 12 474	- 7 106
- *including investment in property, plant and equipment*	*-19 013*	- *31 069*	- *27 235*	- *8 938*	- *5 102*
- financing activities	-35 489	- 15 480	129 440	- 677	- 1 105
Change in cash and cash equivalents for the year	325	7 760	6 911	25 629	26 558
Number of employees	439	306	240	142	150
Ratios					
Gross margin	49.9%	48.3%	32.1%	42.1%	37.4%
Profit margin	1.3%	4.1%	1.2%	10.4%	6.9%
Return on assets	75.7%	18.6%	80.8%	21.7%	10.1%
Solvency ratio	20.8%	26.2%	26.6%	43.4%	28.4%
Return on equity	-6.2%	5.3%	0.1%	45.3%	24.8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In 2015 Mejerigaarden A/S changed its financial year from 1 May – 30 April to the calendar year. Financial highlights for financial year 2015 comprise the period 1 May – 31 December 2015 (8 months). Other comparative figures comprise 12 months.

In 2016 Mejerigaarden A/S changed accounting policy for the measurement of revenue. Previously, the Company set off direct marketing contributions against revenue as the Company considered the contributions to be payment for additional sales. The Company has decided to present direct marketing contributions under distribution costs. The comparative figures for 2015 have been restated. Other comparative figures before 2015 have not been restated.

In 2017 Mejerigaarden A/S acquires the Hjem-Is Group. The comparative figures for 2017 have been restated. Other comparative figures before 2017 have not been restated.

In 2018, with effect from 1 January 2017, the Group has chosen to submit annual financial statements in accordance with IFRS. The Group has previously prepared annual financial statements in accordance with the Danish Financial Statements Act. The comparative figures for 2017 have been restated. Other comparative figures before 2017 have not been restated.

Statement of comprehensive income

	Note	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Revenue	5	427 941 652	468 045 696	330 956 999	359 575 046
Cost of goods sold	6	(214 500 384)	(241 876 221)	(222 683 539)	(239 662 508)
Gross profit		**213 441 268**	**226 169 475**	**108 273 460**	**119 912 538**
Selling expenses	7	(165 014 153)	(168 412 673)	(74 400 322)	(84 159 788)
Administrative expenses	8	(48 468 866)	(43 803 056)	(28 322 124)	(28 521 795)
Other operating income	9 (a)	5 288 821	5 040 647	4 754 194	5 371 757
Other gains, net	9 (b)	600 140	723 943	101 465	319 757
Other operating expenses	9 (c)	(218 900)	(321 180)	(166 883)	(202 746)
Operating profit		**5 628 310**	**19 397 156**	**10 239 791**	**12 719 723**
Finance costs	10 (a)	(10 342 400)	(12 378 975)	(8 624 197)	(11 982 599)
Loss on foreign exchange	10 (b)	(183 650)	(733 059)	(175 490)	(799 646)
Profit/ (loss) before income tax		**(4 897 740)**	**6 285 122**	**1 440 103**	**(62 522)**
Income tax expense	14	(758 198)	(1 408 299)	(287 272)	(73 777)
Profit/ (loss) for the year		**(5 655 938)**	**4 876 823**	**1 152 831**	**(136 299)**
Other comprehensive income/ (expenses)		-	-	-	-
Total comprehensive profit/ (loss) for the reporting year		**(5 655 938)**	**4 876 823**	**1 152 831**	**(136 299)**

Notes on pages from 14 to 48 form an integral part of these financial statements.

Statement of financial position

Assets	Note	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Non-current assets					
Intangible assets	17	165 200 177	167 502 128	40 500 400	38 294 975
Property, plant and equipment	18	128 202 521	54 307 088	76 667 918	45 277 679
Loans receivable	20	-	548 942	-	548 942
Trade and other receivables	22	2 358 979	-	471 076	-
Other financial assets	19	-	-	99 756 174	99 756 174
Total non-current assets:		**295 761 677**	**222 358 158**	**217 395 568**	**183 877 770**
Current assets					
Inventories	21	68 388 014	78 738 804	53 418 874	62 176 968
Loans receivable	20	-	-	862 419	-
Trade and other receivables	22	46 526 428	44 275 788	47 387 559	49 214 896
Cash and cash equivalents	23	15 468 229	15 151 962	13 217 936	7 716 763
Total current assets:		**130 382 671**	**138 166 554**	**114 886 788**	**119 108 627**
Total assets		**426 144 348**	**360 524 712**	**332 282 356**	**302 986 397**

Liabilities	Note	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Share capital	24	1 100 000	1 100 000	1 100 000	1 100 000
Other reserves:		617 488	1 372 083	617 488	617 488
Retained earnings		86 928 417	91 829 760	91 645 480	90 492 649
Total equity:		**88 645 905**	**94 301 843**	**93 362 968**	**92 210 137**
Non-current liabilities:					
Borrowings	25	176 315 189	107 720 531	137 230 422	107 160 329
Deferred tax liability	26	22 969 869	23 232 864	2 782 164	2 663 020
Total non-current liabilities:		**199 285 058**	**130 953 395**	**140 012 586**	**109 823 349**
Current liabilities:					
Borrowings	25	73 289 245	73 784 479	45 360 605	48 703 403
Current income tax		18	-	-	-
Trade and other payables	27	64 924 122	61 484 995	53 546 197	52 249 508
Total current liabilities:		**138 213 385**	**135 269 474**	**98 906 802**	**100 952 911**
Total liabilities:		**337 498 443**	**266 222 869**	**238 919 388**	**210 776 260**
Total equity and liabilities:		**426 144 348**	**360 524 712**	**332 282 356**	**302 986 397**

Notes on pages from 14 to 48 form an integral part of these financial statements.

Statement of changes in equity

Parent:	**Share capital**	**Other reserves**	**Retained earnings**	**Total**
	DKK	**DKK**	**DKK**	**DKK**
Balance as at 31.12.2017	**1 100 000**	**-**	**63 013 373**	**64 113 373**
Total comprehensive loss for the reporting year	**-**	**-**	(136 299)	**(136 299)**
Acquired in business combination	**-**	617 488	27 615 575	**28 233 063**
Balance as at 31.12.2018	**1 100 000**	**617 488**	**90 492 649**	**92 210 137**
Total comprehensive income for the reporting year	-	**-**	1 152 831	**1 152 831**
Balance as at 31.12.2019	**1 100 000**	**617 488**	**91 645 480**	**93 362 968**

Consolidated:	**Share capital**	**Other reserves**	**Retained earnings**	**Total**
	DKK	**DKK**	**DKK**	**DKK**
Balance as at 31.12.2017	**1 395 000**	**868 384**	**87 161 636**	**89 425 020**
Merge of companies *	(295 000)	-	295 000	**-**
Reclassification	-	503 699	(503 699)	**-**
Total comprehensive income for the reporting year	-	-	4 876 823	**4 876 823**
Balance as at 31.12.2018	**1 100 000**	**1 372 083**	**91 829 760**	**94 301 843**
Reclassification	-	(754 595)	754 595	**-**
Total comprehensive loss for the reporting year	-	-	(5 655 938)	**(5 655 938)**
Balance as at 31.12.2019	**1 100 000**	**617 488**	**86 928 417**	**88 645 905**

* On 30 March 2018 (effective 1 January 2018) Mejerigaarden Investment AS was merged into Mejerigaarden AS. As a result, Mejerigaarden Investment AS ceased to exist without liquidation process.

Notes on pages from 14 to 48 form an integral part of these financial statements.

Statement of cash flows

	Note	2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Cash flows from operating activities		Consolidated	Consolidated	Parent	Parent
Profit/ (loss) before tax		**(4 897 740)**	**6 285 122**	**1 440 103**	**(62 522)**
Adjustments for:					
Depreciation of property, plant and equipment	18	27 356 555	22 901 770	19 295 345	19 410 702
Amortization of intangible asset amortisation	17	10 454 838	11 633 859	5 938 259	7 173 431
Interest income	9 (a)	(355)	(155 581)	(187)	(490 195)
Interest expenses	10 (a)	10 181 629	12 283 702	8 554 041	11 917 847
Impairment of receivables and inventory		33 226	(50 748)	(61 764)	(50 748)
Change in accrued liabilities		13 308 965	6 116 563	10 358 470	5 158 544
Change in deferred expenses		(2 647 351)	-	(1 779 9997)	-
Impairment of loans	20	-	75 000	-	75 000
(Impairment) recognized		(81)	-	(81)	-
(Gain) on disposal of non-current assets	17, 18	(600 140)	(723 943)	(101 465)	(319 757)
		53 189 546	**58 365 744**	**43 642 724**	**42 812 302**
Adjustments for:					
Decrease/ (increase) in inventories		10 341 839	(16 457 670)	8 723 141	(10 007 968)
(Increase)/ decrease in trade and other receivables		(1 569 443)	11 747 102	3 674 255	4 808 431
Increase/ (decrease) in trade and other payables		(9 793 443)	(6 483 536)	(8 960 790)	(4 398 436)
Cash (used in)/ generated from operations		**52 168 499**	**47 171 640**	**47 079 330**	**33 214 329**
Corporate income tax paid		(1 021 174)	-	(221 086)	-
Net cash generated from operating activities		**51 147 325**	**47 171 640**	**46 858 244**	**33 214 329**
Cash flows from investing activities					
Acquisition of tangible and intangible assets	17,18, 25 (viii)	(19 013 131)	(31 068 645)	(18 737 586)	(28 764 957)
Release of escrow / (acquisition of subsidiary)		-	3 968 322	-	3 832 567
Proceeds from sale of tangible assets and intangible assets	17, 18	3 579 848	2 737 014	3 007 853	2 147 014
Loans issued	20	(280 313)	(284 000)	(1 142 732)	(284 000)
Received repayment of the issued loans	20	379 313	560 334	379 313	30 516 236
Interest received	20	355	155 581	187	490 195
Net cash used in investing activities		**(15 333 928)**	**(23 931 394)**	**(16 492 965)**	**7 937 055**
Cash flows from financing activities					
Borrowings received	25 (vii)	-	95 722 502	-	70 934 235
Repayments of borrowings	25 (vii)	(11 158 694)	(98 021 473)	(8 284 638)	(98 021 473)
Interest paid	25 (vii)	(7 457 157)	(8 259 857)	(6 833 118)	(8 010 395)
Lease liabilities with purchase option interest payments	25 (viii)	(92 080)	(220 650)	(46 578)	(156 670)
Lease liabilities without purchase option interest repaid	25 (viii)	(1 704 819)	n/a	(750 884)	n/a
Lease liabilities with purchase option payments	25 (viii)	(2 997 934)	(4 405 874)	(2 611 093)	(3 856 673)
Lease liabilities without purchase option repaid	25 (viii)	(12 077 968)	n/a	(6 333 495)	n/a
Changes in share capital		-	(294 999)	-	-
Net cash used in financing activities		**(35 488 652)**	**(15 480 351)**	**(24 859 806)**	**(39 110 976)**
Net increase in cash and cash equivalents		**324 745**	**7 759 895**	**5 505 473**	**2 040 408**
Result of foreign exchange rate fluctuations		(8 478)	-	(4 300)	-
Cash and cash equivalents at beginning of the year	23	**15 151 962**	**7 392 067**	**7 716 763**	**5 676 355**
Cash and cash equivalents at end of the year	23	**15 468 229**	**15 151 962**	**13 217 936**	**7 716 763**

Notes on pages from 14 to 48 form an integral part of these financial statements.

Notes to the financial statements

1. General information

These financial statements were approved by the Management Board. The Annual Report is approved by the Company's Supervisory Board and the General Meeting of Shareholders authorises it for issue.

Country of incorporation

Mejerigaarden A/s is involved in production and wholesale of ice - cream and frozen food products. The only shareholder of the Company is Food Union Holding (CY) Company Limited, incorporated in Cyprus. Food Union Holding (CY) Company Limited prepares consolidated financial statements for the Food Union group (hereinafter "the FU Group") that are available on the company's registered address.

From October 2015, the Company belongs to the dairy industry group that is known under the name of Food Union.

As at 31 December 2019 and 31 December 2018, the Parent company of Mejerigaarden A/S is Food Union Holding (CY) Company Limited, further controlled by Food Union (EE) Limited, incorporated in British Virgin Islands, which since 5 February 2020 owns 100,00% of the shares (prior 99,77%). Till 5 February 2020 the remaining 0,23% of the shares are owned by six different companies incorporated in British Virgin Islands. As at 31 December 2018, the FU Group's majority shareholders were Delpin Consultants Limited, incorporated in British Virgin Islands and Meridian Capital CIS Fund, incorporated in Cayman Islands. Since April 2019, the FU Group's majority shareholders are Delpin Consultants Limited and Tayen Ventures Limited, incorporated in British Virgin Islands and Meridian Capital CIS Fund, incorporated in Cayman Islands.

As at 31 December 2019 (31.12.2018) ownership of three ultimate beneficial owners is as follows: Askar Alshinbayev 28,72% (29,47%), Yevgeniy Feld 28,72% (25,87%), and Andrei Beskhmelnitskii 34,70% (20,27%). Other shareholders owned less than 10% of the shares each.

Principal activities

The principal activities of Mejerigaarden A/S and its subsidiary, which are unchanged from the previous year, are those of ice - cream production, and wholesale of ice-cream and deep-frozen goods.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Mejerigaarden A/S and its subsidiary (together – the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by European Union (EU) and additional requirements in the Danish Financial Statements Act.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the IFRS accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements are presented in Danish coin (DKK). Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent. Changes for periods between monetary amounts are calculated based on the amounts in ore coin and then rounded to the nearest coin.

The reporting period for the financial statements is from 1 January 2019 until 31 December 2019.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

Adoption of new and revised IFRSs and interpretations

The following new and revised IFRSs and interpretations became effective from 1 January 2019, and had an impact on the operations of the Group and these financial statements:

IFRS 16 "Leases"

The Group has adopted IFRS 16 "Leases" from its mandatory adoption date, 1 January 2019, which has resulted in changes in the accounting policies and adjustments to the amounts recognized in the financial statements.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees are required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Group has applied the simplified transitional approach and has not restated year 2018 comparative amounts, recognizing all adjustments and reclassifications in the opening balances on 1 January 2019.

On adoption of IFRS 16, for all leases, except short-term leases and leases of low-value assets, previously classified as operating leases under IAS 17, the Group has recognized a lease liability and Right-to-use (hereinafter RTU) asset measured at the present value of the remaining lease payments, discounted using incremental borrowing rate as at 1 January 2019.

For leases previously classified as finance leases the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the Right-to-use asset and the lease liability at the date of application. The measurement principles of IFRS 16 are only applied after that date.

The Group elected the following practical expedients:

- Has applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Excluded initial direct costs for the measurement of the Right-to-use assets at the date of initial application;
- Using hindsight in determining the lease term where the contract contains option to extend or terminate the lease;
- Not to apply the new lessee accounting model to leases for with the lease term ends within 12 months after the date of initial application. Instead, it has accounted for those leases as short-term leases, and
- The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered onto before the transition date the Group relied on its assessment made applying IAS 17 before.

The explanation of the difference between operating lease commitments disclosed as at 31 December 2018 when applying IAS17 to the lease liabilities recognized as at 1 January 2019 is presented in the table below:

	01.01.2018 EUR
Operating lease commitments as at 31 December 2018 under IAS17	10 642 769
Estimated lease period effect on agreements included in lease commitments at the YE2018:	53 950 411
Excluded short-term leases	(459 632)
The effect of discounting using the incremental borrowing rate at 1 January 2019	(1 585 760)
Lease liability as at 1 January 2019	**62 547 788**
Current portion	7 994 021
Non-current portion	54 553 767

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Adoption of new and revised IFRSs and interpretations *(continued)*

The following new and revised IFRSs and interpretations became effective from 1 January 2019, but had no impact on the operations of the Group and these financial statements:

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- IFRIC 23, Uncertainty over Income Tax Treatments.

New standards and interpretations published and effective for the accounting periods beginning on 1 January 2020 or later periods or not yet endorsed by the EU and which the Group has not early adopted:

The Group anticipates that the adoption of all other standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

- effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU:
  - Amendments to IAS 19 "Employee benefits" and to IAS 28 "Investments in Associates and Joint Ventures";
  - Annual improvements to IFRS's 2017 – the amendments include changes to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income taxes" and IAS 23 "Borrowing costs";
- effective for annual periods beginning on or after 1 January 2020, not yet adopted by the EU:
  - Amendments to the Conceptual Framework for Financial Reporting;
  - Definition of business – Amendments to IFRS 3 "Business combinations;
  - Definition of materiality – Amendments to IAS 1 and IAS 8;
  - Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;
- effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU – IFRS 17 "Insurance contracts";
- effective date to be determined by the IASB, not yet endorsed in the EU – amendments to IFRS 10 "Consolidated financial statements", IAS 28 "Investments in associates and joint ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

Consolidation principles

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

In the Parent company's financials, the investment in subsidiary is recognized at cost less impairment, if any. Cost is adjusted to reflect the changes arising from changes in contingent consideration. Dividend is recognized in the income statement.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Consolidation principles *(continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is premeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Transactions with equity owners/subsidiaries

The Group enters into transactions with shareholders and subsidiaries. When consistent with the nature of the transaction, the Group's accounting policy is to recognize (a) any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contributions or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders or subsidiaries, are recognized through the profit or loss in accordance with IFRS 9, 'Financial Instruments Recognition and Measurement'.

In relation to combination of entities under common control, the Group has chosen to apply the following accounting policy:

- where the direct legal ownership of involved entities is changed outside the Group (e.g. entity is bought from the Group’s shareholders), the Group accounts for the change as business combination under IFRS 3;
- where the direct legal ownership of involved entities is changed within the Group (e.g. entity is bought from the other subsidiary of the Group), the Group accounts for the change under pooling-of-interest method;
- where the direct legal ownership of involved entities does not change (for example, legal merger), the Group accounts for the change under pooling-of-interest method.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Danish coins (DKK), which is the Group’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Revenue recognition

Revenue is recognized based on the price specified in the contract, net of value added taxes, volume rebates granted, returns and discounts.

Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Group does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a consequence the Group does not adjust any of the transaction prices for the time value of money.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Revenue recognition *(continued)*

Revenues earned by the Group are recognized on the following bases:

(i) Sales of goods and services

Sales are recognized when control of the products has transferred to the customer, which is usually when the Group has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of services are recognized in the accounting period in which the services are rendered, by reference to the stage completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Major part of services relates to sale of goods and accordingly service revenues are recognized at a point in time in the same patter as the revenue from sale of goods is recognized.

Timing of revenue recognition for other services, if provided for prolonged time periods, is “Over time”.

(ii) Interest income

Interest income is recognized on time-proportion basis using the effective interest rate method.

(iii) Rental income

Rental income arising on leases is recognized as Other operating income on a straight-line basis over the lease term.

(iv) Dividend income

Dividend income is recognized when the right to receive payment is established.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Denmark. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit / loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Refer to Note 14 and Note 26.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

Buildings	10-20 years
Equipment and machinery	6-15 years
Other fixed assets and motor vehicles	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Fixed assets under construction represents costs of fixed assets and fixed assets under construction, thereby the initial cost is maintained. The initial cost includes construction costs and other direct costs. Depreciation of fixed assets is not calculated until the assets are completed and put into operations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Borrowing costs attributable to the construction of property, plant and equipment are added to the cost of the assets during the period that is required to complete and prepare the asset for its intended use.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Items of property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognized in "other gains/(losses) – net" in profit or loss.

Leases *(until 31 December 2018)*

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the lease term and their useful economic life, unless there is reasonable certainty that the Group will obtain ownership by the end of the lease term, in which case the assets are depreciated over their estimated useful lives.

When reasonable foundation exists that at the end of the lease period the respective object of a lease will be transferred to lessee, it is assumed that the prospective utilization life of the asset will equal to the useful life of the asset. In all other cases depreciation of the capitalized leased assets is calculated using the straight – line method during the shortest of useful life of the asset or period of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Starting 1 January 2019 leases are accounted under IFRS 16 (see changes in accounting policies).

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. See also principles for "Impairment of non-financial assets".

Trademarks, licenses, patents

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and licenses with a finite useful life are carried at cost less accumulated amortization and they are tested for impairment where there is an indication of impairment.

Amortization is calculated using the straight-line method to allocate the cost of trademarks, brands, licenses (other than software) over their estimated useful lives as follows:

Trademarks and brands	10 years
Licenses and patents (other than software)	3-10 years

The useful lives of trademarks have been determined on the basis of management estimates of the expected length of the cash generating period by these assets. Useful lives of software license have been determined on the basis of duration of right of use of assets.

The management estimates that umbrella brands have indefinite useful lives since the cash flows generated by these intangible fixed assets have indefinite future. See also principles for "Impairment of non-financial assets".

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are charged to the profit or loss of the year in which they were incurred.

Computer software costs are amortized using the straight-line method over their estimated useful lives, not exceeding a period of five years. Amortization commences when the computer software is available for use and is included within administrative expenses.

Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

When the net realizable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realizable value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. Refer to accounting policy on Financial assets for further details.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturity of three months or less. Bank overdrafts which are used as financing tools, are presented under financing cash flows and do not comprise part of cash and cash equivalents.

Cash pool accounts

Cash pool account is a centralized cash management solution for certain companies of Food Union Holding (Cyprus) Company limited group (“FU Group”). The main function of the cash pool account is the notional pooling of funds from participating current accounts of several FU Group companies that are part of the Cash pool agreement. This allows provision of liquidity for cash pool participants and reduce need for external financing. According to the Cash pool agreement, during the reporting year an overdraft facility of up to EUR 2 000 000 was available to cash pool members to cover the negative balances of the FU Group cash pool account.

The Group can borrow funds from cash pool (negative balance on the Group’s cash pool accounts) or lend funds to the cash pool (positive balance on the Group’s cash pool accounts). The negative balances of the Group’s cash pool accounts are included in the balance sheet position “Other borrowings from related parties”, while positive balances of the Group’s cash pool accounts are included in the balance sheet position “Other loans to related parties”.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends.

Statutory Reserve capital

Other reserves include accumulates profit/loss and reserves for development cost according to national GAAP.

Dividend

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Employee benefits

Employee benefits include payroll payments, holiday and pension reservation and provisions. The are no pensions obligations to employees when paid to local authorities.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment (for liquidity services) and amortized over the period of the facility to which it relates.

All gains or losses resulting from the modifications of borrowings that did not result in de-recognition are recognised in profit or loss.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortization of discounts or premium relating to borrowings, amortization of ancillary costs incurred in connection with the arrangement of borrowings, lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories: those to be measured at amortised cost and those at fair value through profit and loss. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Financial assets *(continued)*

between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the entity's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade and other receivables and financial assets at amortised cost.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the income statement.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Impairment – credit loss allowance for expected credit losses (ECL)

The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "net impairment losses on financial assets". Debt instruments measured at amortised cost are presented in the balance sheet net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the balance sheet. For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach. For trade receivables including trade receivables with a significant financing component and contract assets the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognized from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Group applies general approach – three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. Additionally, the Group has decided to use the low credit risk assessment exemption for investment grade financial assets.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

Financial assets *(continued)*

Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss.

Financial assets at amortized cost

These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortized cost using the effective interest method, less provision for impairment. Financial assets at amortized cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities

All financial liabilities (trade payables, other short and long-term liabilities, borrowings) are initially recognised at their fair value, less any transaction costs. They are subsequently recognised at amortised cost, using the effective interest rate method.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Market risk

Currency/Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of each of the Group's entities.

Majority of all Group's financial assets and liabilities are in DKK, while part of borrowings is also in EUR. Since DKK is pegged to EUR, the management considers that he Group is not exposed to significant foreign exchange risk due to EUR.

The Group has not used financial instruments to protect itself against possible currency risks that may occur in the future in business transactions, assets and liabilities in foreign currencies. Income and expenses from transactions made in foreign currencies are recognised under other operating income/expense or financial income/expense in "Gain/loss from change of exchange rate".

Notes to the financial statements *(continued)*

3. Financial risk management *(continued)*

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings are not issued at fixed rates; therefore, the Group has no exposure to fair value interest rate risk.

The Group's borrowings to/from related parties have variable interest rate, which consist of 3M Euribor plus fixed margin. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

As at 31 December 2019 and 31 December 2018 the effect of changes in interest rate was not significant, since 3M Euribor rate remain to stay below zero and according to respective financing agreements were equalled zero.

Refer also to Note 20 and 25.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group's cash and cash equivalents have been invested in secure financial institutions. The Group manages its credit risk by continuously assessing the credit history of its customers and setting credit terms individually for each client. Individual risk limits are set based on internal ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored. In addition, the Group continuously monitors accounts receivable balances to minimize appearance of bad debts.

Refer to Note 16 for further disclosure on credit risk.

To minimize credit risk, solvency of a potential contractual partner is assessed. Contracts for purchase and sale of products are concluded with all contractual partners, and a payment is granted only to reliable partners. If possible, the Group uses factoring, without recourse as an additional measure to manage credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Liquidity risk

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows for borrowings.

Borrowings, DKK (ex. lease liabilities)		**Less than 3 months**	**Less than 1 year**	**Between 1 and 5**	**Over 5 years**	**Total**
At 31 December 2018	**Consolidated**	1 220 389	12 545 249	115 393 465	-	129 159 103
At 31 December 2019	**Consolidated**	61 277 378	3 663 226	125 257 837	-	190 198 441
At 31 December 2018	**Parent**	47 772 576	3 728 966	130 190 793	-	181 692 335
At 31 December 2019	**Parent**	39 306 641	3 663 226	125 257 837	-	168 227 704

All trade and other payables are current and their carrying balances approximate fair values as impact of discounting is insignificant. For information on lease liabilities refer to Note 25 (viii).

The Group manages its liquidity risk by monitoring the changes in working capital and by ensuring adequate funding. Based on Food Union Group's cash management principle, the Group's cash is accumulated in dedicated bank accounts and managed on the Group level. To ensure daily liquidity requirements, the Group's management determines minimum cash balances to be maintained on Company's bank accounts.

Risk analysis and designing of risk management plans are conducted at the top management level. The Group's liquidity risk policy is based on a conservative approach whose main objective is to secure the safeguarding of the cash flows generated from the operations to ensure sufficient liquidity enabling timely settlement of the liabilities undertaken.

Refer to Note 25 for further disclosure on credit risk.

Notes to the financial statements *(continued)*

3. Financial risk management *(continued)*

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital as defined by management at 31 December 2019 and 2018 consists of total equity of the Group plus net debt of the Group, as shown on the face of the consolidated balance sheet.

As at 31 December 2019 as a result of the refinancing process (refer to Note 25) the Group has one partner providing non-current and current financing to operational entities through central treasury company.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Total borrowings (Note 25)	249 604 434	181 505 010	182 591 027	155 863 732
Less: Cash and cash equivalents (Note 23)	(15 468 229)	(15 151 962)	(13 217 936)	(7 716 763)
Net debt	**234 136 205**	**166 353 048**	**169 373 091**	148 146 969
Total equity	77 291 575	94 301 843	82 008 638	80 855 806
Total capital as defined by management	**311 427 780**	**260 654 891**	**251 381 729**	**229 002 775**
Gearing ratio	**75%**	**64%**	**67%**	**65%**

Under the terms of the FU Group’s borrowing facilities, the FU Group is required to comply to certain financial and non-financial covenants. Please refer to Note 25.

(iii) Fair value estimation

The different levels of fair value valuation methods have been defined as follows:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments that are not traded in an active market (for example, unlisted equity securities) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group’s management estimates that the carrying amounts of financial assets and liabilities carried at amortised cost are not significantly different from their fair values at 31 December 2019 and 31 December 2018.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

Notes to the financial statements *(continued)*

4. Critical accounting estimates, judgements and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Assessment of useful economic lives of property, plant and equipment and intangible assets with definite lifetime**

Management is required to assess the useful economic lives and residual value of the assets so that depreciation and amortization is charged on a systematic basis up to the residual value. Estimates of useful economic life of property, plant and equipment and intangible assets with definite lifetime are based on management's experience by comparison to similar assets in the industry. However, the actual life of respective assets may be different. Changes to estimates to useful lives and residual values may affect the annual depreciation and amortization charge and thereby the results for the year significantly.

- **Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require the use of estimates as disclosed in Note 17. As at 31 December 2019 and 2018 the management concluded that no impairment charge is required.

- **Leases**

The Group mainly leases various offices, warehouses, depots, kiosks, equipment, trucks, freezers and cars. Rental contracts are typically made for periods of 1 to 5 years, but may have extension options, especially in relation to real estate. Lease terms are negotiated on individual basis and contain a wide range of different terms and conditions. Lease liabilities were measured at the present value of the remaining lease payments, considering extension options, where reasonably expected to be used. Associated Right-to-use assets were measured at the amount equal to the lease liability. As key inputs in calculating present value of lease payments the management is required to assess the likelihood of using the agreement extension option as well as establish the discount rare implicit in the lease.

• In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are included in the lease term if the lease is reasonably certain to be extended.

• For discounting the incremental borrowing rate is used, being the estimated rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. For further details please refer to Note 25 (viii).

Notes to the financial statements *(continued)*

5 Revenue

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Revenue by operating activities				
Sales of goods	426 756 693	466 934 643	329 815 749	358 289 588
Other services	1 184 959	1 111 053	1 141 250	1 285 458
	427 941 652	**468 045 696**	**330 956 999**	**359 575 046**
Sales of goods by product type				
Ice - cream	425 675 171	464 266 946	329 815 749	358 289 588
Frozen food	1 081 522	2 667 697	-	-
	426 756 693	**466 934 643**	**329 815 749**	**358 289 588**
Revenue by geographical area				
Denmark	414 008 552	454 547 576	317 023 899	346 076 926
Norway	9 050 388	8 548 072	9 050 388	8 548 072
Sweden	3 047 821	3 509 251	3 047 821	3 509 251
Germany	1 392 913	1 246 533	1 392 913	1 246 533
Latvia	-	194 264	-	194 264
Poland	406 323	-	406 323	-
Spain	35 655	-	35 655	-
	427 941 652	**468 045 696**	**330 956 999**	**359 575 046**

6 Cost of goods sold

Materials and goods for sale	186 353 336	213 749 822	194 536 490	212 030 601
Depreciation (Note 18)	5 236 623	5 088 087	5 236 623	5 088 087
Salary expenses	9 683 693	8 232 698	9 683 693	8 232 698
Social and Pensions contributions	1 380 041	1 022 660	1 380 041	1 022 660
Machinery repair and maintenance	8 911 654	9 393 390	8 911 654	9 393 390
Variable and low value rent expenses	114 358	-	114 358	-
Other production costs	2 820 679	4 389 564	2 820 680	3 895 072
	214 500 384	**241 876 221**	**222 683 539**	**239 662 508**

7 Selling expenses

Transport and logistics expenses	20 244 571	27 292 164	10 249 581	13 018 075
Salary expenses	83 067 286	75 269 081	31 345 607	31 970 610
Social and Pensions contributions	8 323 309	7 309 266	1 500 132	1 505 057
Marketing and promotion expenses	17 098 642	21 818 779	7 955 015	13 322 106
Depreciation (Note 18)	10 049 732	10 508 140	10 044 140	9 045 921
Amortization (Note 17)	9 399 576	10 190 533	4 882 997	5 819 057
Repair and maintenance	9 870 788	7 698 080	3 464 170	3 230 419
Receivables written off	256 568	563 376	172 894	511 133
Operating lease rentals rent of premises	-	1 184 563	-	778 147
Variable and low value rent expenses	112 662	-	640 186	-
Other selling and marketing expenses	6 591 019	6 578 691	4 145 600	4 959 263
	165 014 153	**168 412 673**	**74 400 322**	**84 159 788**

Notes to the financial statements *(continued)*

8 Administrative expenses

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Salary expenses	16 726 041	20 796 525	11 826 571	13 672 087
State compulsory social insurance contributions	2 725 197	2 323 096	1 159 960	1 008 545
Professional fees and services	1 239 478	745 519	901 539	519 669
Depreciation (Note 18)	12 070 200	7 305 544	4 014 582	5 276 695
Amortization (Note 17)	1 055 262	1 443 325	1 055 262	1 354 374
Variable and low value rent expenses	495 539	-	-	-
Other administrative costs	14 157 149	11 189 047	9 364 210	6 367 534
	48 468 866	**43 803 056**	**28 322 124**	**28 521 795**

9 Other operating income and expenses

9 (a) Other operating income

Interest income:				
- Loans to related (Note 29 (iii))	355	155 581	187	490 195
- Other finance income	431 477	77 125	356 042	76 925
	431 832	**232 706**	**356 229**	**567 120**
Other operating income	4 397 965	4 807 941	4 397 965	4 804 637
Income from rent of premises	459 024	-	-	-
	5 288 821	**5 040 647**	**4 754 194**	**5 371 757**

9 (b) Other gains/ (losses), net

Gain from disposal of property, plant and equipment (Note 18)	556 923	764 357	58 248	360 171
(Loss)/gain from disposal of intangible assets (Note 17)	43 217	(40 414)	43 217	(40 414)
	600 140	**723 943**	**101 465**	**319 757**

9 (c) Other operating expenses

Impairment of non-current assets	-	75 000	-	75 000
Property tax	218 900	246 180	166 883	127 746
	218 900	**321 180**	**166 883**	**202 746**

10 Finance costs

10 (a) Interest expenses:

Bank borrowings (Note 25 (vi))	92 061	115 250	74 593	104 527
Loans from the related parties (Note 25 (vi), 29 (iv))	7 350 921	7 882 832	6 740 238	7 591 680
Right-to-use asset with purchase option (Note 25 (viii))	92 080	220 650	46 578	156 670
Right-to-use asset without purchase option (Note 25 (viii))	1 704 819	n/a	750 884	n/a
Other finance costs	160 771	95 273	70 156	64 752
Amortization of deferred refinancing costs (Note 25 (vi))	941 748	4 064 970	941 748	4 064 970
	10 342 400	**12 378 975**	**8 624 197**	**11 982 599**

Notes to the financial statements *(continued)*

10 (b) Loss on foreign exchange:	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Foreign exchange gain/ (loss) on financing activities:				
- Borrowings from the banks	(175 490)	(733 029)	(175 490)	(799 617)
- Other	(8 160)	(30)	-	(29)
	(183 650)	**(733 059)**	**(175 490)**	**(799 646)**

11 Expenses by nature

Cost of materials and goods used	186 353 336	213 749 819	194 536 490	212 030 599
Salaries incl. directors' remuneration and fees (Note 13)	121 905 567	114 953 327	56 896 004	57 411 657
Transportation, logistics and materials cost	20 244 571	27 292 164	10 249 581	13 018 075
Depreciation, amortization and impairment (Note 17, 18)	37 811 393	34 535 628	25 233 604	26 584 133
Marketing, promotion and similar costs	22 136 822	26 826 988	10 750 739	16 896 818
Fuel, power, machinery maintenance and repairs	18 782 442	17 091 469	12 375 824	12 623 809
Other administrative costs	13 917 672	11 004 249	9 201 368	6 617 878
Other production costs	2 755 388	4 305 443	2 755 388	3 810 950
Operating lease rentals	-	1 184 563	-	778 147
Variable and low value rent expenses	722 559	n/a	754 544	n/a
Professional fees and services	1 239 478	745 519	901 539	519 669
Impairment and write off of receivables	256 568	563 376	172 894	511 133
Traveling expenses	1 857 607	1 839 405	1 578 010	1 541 223
Total cost of sales, selling and administrative costs	**427 983 403**	**454 091 950**	**325 405 985**	**352 344 091**

12 Average number of employees in the Group

Average number of employees during the reporting period	439	306	173	183

13 Staff costs

Salary expenses	99 481 098	93 046 212	42 859 950	44 099 002
Social and Pensions contributions	12 393 014	10 636 995	4 004 601	3 518 234
Directors' remuneration and fees (Note 29 (i.iii))	9 995 922	11 252 092	9 995 922	9 776 392
Social and Pensions contributions on director's remuneration (Note 29 (i.iii))	35 533	18 028	35 531	18 029
	121 905 567	**114 953 327**	**56 896 004**	**57 411 657**

Notes to the financial statements *(continued)*

14 Income tax

Current tax:	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Income tax charge for the reporting year	-	508 082	-	508 082
Under / (over) provision of prior years' taxes	1 021 192	25 068	168 128	25 068
Total current income tax for the reporting year:	**1 021 192**	**533 150**	**168 128**	**533 150**
Deferred tax:				
Origination and reversal of temporary differences	(540 535)	1 126 090	854 342	(359 373)
Under/ (over) provision of prior years' deferred taxes	277 541	(250 941)	(735 198)	(100 000)
Total deferred income tax for the reporting year (Note 26)	**(262 994)**	**875 149**	119 144	**(459 373)**
Total income tax charged/(credited) for the year:	**758 198**	**1 408 299**	**287 272**	**73 777**

The Group's total income tax charge/(credit) for the reporting year differs from the theoretically calculated tax amount that would arise using the applicable tax rate as follows:

Profit before tax	**(4 897 740)**	**6 285 122**	**1 440 103**	**(62 522)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(1 077 503)	1 382 727	316 823	(13 755)
Under / (over) provision of prior periods	1 298 733	(225 873)	(567 070)	(74 932)
Non-taxable income/ non-deductible expense	536 968	6 091	537 519	4 165
Other	-	245 354	-	158 299
Corporate income tax (charge)/ credit	**758 198**	**1 408 299**	**287 272**	**73 777**

Applicable tax rate for Mejerigaarden A/S is 22%.

15 Financial instruments by category

Assets as per balance sheet	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Loans receivable (Note 20)	-	548 942	862 419	548 842
Trade and other receivables, excl. prepayments (Note 22)	35 362 821	33 337 845	37 081 678	38 797 590
Cash and cash equivalents (Note 23)	15 468 229	15 151 962	13 217 936	7 716 763
Total	**50 831 050**	**49 038 749**	**51 162 033**	**47 063 295**
Liabilities as per balance sheet				
Borrowings including finance lease (Note 25)	249 604 434	181 505 010	182 591 027	155 863 732
Trade and other payables (excluding tax liabilities and salary expenses) (Note 27)	43 083 158	43 415 546	39 227 560	37 959 745
Total	**292 687 592**	**224 920 556**	**221 818 587**	**193 823 477**

Notes to the financial statements *(continued)*

16 Credit quality of financial assets

The Group has two types of financial assets that are subject to IFRS 9 new expected credit loss model:

- Trade receivables;
- Debt investments carried at amortized cost (loans).

Trade receivables

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, as grouped based on shared credit characteristics and the days past due.

The expected credit loss rates are based on the payment profiles of sales over a period of 2 years prior to 31 December 2019 and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information.

Other tax receivables are considered as a separate, low default risk group, with no expected credit losses.

Trade receivables from related parties are considered as a separate group, with no historical credit losses over the relevant assessment period. Accordingly, no lifetime expected credit losses are recognized in respect of trade receivables from related parties.

On that basis, the loss allowance as at 31 December 2019 and 2018 was determined as follows:

Trade receivables	**31.12.2019. DKK Consolidated**	**31.12.2018. DKK Consolidated**	**31.12.2019. DKK Parent**	**31.12.2018. DKK Parent**
Gross trade receivables, excl. related parties	36 332 359	33 257 414	35 509 697	29 188 340
Loss allowance	(1 278 936)	(1 245 710)	(868 239)	(930 004)
Expected loss rate, %	3.52%	3.75%	2.45%	3.19%
Gross trade receivables from related parties	309 398	1 326 141	2 440 220	9 104 462
Loss allowance	-	-	-	-
Expected loss rate, %	0%	0%	0%	0%
Other receivables				
Other tax receivables	8 167 327	7 765 423	8 167 328	7 537 810
Loss allowance	-	-	-	-
Expected loss rate, %	0%	0%	0%	0%

Movements on the expected loss on trade and other receivables are as follows:

	2019 DKK Consolidated	**2018 DKK Consolidated**	**2019 DKK Parent**	**2018 DKK Parent**
As at 1 January	1 245 710	1 296 458	930 004	980 752
Provision for receivables impairment	314 901	771 081	219 911	472 978
Receivables written off uncollectable	(105 334)	(706 069)	(105 334)	(407 966)
Doubtful receivables collected	(176 341)	(115 760)	(176 342)	(115 760)
	1 278 936	**1 245 710**	**868 239**	**930 004**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, include, amongst others, the failure of debtor to engage in a repayment plan with the Group as well as declared insolvency or liquidation of debtor.

Notes to the financial statements *(continued)*

16 Credit quality of financial assets *(continued)*

Debt investments carried at amortized cost

All the Group's loans receivable from related parties (debt investments at amortized cost) are considered as a separate group, with no historical credit losses over the relevant assessment period.

Loans receivable from related parties are considered to have low credit risk, based on the assumption of these parties having low risk of default and demonstrating strong capacity to meet its contractual cash flow obligations. Loans to shareholders are considered to be, in substance, secured by possibility to net it versus future distribution of dividends. Accordingly, the loss allowance assessed during the period was limited to 12 months expected losses.

	2019 DKK	**2018 DKK**	**2019 DKK**	**2018 DKK**
	Consolidated	**Consolidated**	**Parent**	**Parent**
Loans to third parties (note 21)	-	548 942	-	548 942
Loss allowance	-	-	-	-
Expected loss rate, %	0%	0%	0%	0%

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, since cash at bank are held in Range A banks, there are no impairments.

Cash at bank (as per Moody's rating) at the date of approval of these consolidated financial statements:

	31.12.2019. DKK	**31.12.2018. DKK**	**31.12.2019. DKK**	**31.12.2018. DKK**
	Consolidated	**Consolidated**	**Parent**	**Parent**
Range A	15 236 233	14 928 143	13 200 964	7 700 120
Unrated or not specified	231 996	223 819	16 972	16 643
	15 468 229	**15 151 962**	**13 217 936**	**7 716 763**

Notes to the financial statements *(continued)*

17 Intangible assets

	Goodwill	Trademarks and brands	Other intangible assets	Licences, patents and software	Total
***Parent*:**					
Period 01.01.2018-31.12.2018	**DKK**	**DKK**	**DKK**	**DKK**	**DKK**
Opening net book amount	**-**	**625 000**	**8 940 619**	**2 974 010**	**12 539 629**
Acquired in business combination	26 493 436	-	-	-	**26 493 436**
Additions	-	-	6 247 319	1 081 296	**7 328 615**
Disposals	-	-	(2 516 802)	-	**(2 516 802)**
Accumulated amortization on disposals	-	-	1 623 528	-	**1 623 528**
Amortization charge	-	-	(5 819 057)	(1 354 374)	**(7 173 431)**
Closing net book amount	**26 493 436**	**625 000**	**8 475 607**	**2 700 932**	**38 294 975**
As at 31 December 2018:					
Cost	26 493 436	5 000 000	31 303 992	11 115 720	**73 913 148**
Accumulated depreciation	-	(4 375 000)	(22 828 385)	(8 414 788)	**(35 618 173)**
Net book amount	**26 493 436**	**625 000**	**8 475 607**	**2 700 932**	**38 294 975**
Period 01.01.2019-31.12.2019					
Opening net book amount	**26 493 436**	**625 000**	**8 475 607**	**2 700 932**	**38 294 975**
Additions	-	-	8 024 745	1 158 120	**9 182 865**
Disposals	-	-	(4 978 928)	(2 938 660)	**(7 917 588)**
Accumulated amortization on disposals	-	-	3 940 170	2 938 237	**6 878 407**
Amortization charge	-	-	(4 882 997)	(1 055 262)	**(5 938 259)**
Closing net book amount	**26 493 436**	**625 000**	**10 578 597**	**2 803 367**	**40 500 400**
As at 31 December 2019:					
Cost	26 493 436	5 000 000	34 349 810	9 335 180	**75 178 426**
Accumulated depreciation	-	(4 375 000)	(23 771 213)	(6 531 813)	**(34 678 026)**
Net book amount	**26 493 436**	**625 000**	**10 578 597**	**2 803 367**	**40 500 400**
***Consolidation*:**					
Period 01.01.2018-31.12.2018					
Opening net book amount	**139 263 387**	**625 000**	**8 940 619**	**4 343 445**	**153 172 451**
Acquired in business combination	18 674 110	-	-	(412 100)	**18 262 010**
Additions	-	-	6 247 320	2 347 481	**8 594 801**
Disposals	-	-	(2 516 802)	-	**(2 516 802)**
Accumulated amortization on disposals	-	-	1 623 527	-	**1 623 527**
Reclassification net book amount	(99 900 000)	99 900 000	-	-	**-**
Amortization charge	-	(3 996 000)	(5 819 057)	(1 818 802)	**(11 633 859)**
Closing net book amount	**58 037 497**	**96 529 000**	**8 475 607**	**4 460 024**	**167 502 128**
As at 31 December 2018:					
Cost	58 037 497	104 900 000	31 303 992	13 197 069	**207 438 558**
Accumulated depreciation	-	(8 371 000)	(22 828 385)	(8 737 045)	**(39 936 430)**
Net book amount	**58 037 497**	**96 529 000**	**8 475 607**	**4 460 024**	**167 502 128**
Period 01.01.2019-31.12.2019					
Opening net book amount	**58 037 497**	**96 529 000**	**8 475 607**	**4 460 024**	**167 502 128**
Additions	-	-	8 024 746	1 167 323	**9 192 069**
Disposals	-	-	(4 978 928)	(2 938 660)	**(7 917 588)**
Accumulated amortization on disposals	-	-	3 940 169	2 938 237	**6 878 406**
Amortization charge	-	(3 996 000)	(4 882 997)	(1 575 841)	**(10 454 838)**
Closing net book amount	**58 037 497**	**92 533 000**	**10 578 597**	**4 051 083**	**165 200 177**
As at 31 December 2019:					
Cost	58 037 497	104 900 000	34 349 810	11 567 902	**208 855 209**
Accumulated depreciation	-	(12 367 000)	(23 771 213)	(7 516 819)	**(43 655 032)**
Net book amount	**58 037 497**	**92 533 000**	**10 578 597**	**4 051 083**	**165 200 177**

Amortisation charge is included in ‘selling expenses and in ‘administrative expenses’.

Notes to the financial statements *(continued)*

17 Intangible assets *(continued)*

Impairment test of non-current assets

During 2017 Food Union Scandinavia ApS sold its investment in Mejerigaarden Investments A/S to Food Union Holding (CY) company limited. The transaction was treated as common control transaction, not changing previously assessed goodwill and fair value assessments of Mejerigaarden Investments A/S and Mejerigaarden A/S and not resulting in any reporting year gain/loss on share transfer. During 2018 Mejerigaarden Investments A/S was merged into Mejerigaarden A/S and ceased to exist without liquidation process. The merger had no impact on previously recognized goodwill.

During 2017 the Group recognized goodwill of DKK 112 769 951 on acquisition of Hjem-Is Danmark A/S group. Purchase price allocation exercise was not completed as at 31 December 2017, therefore value of acquired assets and liabilities and resulting goodwill presented were provisional.

During year 2018, negotiations regarding purchase price adjustments were completed and purchase price allocation exercise was finalized. As a result, DKK 1 200 000 was withheld from the escrow account in favor of the Buyer to settle identified dispute and additional DKK 1 794 169 were received as refund from the Seller. The purchase price and recognized goodwill were reduced accordingly. Besides, value of acquired net assets was reduced by DKK 664 432 in respect of Intangible assets and Property, plant and equipment. Additionally, brands of DKK 99 900 000 and related deferred tax liability of DKK 21 978 000 were recognized based on experts' report and recognized goodwill was adjusted accordingly.

During 2018 (effective 1 January 2017) Hjem-Is Distribution ApS was merged to Hjem-Is Danmark A/S and ceased to exist without liquidation process. The merger had no impact on previously recognized goodwill.

Accordingly, total goodwill recognized in respect of acquisition of Hjem-IS Danmark A/S and its subsidiaries was DKK 31 544 061.

During 2019 the management of the Group has prepared a long-term plan constituting a basis for future cash flows used in annual impairment tests. The recoverable amount of the assets, including goodwill, has been determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budget for the next reporting year approved by the management and further forecast based on the Group's long-term plan, covering a period until 2023. Cash flows beyond 2023 are extrapolated using the estimated growth rates stated below.

Management determined revenue growth rate and EBITDA % over the forecast period to be the most sensitive key assumptions. These rates are based on the Group's past performance, year 2019 actual performance, year 2020 approved budget, the Group's long-term plan and the management's expectations of market development. As a result of the test, there was no indication for impairing the carrying amount of the goodwill, as at 31 December 2019 and 2018.

Year 2019 impairment review, including carrying value of assets and excess of recoverable amount over carrying amount are as of 31 October 2019 and 2 months budgeted. The management has evaluated the movement between 31 October 2019 and 31 December 2019 and concluded that there were no material changes that would significantly impact the impairment review results, and, accordingly, conclude that using the data as described is appropriate.

The following table sets out the summary of asset values tested for the impairment, impairment test results and the key assumptions used for value-in-use calculations. The table also depicts sensitivity to change in each individual key assumption that would make recoverable value to approximate carrying value of the respective asset tested.

Notes to the financial statements *(continued)*

17 Intangible assets *(continued)*

Impairment test of non- current assets *(continued)*

	31.12.2019. DKK'000	31.12.2018. DKK'000
Assets tested for impairment and results:		
Goodwill	58 038	58 038
Excess of recoverable amount over carrying amount	572 007	68 654

Key assumptions used for value-in-use calculations are as follows:

Revenue growth p.a.	average increase of 1.2% in 2020; average annual growth of 3.9% from 2021 onwards	average decrease of 11.3% in 2019; average growth 1.5% from 2020 onwards
EBITDA margin	16.28% - 20.30%	13.58% - 15.26%
Capital investments p.a.	DKK 6 724 in 2020, DKK 11 953 in 2021 and DKK 13 447 each year afterword's for the period till 2024	DKK 53 765 in 2019, DKK 12 694 each year afterwards for the period till 2023
Discount rate (WACC):	8.92%	8.92%

The following individual change in each of the key assumptions would make recoverable amount approximate respective carrying amount:

EBITDA decrease to presented % p.a.	9.56% - 8.16%	13.17% - 14.80%
Increase in capital investments p.a.	39 222	1 979
Increase in WACC rate to presented %	15.52%	9.26%

In the cash flow statement, proceeds from sale of intangible assets comprise:

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Net book amount	(1 039 181)	(893 274)	(1 039 182)	(893 274)
(Loss) on disposal of intangible assets (Note 9 (b))	43 217	(40 414)	43 217	(40 414)
Proceeds from disposal of intangible assets	**(1 082 398)**	**(852 860)**	**(1 082 399)**	**(852 860)**

Notes to the financial statements *(continued)*

18 Property, plant and equipment

	Land and buildings	Equipment and machinery	Other fixed assets	Total
Parent:				
Period 01.01.2018-31.12.2018	**DKK**	**DKK**	**DKK**	**DKK**
Opening net book amount	**16 741 727**	**14 088 464**	**13 355 831**	**44 186 022**
Additions	283 251	5 230 357	15 922 734	**21 436 342**
Disposals	-	-	(9 406 519)	**(9 406 519)**
Accumulated depreciation on disposals	-	-	8 472 536	**8 472 536**
Depreciation charge	(1 528 347)	(3 921 675)	(13 960 680)	**(19 410 702)**
Closing net book amount	**15 496 631**	**15 397 146**	**14 383 902**	**45 277 679**
As at 31 December 2018:				
Cost	34 840 519	92 828 069	70 681 112	**198 349 700**
Accumulated depreciation	(19 343 888)	(77 430 923)	(56 297 210)	**(153 072 021)**
Net book amount	**15 496 631**	**15 397 146**	**14 383 902**	**45 277 679**
Period 01.01.2019-31.12.2019				
Opening net book amount	**15 496 631**	**15 397 146**	**14 383 902**	**45 277 679**
Initial recognition of Right-to-use assets	14 980 852	-	1 920 243	**16 901 095**
Additions	702 932	2 959 933	32 091 413	**35 754 278**
Disposals	(497 644)	(1 816 356)	(22 702 701)	**(25 016 701)**
Accumulated depreciation on disposals	391 174	1 777 599	20 878 137	**23 046 910**
Depreciation charge	(4 776 047)	(4 067 632)	(10 451 666)	**(19 295 345)**
Closing net book amount	**26 297 899**	**14 250 690**	**36 119 329**	**76 667 918**
As at 31 December 2019:				
Cost	50 026 660	93 971 646	81 990 068	**225 988 374**
Accumulated depreciation	(23 728 761)	(79 720 956)	(45 870 739)	**(149 320 456)**
Net book amount	**26 297 899**	**14 250 690**	**36 119 329**	**76 667 918**
Consolidated:				
Period 01.01.2018-31.12.2018				
Opening net book amount	**19 041 727**	**14 088 464**	**22 978 919**	**56 109 110**
Acquired in business combination	-	-	(252 332)	**(252 332)**
Additions	311 200	5 230 357	16 932 287	**22 473 844**
Disposals	-	-	(9 636 885)	**(9 636 885)**
Accumulated depreciation on disposals	-	-	8 517 088	**8 517 088**
Reclassification net book amount	-	-	(1 967)	**(1 967)**
Depreciation charge	(1 582 543)	(3 921 675)	(17 397 552)	**(22 901 770)**
Closing net book amount	**17 770 384**	**15 397 146**	**21 139 558**	**54 307 088**
As at 31 December 2018:				
Cost	37 168 468	92 828 069	81 379 761	**211 376 298**
Accumulated depreciation	(19 398 084)	(77 430 923)	(60 240 203)	**(157 069 210)**
Net book amount	**17 770 384**	**15 397 146**	**21 139 558**	**54 307 088**
Period 01.01.2019-31.12.2019				
Opening net book amount	**17 770 384**	**15 397 146**	**21 139 558**	**54 307 088**
Initial recognition of Right-to-use assets	57 336 397	-	5 211 391	**62 547 788**
Additions	139 214	2 959 933	37 648 166	**40 747 313**
Disposals	(497 645)	(1 816 355)	(24 122 952)	**(26 436 952)**
Accumulated depreciation on disposals	391 174	1 777 599	22 225 066	**24 393 839**
Depreciation charge	(9 010 822)	(4 067 633)	(14 278 100)	**(27 356 555)**
Closing net book amount	**66 128 702**	**14 250 690**	**47 823 129**	**128 202 521**
As at 31 December 2019:				
Cost	94 146 435	93 971 646	99 565 694	**287 683 775**
Accumulated depreciation	(28 017 733)	(79 720 956)	(51 742 565)	**(159 481 254)**
Net book amount	**66 128 702**	**14 250 690**	**47 823 129**	**128 202 521**

Notes to the financial statements *(continued)*

18 Property, plant and equipment *(continued)*

For information on pledged property, plant and equipment and capital commitments please refer to Note 25 (vi) and 28.

Depreciation expense has been charged in 'cost of sales', 'selling and marketing expenses' and 'administrative expenses' (Notes 6, 7, 8 and 11).

In 2019 and 2018 the Group has no capitalized borrowing costs on qualifying assets.

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Net book amount	(1 940 527)	(1 119 797)	(1 867 206)	(933 983)
Gain on disposal of investment properties (Note 9 (b))	556 923	764 357	58 248	360 171
Proceeds from disposal of property, plant and equipment	**(2 497 450)**	**(1 884 154)**	**(1 925 454)**	**(1 294 154)**

Net book amounts of Right-to-use assets with purchase rights (prior finance lease) and Right-to-use assets without purchase rights (prior operating lease) included in the above total net book value of property, plant and equipment as at 31 December 2019 are as follows:

	Land and buildings	Equipment and machinery	Other fixed assets and motor vehicles	Total
Parent:				
RTU assets with purchase option (finance lease)	-	-	1 387 429	**1 387 429**
RTU assets without purchase option (operating lease)	12 247 043	-	22 785 733	**35 032 776**
Property, plant and equipment without lease terms	14 050 856	14 250 690	11 946 167	**40 247 713**
Net book amount, total PPE	**26 297 899**	**14 250 690**	**36 119 329**	**76 667 918**
Consolidated:				
RTU assets with purchase option (finance lease)	-	-	1 387 429	**1 387 429**
RTU assets without purchase option (operating lease)	49 859 689	-	29 802 001	**79 661 690**
Property, plant and equipment without lease terms	16 269 013	14 250 690	16 633 699	**47 153 402**
Net book amount, total PPE	**66 128 702**	**14 250 690**	**47 823 129**	**128 202 521**

Right-to-use assets without purchase option movement during the year are summarized in table below:

	2019 DKK Consolidated	2019 DKK Parent
Initial recognition of Right-to-use assets	62 547 788	16 901 096
Further additions of Right-to-use assets	29 294 451	24 567 757
Disposals	(242 176)	(242 177)
Accumulated depreciation on disposals	139 592	139 592
Depreciation charge	(12 077 965)	(6 333 494)
	79 661 690	**35 032 775**

For disclosure of lease liabilities, please refer to Note 25.

As at 31 December 2018, property, plant and equipment included the following amounts where the group was a lessee under a finance lease:

	Consolidated 31.12.2018. DKK	Parent 31.12.2018. DKK
Other fixed assets and motor vehicles	2 529 121	2 170 958
	2 529 121	**2 170 958**

Notes to the financial statements *(continued)*

19 Investments in subsidiaries

Name	Principal activity	Country of incorporation	31.12.2019.	31.12.2018.
Hjem-Is Denmark A/S	Ice cream production, sale of ice cream	Denmark	100%	100%

20 Loan receivable

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Loan to third party	-	548 942	-	548 942
Total non-current loans	**-**	**548 942**	**-**	**548 942**

Movement in Loans receivable from related party see in Note 29 (iii).

Movement in Loans receivable can be presented as follows:

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
At the beginning of the year	548 942	900 276	548 942	30 856 178
Loans issued during the year	280 313	284 000	1 142 732	284 000
Loans repaid during the year	(379 313)	(560 334)	(379 313)	(30 516 236)
Set off assignment	(449 942)	-	(449 942)	-
Interest charged (Note 9 (a))	355	155 581	187	490 195
Interest repaid	(355)	(155 581)	(187)	(490 195)
Impairment provision	-	(75 000)	-	(75 000)
At the end of the year	**-**	**548 942**	**862 419**	**548 942**

21 Inventories

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Raw materials	12 396 498	20 385 172	12 396 498	20 385 172
Goods for sale	55 991 516	58 353 632	41 022 376	41 791 796
	68 388 014	**78 738 804**	**53 418 874**	**62 176 968**

As at 31 December 2019 and 31 December 2018 all inventory items are stated at cost.

Notes to the financial statements *(continued)*

22 Trade and other receivables

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Initial direct and restoration cost of rent	2 358 979	-	471 076	-
Non-current trade and other receivables:	**2 358 979**	**-**	**471 076**	**-**
Trade receivables	35 333 729	29 817 003	34 542 316	29 188 340
Receivables from related parties (Note 29 (ii.i))	309 398	1 326 141	2 440 220	9 104 462
Provisions for bad and doubtful debts	(1 278 936)	(1 245 710)	(868 239)	(930 004)
Total trade receivables	**34 364 191**	**29 897 434**	**36 114 297**	**37 362 798**
Value added tax recoverable	-	227 613	-	-
Excise taxes refundable	4 801 958	3 289 885	4 801 959	3 289 885
Ice – cream tax	3 365 369	4 247 925	3 365 369	4 247 925
Current Income tax overpayment	-	-	52 958	-
Other receivables	998 630	3 440 411	967 381	1 434 792
Deferred expenses	2 647 351	-	1 779 997	-
Prepayments and advance payments	348 929	3 172 520	305 598	2 879 496
Current trade and other receivables:	**46 526 428**	**44 275 788**	**47 387 559**	**49 214 896**
	48 885 407	**44 275 788**	**47 858 635**	**49 214 896**

As at 31 December, the carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

DKK	48 262 708	42 859 851	47 408 708	47 798 959
EUR	622 699	1 415 937	449 927	1 415 937
	48 885 407	**44 275 788**	**47 858 635**	**49 214 896**

The carrying value of trade and other receivables as at 31.12.2019. and 31.12.2018. approximates their fair value.

Subsequent the reporting period end a factoring agreement has been signed with available limit of DKK 65 000 000.

For information on pledged assets refer to Note 25 (vi).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables set above. It was assessed that a portion of the impaired receivables is expected to be recovered. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. See also Note 16 Credit quality of financial assets.

23 Cash and bank

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Cash at bank	15 236 233	14 928 143	13 200 964	7 700 120
Cash on hand	231 996	223 819	16 972	16 643
	15 468 229	**15 151 962**	**13 217 936**	**7 716 763**

As at 31 December, the cash and cash equivalents are denominated in the following currencies:

DKK	15 192 658	15 096 167	12 956 020	7 660 341
EUR	274 922	54 856	261 269	55 483
NOK	649	939	647	939
	15 468 229	**15 151 962**	**13 217 936**	**7 716 763**

Of the total cash in bank at 31 December 2018, DKK 9 958 051 was deposited for purchase price of business acquisitions.

Notes to the financial statements *(continued)*

24 Share capital and reserves

The Company's share capital as at 31 December 2019 and 31 December 21018 consists of:

	Number	Nominal value
A-shares	89	890
B-shares	102	102
C-shares	16	8
D-shares	1	100
Total	**208**	**1 100**

There have been no changes in the share capital during the last 5 years.

25 Borrowings

	31.12.2019. DKK Consolidated	**31.12.2018. DKK Consolidated**	**31.12.2019. DKK Parent**	**31.12.2018. DKK Parent**
Non-current borrowings:				
Borrowings from related parties (Note 29 (iv))	111 663 198	111 627 321	111 663 198	111 627 321
Deferred refinancing costs to related (Note 29 (iv))	(1 681 995)	(2 132 210)	(1 681 995)	(2 132 210)
Deferred refinancing costs to third parties	(1 843 249)	(2 334 782)	(1 843 249)	(2 334 782)
Lease liabilities with purchase option (Note 25 (viii))	1 189 175	560 202	879 462	-
Lease liabilities without purchase option (Note 25 (viii))	66 988 060	n/a	28 213 006	n/a
Total non -current borrowings:	**176 315 189**	**107 720 531**	**137 230 422**	**107 160 329**
Current borrowings:				
Current cash pool overdraft (Note 29 (iv))	60 219 113	71 392 868	38 248 375	46 552 187
Lease liabilities with purchase option (Note 25 (viii))	396 504	2 391 611	292 461	2 151 216
Lease liabilities without purchase option (Note 25 (viii))	12 673 628	n/a	6 819 769	n/a
Total current borrowings:	**73 289 245**	**73 784 479**	**45 360 605**	**48 703 403**
	249 604 434	**181 505 010**	**182 591 027**	**155 863 732**

At the end of 2017 the Group switched to centralized liquidity management and carried out debt refinancing process. During the refinancing process external as well as internal borrowings of the Group's entities were repaid and replaced with the loans from SIA Food Union Management – the company which acts as a Treasury of the Group. To refinance the operating entities within the Group, SIA Food Union Management obtained a term loan from VTB Bank (Europe) SE in the amount of EUR 125 000 000 (changed to EUR 120 000 000 in 2019), with final maturity in 2023, and secured an overdraft facility with the limit of EUR 20 000 000 (increased to EUR 30 000 000 in 2019).

To approximate effective interest rate method, refinancing costs in relation to term loan have been deferred and are amortized as finance costs over the life of the term loan from VTB Bank (Europe) SE.

(i) Fair values

The carrying amounts of borrowings and finance lease liabilities as at 31 December 2019 and 2018 approximates their fair value.

(ii) Denomination in foreign currencies

As at 31 December, the carrying amounts of the Group's borrowings are denominated in the following currencies:

EUR	139 620 114	109 498 239	72 606 707	46 365 493
DKK	109 984 320	72 006 771	109 984 320	109 498 239
	249 604 434	**181 505 010**	**182 591 027**	**155 863 732**

Notes to the financial statements *(continued)*

25 Borrowings *(continued)*

(iii) Maturity of non-current borrowings (excl. lease liabilities)

Between 2 and 5 years	108 137 954	107 160 329	108 137 954	107 160 329
	108 137 954	**107 160 329**	**108 137 954**	**107 160 329**

(iv) Undrawn balances

Undrawn financing balances as at 31 December 2019 and 31 December 2018 are DKK 0:

(v) Interest rates and exposure to interest rate changes

The Group's borrowings to/from related parties have variable interest rate, which consist of 3M Euribor plus fixed margin. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

As at 31 December 2019 and 31 December 2018 the effect of changes in interest rate was not significant, since 3M Euribor rate remain to stay below zero and according to respective financing agreements were equalled zero.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates as at 31 December 2019 and 31 December 2018 are as follows:

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
3 months or less	169 942 746	179 327 286	147 558 252	153 712 516
Fixed interest rate	-	2 177 724	-	2 151 216
Fixed interest rate (lease liabilities without purchase option):				
2-5 years	58 241 523	n/a	13 612 610	n/a
Over 5 years	21 420 165	n/a	21 420 165	n/a
	249 604 434	**181 505 010**	**182 591 027**	**155 863 732**

(vi) Pledges, collaterals and loan covenants

All non-current and current assets of Food Union Group have been pledged under respective financial, commercial, mortgage etc. agreements to secure all present and future liabilities and obligations of Food Union Group arising in relation to EUR 150 000 000 (31.12.2018: EUR 145 000 000) Senior Facility Agreement ("SFA") and Revolving Facility Agreement, dated 11 December 2017, Subordinated and Security Agency agreement and / or any other Finance Document resulting from the mentioned agreements with VTB Bank (Europe) SE.

Under SFA, certain entities of Food Union Group are Obligors (including Mejerigaarden A/S), while Food Union Holding (CY) Company Limited and SIA Food Union Management are Guarantors. In addition to responsibilities of Obligors, it is also the responsibility of Guarantor to ensure that Obligors comply to the requirement of SFA. As at 31 December 2019, Food Union Group has made all payments under SFA in due time.

SFA requires compliance to certain financial covenants, based on consolidated financial statements of Food Union Group. Reporting on financial covenants compliance is required quarterly. Based on financial information presented in 31 December 2019 financial statements, as adjusted according to the requirements of the SFA, Food Union Group complies with required financial covenants.

Mejerigaarden A/S is charged of EUR 39,3 million mortgage registered as security for the Company's debts to a favor of VTB.

As security for lease of kiosk, security has been provided by account held as collateral with bank of DKK 318 thousand.

Mejerigaarden A/S assets are subject to a covenant against encumbrances.

Notes to the financial statements *(continued)*

25 Borrowings *(continued)*

***(vii) Borrowing movement** (excl. lease liabilities):*

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
At the beginning of the year	178 553 197	175 011 426	153 712 516	175 011 426
Received during the period	-	95 722 502		70 934 235
Paid during the period	(11 158 694)	(98 021 473)	(8 284 638)	(98 021 473)
(Addition)/ reclassification of deferred refinancing costs	-	1 462 036	-	1 462 036
Amortization of deferred refinancing fees charged (Note 10 (a))	941 748	4 064 970	941 748	4 064 970
Interest charged (Note 10 (a))	7 442 982	7 998 082	6 814 831	7 696 207
Interest paid	(7 457 157)	(8 259 857)	(6 833 118)	(8 010 395)
Exchange rate differences	34 991	575 511	34 990	575 510
At the end of the year	**168 357 067**	**178 553 197**	**146 386 329**	**153 712 516**

(viii) Lease liabilities

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Lease liabilities with purchase option (prior finance lease):				
No later than 1 year	396 504	2 391 611	292 461	2 151 216
Later than 1 year and no later than 5 years	1 189 175	560 202	879 462	-
	1 585 679	**2 951 813**	**1 171 923**	**2 151 216**
Lease liabilities without purchase option (prior operating lease):				
No later than 1 year	12 673 628	n/a	6 819 768	n/a
Later than 1 year and no later than 5 years	66 988 060	n/a	28 213 007	n/a
Present value of lease liabilities	**79 661 688**	**n/a**	**35 032 775**	**n/a**
Future finance charges on lease liabilities	11 437 932	81 841	3 091 930	51 919
Total minimum lease payments	**92 685 299**	**3 033 654**	**39 296 628**	**2 203 135**
Minimum lease payments:				
No later than 1 year	14 824 294	2 432 693	7 885 305	2 203 135
Later than 1 year and no later than 5 years	77 861 004	600 961	31 411 323	-
	92 685 298	**3 033 654**	**39 296 628**	**2 203 135**

Lease liabilities with purchase option movement:	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
At the beginning of the year	2 951 813	7 357 687	2 151 216	6 007 889
Received during the period	1 631 800	-	1 631 800	-
Repaid during the period	(2 997 934)	(4 405 874)	(2 611 093)	(3 856 673)
Interest charged (Note 10 (a))	92 080	220 650	46 578	156 670
Interest paid	(92 080)	(220 650)	(46 578)	(156 670)
At the end of the year	**1 585 679**	**2 951 813**	**1 171 923**	**2 151 216**

Notes to the financial statements *(continued)*

25 Borrowings *(continued)*

Lease liabilities without purchase option movement:	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Initial recognition	62 547 788	n/a	16 901 096	n/a
Recognized during the year	29 294 451	n/a	24 567 757	n/a
Amortized during the year	(12 077 968)	n/a	(6 333 495)	n/a
Disposed	(102 583)	n/a	(102 584)	n/a
Interest charged (Note 10 (a))	1 704 819	n/a	750 884	n/a
Interest paid	(1 704 819)	n/a	(750 884)	n/a
At the end of the year	**79 661 688**	**n/a**	**35 032 775**	**n/a**

As at 31 December 2019 and 2018 the lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

26 Deferred corporate income tax

In accordance with Danish tax legislation current corporate income tax is applied at the rate of 22% (2018: 22%) on taxable income generated by the Group during the taxation period ending 31 December 2019.

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Deferred income tax assets:				
- Tax losses	(1 076 953)	(1 846 115)	(1 076 953)	(242 200)
- Other temporary changes of assets	-	(142 070)	-	-
Deferred income tax liabilities	24 046 823	25 221 049	3 859 117	2 905 221
At the end of the reporting year, net	**22 969 870**	**23 232 864**	**2 782 164**	**2 663 021**

Deferred income tax (net) movement in the reporting year:

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
Deferred income tax liability/ (asset), net:				
At the beginning of the reporting year	23 232 864	2 990 000	2 663 020	3 265 000
(Credited) to income statement (Note 14)	(262 994)	875 149	119 144	(459 373)
Reclassification	-	(2 610 285)	-	(142 607)
Acquired in business combination	-	21 978 000	-	
At the end of the reporting year	**22 969 869**	**23 232 864**	**2 782 164**	**2 663 020**
Deferred income tax assets, gross:				
Deferred tax assets to be received within 12 months	-	(142 070)	-	-
Deferred tax assets to be received after more than 12 months	(1 076 953)	(1 846 115)	(1 076 953)	(242 200)
	(1 076 953)	**(1 988 185)**	**(1 076 953)**	**(242 200)**
Deferred income tax liabilities, gross:				
Deferred tax liabilities to be settled within 12 months	22 433 909	23 664 238	1 612 914	1 169 814
Deferred tax liabilities to be settled after more than 12 months	1 612 913	1 556 811	2 246 203	1 735 406
	24 046 822	**25 221 049**	**3 859 117**	**2 905 220**
Deferred income tax liabilities, net:	**22 969 869**	**23 232 864**	**2 782 164**	**2 663 020**

Notes to the financial statements *(continued)*

27 Trade and other payables

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Current trade and other payables:				
Trade and other payables	32 699 416	30 601 996	29 855 333	28 636 108
Trade payables to related parties (Note 29 (ii.i))	1 244 713	1 541 377	613 446	899 359
Social insurance and similar contributions	2 256 463	2 134 771	1 118 824	1 167 261
Value added tax	1 446 798	764 004	1 299 938	764 004
Ice-cream tax	3 953 900	3 904 535	3 625 356	3 710 926
Excise tax	-	553 756	-	553 756
Other payables, incl. salary payables	2 841 080	14 778 297	1 290 407	11 133 671
Advance payments	830 347	863 819	-	-
Accrued liabilities	19 651 405	6 342 440	15 742 893	5 384 423
	64 924 122	**61 484 995**	**53 546 197**	**52 249 508**

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

As at 31 December 2019 and 2018, the carrying amounts of the Group's trade and other payables are denominated in the following currencies:

DKK	58 966 973	53 327 061	48 104 813	45 049 849
EUR	4 707 838	7 708 990	4 654 426	7 191 370
NOK	591 128	448 944	128 776	8 289
SEK	347 907	-	347 907	-
CHF	310 276	-	310 275	-
	64 924 122	**61 484 995**	**53 546 197**	**52 249 508**

28 Contingent liabilities

(i) Pledged assets

For information on pledged assets refer to Note 25 (vi).

(ii) Contingencies (contingent consideration) resulting from share-purchase agreements

Share purchase agreement of Hjem-Is Danmark A/S group, from 2017, provides for certain amount of the retention money, being part of the total purchase price of subsidiaries shares, which is not transferred to the sellers immediately, but rather is released in accordance with the terms of the agreement. The part of the escrow in the amount of DKK 8 000 thousand was released during July 2019. As at 31 December 2019, DKK 840 thousand was released from the escrow account and paid to the third party in accordance with the share purchase agreement. The remaining amount of DKK 909 thousand was released during June 2020.

(iii) Taxation commitments

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

Notes to the financial statements *(continued)*

29 Related party transactions

The parties are considered related when one party has the possibility to control the other one or has significant influence over the other party in making financial and operating decisions.

The Group is engaged in the following transactions with the related parties:

(i) Sales and other services and key management remuneration

(i.i.) Sale of goods and rendering of services

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	2018 DKK Parent
Revenue	2 976 198	1 678 094	50 349 352	51 962 561
Other services	4 379 920	61 215	4 379 920	235 620
	7 356 118	**1 739 309**	**54 729 272**	**52 198 181**
Sales of goods by product type				
Ice-cream	2 976 198	1 678 094	50 349 352	51 962 561
Revenue to related parties by geographical area				
Denmark	-	-	47 373 155	50 458 873
Latvia	4 379 920	194 331	4 379 920	194 331
Norway	2 976 198	1 544 978	2 976 197	1 544 977
	7 356 118	**1 739 309**	**54 729 272**	**52 198 181**

(i.ii) Purchase of goods and services

Purchases of goods	9 166 295	8 324 087	22 322 774	6 638 217

(i.iii) Key management remuneration

Remuneration to key management personnel (Note 13) i.e.				
Management fee	4 405 050	5 221 000	4 405 050	5 221 000
Director's remuneration	5 626 405	6 049 120	5 626 405	4 573 421
	10 031 455	**11 270 120**	**10 031 455**	**9 794 421**

Notes to the financial statements *(continued)*

29 Related party transactions *(continued)*

(ii) Year-end balances

(ii.i) Accounts receivable arising from transactions with related parties

	31.12.2019. DKK Consolidated	31.12.2018. DKK Consolidated	31.12.2019. DKK Parent	31.12.2018. DKK Parent
Receivables from related parties (Note 22)				
Hjem-IS Danmark A/S	-	-	2 130 822	7 778 321
Isbjorn Is AS	7 790	-	7 790	-
Food Union Management SIA	301 608	1 326 141	301 608	1 326 141
	309 398	**1 326 141**	**2 440 220**	**9 104 462**
Payables to related parties (Note 27)				
Isbjorn Is AS	491 083	397 900	128 776	11 071
Rigas Piena Kombinats AS	29 058	297 945	14 079	297 945
Food Union Management SIA	724 572	845 532	470 591	590 343
	1 244 713	**1 541 377**	**613 446**	**899 359**

The receivables from related parties arise mainly from sales of goods and services. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties.

(iii) Loans to related parties

	2019 DKK Consolidated	2018 DKK Consolidated	2019 DKK Parent	2018 DKK Parent
At the beginning of the year	-	-	-	29 955 902
Loans issued during the year	120 313	-	982 732	-
Loans repaid during the year	(120 313)	-	(120 313)	(29 955 902)
Interest charged (Note 9 (a))	355	155 581	187	490 195
Interest paid	(355)	(155 581)	(187)	(490 195)
At the end of the year (Note 20)	**-**	**-**	**862 419**	**-**

Interest income on all loans is recognized on the fair value of the loans using the effective interest method. No impairment provision was required in 2019 for the loans made to related parties.

(iv) Borrowings from the related parties

At the beginning of the year	180 887 979	179 511 426	156 047 298	179 511 426
Borrowings advanced during the year	-	95 722 502	-	70 934 235
Borrowings repaid during the year	(11 158 694)	(98 021 473)	(8 284 638)	(98 021 473)
Interest charged (Note 10 (a))	7 350 921	7 882 832	6 740 238	7 591 680
Interest paid	(7 365 096)	(8 144 606)	(6 758 525)	(7 905 868)
Addition/ reclassification of deferred refinancing fees	-	1 462 036	-	1 462 036
Amortization of deferred refinancing fees	450 215	1 899 752	450 215	1 899 752
Foreign exchange differences	34 991	575 510	34 991	575 510
At the end of the year (Note 25)	**170 200 316**	**180 887 979**	**148 229 579**	**156 047 298**
Non-current part	109 981 203	109 495 111	109 981 203	109 495 111
Current part	60 219 113	71 392 868	38 248 376	46 552 187
At the end of the year (Note 25)	**170 200 316**	**180 887 979**	**148 229 579**	**156 047 298**

Borrowings from the related parties are unsecured in nature. Borrowings bear interest at market rates.

Notes to the financial statements *(continued)*

30 Events after the reporting period

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and by now it has spread across the world, causing disruptions to businesses and economic activity, including geographies of the Group's operations. The management of the Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is uncertain and evolving, the management does not consider it practicable to provide any quantitative estimate of the potential impact of this outbreak on the Group.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statement or notes thereto.

Independent Auditors' Report

To the Shareholders of Mejerigaarden A/S.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Mejerigaarden A/S for the financial year 1 January - 31 December 2019, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Skive, 31. august 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Christensen State Authorised Public Accountant Mne35463	Martin Furbo State Authorised Public Accountant Mne32204