
Royal Canin Danmark A/S

Kay Fiskers Plads 10, DK-2300 København S

Annual Report for 2023

CVR No. 13 11 84 77

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 18/6 2024

James Edward Gordon
McGrath
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Royal Canin Danmark A/S for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations and cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 18 June 2024

Executive Board

James Edward Gordon McGrath
CEO

Board of Directors

Antonia Sandra Raluca Manolescu James Edward Gordon McGrath Isabelle Burckle
Chairman

Independent Auditor's report

To the shareholder of Royal Canin Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Royal Canin Danmark A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 18 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Lunden

State Authorised Public Accountant

mne32209

Gösta Gauffin

State Authorised Public Accountant

mne45821

Company information

The Company	Royal Canin Danmark A/S Kay Fiskers Plads 10 2300 København S CVR No: 13 11 84 77 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Antonia Sandra Raluca Manolescu, chairman James Edward Gordon McGrath Isabelle Burckle
Executive Board	James Edward Gordon McGrath
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	81,274	59,049	81,951	79,976	70,978
Profit/loss of primary operations	5,474	-9,330	9,410	7,570	5,801
Profit/loss of financial income and expenses	532	322	-379	590	640
Net profit/loss for the year	4,631	-7,071	7,028	6,346	4,928
Balance sheet					
Balance sheet total	50,240	50,911	70,158	63,651	66,233
Investment in property, plant and equipment	276	0	0	0	0
Equity	10,789	6,157	21,227	14,200	20,854
Cash flows					
Cash flows from:					
- operating activities	10,405	8,767	814	14,203	294
- investing activities	-276	666	-920	0	0
- financing activities	-2,483	-8,000	0	-16,104	0
Change in cash and cash equivalents for the year	7,646	1,433	-106	-1,901	294
Number of employees	98	92	90	87	85
Ratios					
Return on assets	10.9%	-18.3%	13.4%	11.9%	8.8%
Solvency ratio	21.5%	12.1%	30.3%	22.3%	31.5%
Return on equity	54.7%	-51.6%	39.7%	36.2%	24.8%

The key figures have been prepared in accordance with the Financial Association's recommendations and key figures. Reference is made to definitions in the section on accounting policies.

Management's review

Key activities

The Company imports, sells and distributes pet food in Denmark.

Development in the year

2023 was a challenging year on the following unprecedented disruption the in the Supply Chain, triggered by the War in the Ukraine and therefore unprecedented increase in production costs. To offset the production cost push, we increased our List Price by approx. 20% leading to decline in volume sales.

The income statement of the Company for 2023 shows a profit of TDKK 4,631, and at 31 December 2023 the balance sheet of the Company shows equity of TDKK 10,789.

The past year and expectations for the year ahead

The Company has realized a profit of DKK 4.6 million in 2023 compared to a loss of at DKK 7.1 million in 2022. The business performance in 2023 is in line with expectations. Retaining the Volume & Value sales performance has been a key challenge against the background of high inflation, high price elasticity and high list price increase of nearly 20%. The price increase was needed to offset the increase in production costs in 2022 & 2023 and thereby retain the long-term financial health of the business.

Targets and expectations for the year ahead

The Danish market continues to be very competitive, and the business context remains volatile. Following a year of strong volume decline, the focus in 2024 is the stabilize sales with the ambition of recording a sales growth of 1-3%. At the same time, the margin recovery will continue. The production costs are expected to stay flat. The majority of the products are produced in Poland and are therefore subject to currency fluctuations of the Polish Zloty. The recent strengthen of the Polish Zloty, puts extra pressure on the profitability. Logistics efficiencies are planned for in 2024 and are contributing to improved profit margin.

Depending on the magnitude of volume performance and fluctuation of the polish Zloty in 2024, we expect a profit before tax between DKK 1.5 million and DKK 7 million in 2024.

Uncertainty relating to recognition and measurement

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

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		81,274	59,049
Staff expenses	1	-75,738	-68,379
Depreciation and impairment losses of property, plant and equipment	2	-62	0
Profit/loss before financial income and expenses		5,474	-9,330
Financial income	3	675	537
Financial expenses	4	-143	-215
Profit/loss before tax		6,006	-9,008
Tax on profit/loss for the year	5	-1,375	1,937
Net profit/loss for the year	6	4,631	-7,071

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Other fixtures and fittings, tools and equipment		214	0
Property, plant and equipment	7	214	0
Fixed assets		214	0
Finished goods and goods for resale		7,467	6,448
Inventories		7,467	6,448
Trade receivables		1,955	3,930
Receivables from group enterprises		29,536	32,488
Deferred tax asset	8	133	311
Corporation tax		0	4,643
Prepayments	9	198	0
Receivables		31,822	41,372
Cash at bank and in hand		10,737	3,091
Current assets		50,026	50,911
Assets		50,240	50,911

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital	10	500	500
Retained earnings		5,289	5,657
Proposed dividend for the year		5,000	0
Equity		10,789	6,157
Trade payables		10,030	7,458
Payables to group enterprises		7,009	9,492
Corporation tax		403	0
Other payables		22,009	27,804
Short-term debt		39,451	44,754
Debt		39,451	44,754
Liabilities and equity		50,240	50,911
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	5,658	0	6,158
Net profit/loss for the year	0	-369	5,000	4,631
Equity at 31 December	500	5,289	5,000	10,789

Cash flow statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Result of the year		4,631	-7,071
Adjustments	11	905	-2,259
Change in working capital	12	488	18,256
Cash flow from operations before financial items		6,024	8,926
Financial income		675	537
Financial expenses		-143	-216
Cash flows from ordinary activities		6,556	9,247
Corporation tax paid		-796	-480
Payment received concerning corporation tax previous year		4,645	0
Cash flows from operating activities		10,405	8,767
Purchase of property, plant and equipment		-276	0
Fixed asset investments made etc		0	666
Cash flows from investing activities		-276	666
Repayment of payables to group enterprises		-2,483	0
Dividend paid		0	-8,000
Cash flows from financing activities		-2,483	-8,000
Change in cash and cash equivalents		7,646	1,433
Cash and cash equivalents at 1 January		3,091	1,658
Cash and cash equivalents at 31 December		10,737	3,091
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10,737	3,091
Cash and cash equivalents at 31 December		10,737	3,091

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	70,829	62,780
Pensions	4,762	4,787
Other social security expenses	147	812
	<u>75,738</u>	<u>68,379</u>
Including remuneration to the Executive Board	<u>1,987</u>	<u>0</u>
Average number of employees	<u>98</u>	<u>92</u>

Remuneration to the Executive Board has not been disclosed for 2022 in accordance with section 98 B(3) of the Danish Financial Statements Act.

	2023	2022
	TDKK	TDKK
2. Depreciation and impairment losses of property, plant and equipment		
Depreciation of property, plant and equipment	62	0
	<u>62</u>	<u>0</u>

	2023	2022
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	636	186
Other financial income	39	351
	<u>675</u>	<u>537</u>

	2023	2022
	TDKK	TDKK
4. Financial expenses		
Interest paid to group enterprises	0	124
Other financial expenses	143	91
	<u>143</u>	<u>215</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	1,199	-2,643
Deferred tax for the year	178	706
Adjustment of tax concerning previous years	-2	0
	<u>1,375</u>	<u>-1,937</u>

	2023	2022
	TDKK	TDKK
6. Profit allocation		
Proposed dividend for the year	5,000	0
Retained earnings	-369	-7,071
	<u>4,631</u>	<u>-7,071</u>

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	0
Additions for the year	276
Cost at 31 December	<u>276</u>
Impairment losses and depreciation at 1 January	0
Depreciation for the year	62
Impairment losses and depreciation at 31 December	<u>62</u>
Carrying amount at 31 December	<u>214</u>
Amortised over	<u>3-8 years</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
8. Deferred tax asset		
Deferred tax asset at 1 January	311	1,017
Amounts recognised in the income statement for the year	-178	-706
Deferred tax asset at 31 December	133	311

9. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

10. Share capital

The share capital consists of 50 shares of a nominal value of TDKK 10000. No shares carry any special rights.

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

	2023	2022
	TDKK	TDKK
11. Cash flow statement - Adjustments		
Financial income	-675	-537
Financial expenses	143	215
Depreciation, amortisation and impairment losses, including losses and gains on sales	62	0
Tax on profit/loss for the year	1,375	-1,937
	905	-2,259

	2023	2022
	TDKK	TDKK
12. Cash flow statement - Change in working capital		
Change in inventories	-1,019	-612
Change in receivables	4,729	23,045
Change in trade payables, etc	-3,222	-4,177
	488	18,256

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
13. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5,382	4,559
Between 1 and 5 years	8,437	9,823
	<u>13,819</u>	<u>14,382</u>

Other contingent liabilities

The Danish companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Mars Danmark A/S, which is the management company of the joint taxation purposes. 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 Company's liability.

14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Mars Incorporated, Elm Street, Maclean, Virginia 22101, USA	Ultimate parent company, USA

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

<u>Name</u>	<u>Place of registered office</u>
Mars Incorporated	McLean, Virginia, USA

The Company's nearest and ultimate Parent Company is Mars Incorporated, 6885 Elm Street, McLean, Virginia 22101, USA. The consolidated financial statement are not published, as Mars Inc. is privately owned.

Notes to the Financial Statements

15. Accounting policies

The Annual Report of Royal Canin Danmark A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Notes to the Financial Statements

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Cost of sales comprise costs of goods for resale to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of sales and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish sister Companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

IT equipment	3 years
Trucks and cars	5-8 years

Notes to the Financial Statements

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Other fixed asset investments

Fixed asset investments consist of loans to group enterprises and deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Notes to the Financial Statements

Financial liabilities

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$