


**Nestlé Professional Food A/S**

**Industrivej 36**

**4683 Rønnede**

**Annual Report 2021**

Approved by the shareholders at the annual general meeting of the company held on 25/5-2022



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Paul David Ronald den Dunnen  
Chairman of the meeting

**(Central Business Registration No. 13 23 74 09)**

**Nestlé Professional  
Food A/S**

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## Company details

**Company** Nestlé Professional Food A/S  
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4683 Rønnede

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Website [www.oscar.dk](http://www.oscar.dk)

E-mail: [oscar@oscar.dk](mailto:oscar@oscar.dk)

CVR-No.: 13 23 74 09

Financial year: 1 January 2021 - 31 December 2021

**Board of Directors** Torben Emborg, Chairman  
Birgitte Brandt Krenk  
Paul David Ronald den Dunnen

**Executive Board** Paul David Ronald den Dunnen

**Auditor** EY Godkendt Revisionspartnerselskab  
Dirch Passers Allé 36, 2000 Frederiksberg  
[www.ey.com](http://www.ey.com)

## STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nestlé Professional Food A/S for the financial year 1 January 2021 - 31 December 2021.

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

In our opinion the financial statements give a true and fair view of the Company's assets, liabilities, and financial position on 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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

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

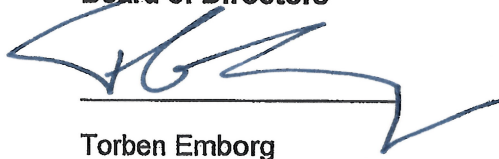
Copenhagen, 25th May 2022

### Executive Board



Paul David Ronald den Dunnen

### Board of Directors

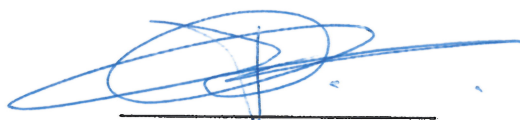


Torben Emborg

Chairman



Birgitte Brandt Krenk



Paul David Ronald den Dunnen

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of Nestlé Professional Food, A/S**

### **Opinion**

We have audited the financial statements of Nestlé Professional Foods A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

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

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

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

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

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

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

## Statement on Management's review

Management is responsible for the Management's review.

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


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

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


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

Copenhagen, 25th May 2022

EY Godkendt  
Revisionspartnerselskab  
CVR-nr. 30 70 02 28



Claus Tanggaard Jacobsen  
State Authorized  
Public Accountant  
mne23314



Anders Roe Eriksen  
State Authorized  
Public Accountant  
mne46667

**Nestlé Professional  
Food A/S**

**Financial Highlights**

tkr./DKK'000	2021	2020	2019	2018	2017
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**Key figures**

Gross profit	32.679	21.113	38.831	34.973	39.895
Profit/loss	-5.287	-17.087	-639	-4.852	3.818
Profit/loss from financial income and expenses	-922	-690	-450	-337	-466
Profit/loss	-1.682	-10.800	1.812	-4.072	2.601

**Assets**

Total assets	107.770	103.027	108.454	104.021	106.892
Investment in property, plant, and equipment	349	1.915	1.915	3.039	6.306
Equity	-2.729	-1.048	9.752	7.941	14.613

Average number of employees	58	62	66	69	68
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**Financial ratios**

Return on invested capital	-5,0%	-16,2%	-0,6%	-4,6%	3,8%
Solvency ratio	-2,5%	-1,0%	9,0%	7,6%	13,7%
Return on equity	89,1%	-248,1%	20,5%	-36,1%	19,2%

**Financial ratio definitions**

Return on invested capital = 
$$\frac{\text{Operating profit} \times 100}{\text{Total Assets}}$$

Solvency ratio = 
$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Return on equity = 
$$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$



## **Management review**

### **Principal activities**

Nestlé Professional Food A/S produces high-quality products within the product lines of bouillon, soup, sauces, and stock.

The products are distributed in retail, Food Service, and the food industries in Denmark and on a wide range of export markets.

### **Abnormal conditions**

No abnormal conditions.

### **Uncertainty relating to recognition and measurement**

No uncertainty relating to recognition and measurement.

### **Developments in operations and financial position**

Covid-19 had a strong impact on the hospitality industry across all our supplying markets where the second half of 2021 was a recovery period for the out of home channel sales.

The profit for the year 2021 is -1,682 DKK thousand compared -10,800 DKK thousand in 2020.

The outlook for 2021 in 2020 Annual report was the profit before tax between 0 DKK to 745 DKK thousand where the actual 2021 profit before tax was lower than this level. The reason for this deviation is first half of 2021 which was still under Covid-19 impact affecting out of home channel sales.

The company's financial resources and credit lines are sufficient to meet its funding requirement through the period until cash flows generated by its operations are sufficient to cover its expenses.

The management is expecting that the profitability of the company will improve with higher scale driven by market openings across Nordics. The parent company has also submitted a letter of support so that the company will be able to continue its operation. See also note 1. Therefore, the Management did not consider it necessary to take any additional measures other than to continue with the planned initiatives in the normal course of business.

### **Events after the balance sheet date**

No important events have occurred after the reporting period which could significantly affect the Company's financial position.

### **Outlook**

The Company expects growth in revenue for the coming years, with the profit before tax between 0 DKK to 800 DKK thousand in 2022 due to better fixed cost absorption with higher volume scale. However, the outlook remains very difficult to predict accurately considering the global supply-chain effects of post COVID-19 (such as supply chain disruption and raw material shortages) and Ukraine-Russia war.

## **Management review**

### **Particular risks**

The Company's most significant operational risk is associated with the Company's capability to maintain and expand its position on the focus markets through development of innovative products and a high degree of service towards customers

### **Financial risks**

In consequence of its solvency and financial readiness, the Company's exposure to changes in interest levels is limited.

### **Currency risks**

The Company has only a limited currency risk.

The Company primarily invoices in DKK or EUR, while a significant part of the purchase of goods is made in EUR. Currently, the Company has no hedging of currency risks relating to the purchase of goods.

### **Credit risks**

The Company has no significant risks associated with specific customers or collaborators.

### **Intellectual capital**

It is essential for the continuous growth of the Company to be able to attract and retain well educated staff. This is pursued through the ongoing training of staff, both in-house and out-of-house.

### **Environmental issues**

The Company is environmentally conscious and is continuously attempting to ensure the smallest possible impact on the environment by the Company's operations and products. The company is not liable to and does not prepare green accounts.

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

<u>Note</u>	<u>2021</u> kr.	<u>2020</u> kr.	
2	<b>Gross profit/loss</b>	<b>32.679.497</b>	<b>21.113.073</b>
2	Distribution expenses	-27.480.517	-25.628.732
2	Administrative expenses	-10.486.401	-12.570.861
	<b>Operating profit/loss</b>	<b>-5.287.421</b>	<b>-17.086.519</b>
	Other operational income	3.999.196	3.932.941
	Other financial expenses	-922.052	-689.522
	<b>Profit/loss before tax</b>	<b>-2.210.277</b>	<b>-13.843.100</b>
4	Tax on profit/loss for the year	528.563	3.043.116
5	<b>Profit/loss for the year</b>	<b>-1.681.714</b>	<b>-10.799.984</b>

## BALANCE SHEET AT 31 DECEMBER

<b>Assets</b>	<u>2021</u> kr.	<u>2020</u> kr.
<u>Note</u>		
6 Software and licenses	645.596	767.681
<b>Total intangible assets</b>	<b><u>645.596</u></b>	<b><u>767.681</u></b>
7 Assets under construction	0	265.202
8 Land and buildings	14.112.068	15.481.085
9 Production plant and machinery	13.858.663	15.385.351
10 Fixtures and fittings, other plant, and equipment	2.442.083	2.702.440
<b>Total tangible assets</b>	<b><u>30.412.814</u></b>	<b><u>33.834.078</u></b>
<b>Total fixed assets</b>	<b><u>31.058.410</u></b>	<b><u>34.601.759</u></b>
Raw materials and consumables	16.781.318	15.213.996
Finished goods and goods for resale	17.288.772	22.069.559
<b>Total inventories</b>	<b><u>34.070.090</u></b>	<b><u>37.283.555</u></b>
Trade receivables	21.549.157	11.483.424
Receivables from group companies	19.388.002	15.136.186
Corporation tax	763.409	3.607.088
Other receivables	2.000	8.596
Prepayments	939.303	906.435
<b>Total receivables</b>	<b><u>42.641.872</u></b>	<b><u>31.141.729</u></b>
<b>Total currents assets</b>	<b><u>76.711.962</u></b>	<b><u>68.425.284</u></b>
<b>Total assets</b>	<b><u>107.770.372</u></b>	<b><u>103.027.043</u></b>

## Equity and liabilities

<u>Note</u>	2021 kr.	2020 kr.
Share capital	12.000.000	12.000.000
Retained earnings	-14.729.261	-13.047.547
<b>Total equity</b>	<b>-2.729.261</b>	<b>-1.047.547</b>
4 Deferred tax	419.533	184.687
<b>Total provisions</b>	<b>419.533</b>	<b>184.687</b>
Leasing obligations	214.591	789.212
12 <b>Total long-term liabilities</b>	<b>214.591</b>	<b>789.212</b>
Leasing obligations	608.032	607.635
Trade payables	20.375.038	12.656.643
Debt to group companies	81.850.365	80.577.401
Other payables	7.032.074	9.259.012
<b>Total current liabilities</b>	<b>109.865.509</b>	<b>103.100.691</b>
<b>Total liabilities</b>	<b>110.080.100</b>	<b>103.889.903</b>
<b>Total equity and liabilities</b>	<b>107.770.372</b>	<b>103.027.043</b>

## STATEMENT OF CHANGES IN EQUITY

### Equity

	Share capital	Retained Earnings	Total
Equity on 1 January 2021	12.000.000	-13.047.547	-1.047.547
Transferred, cf. Profit appropriation	0	-1.681.714	-1.681.714
<b>Equity on 31 December 2021</b>	<b>12.000.000</b>	<b>-14.729.261</b>	<b>-2.729.261</b>

The share capital is divided into shares of DKK 500 or multiple thereof.

The share capital is not divided into different share classes and no shares are ascribed special rights.

The company has lost its share capital. Please refer to note 1 for further comments on this.

## Nestlé Professional Food A/S

### Notes

#### Note

##### 1 **Going Concern**

Nestlé Professional Food A/S has lost the share capital of the company.

Nestlé Danmark A/S, which is the sole shareholder of Nestlé Professional Food A/S, has declared that it is committed to make financial resources available to Nestlé Professional Food A/S to an extent that ensures the company's continued operation.

The letter of support is valid up to and including the ordinary general meeting of Nestlé Professional Food A/S in 2023.

	<u>2021</u> kr.	<u>2020</u> kr.
<b>2 Staff costs</b>		
Total amount for wages and salaries etc. is distributed as follows:		
Salaries and wages	37.297.077	36.779.649
Pensions	2.256.196	2.329.502
Other expenses relating to social security	679.861	637.177
Other staff costs	996.880	766.372
	<u><b>41.230.014</b></u>	<u><b>40.512.700</b></u>
Average number of employees	<u>58</u>	<u>62</u>
Personnel costs are recognized in the accounts as follows:		
Production costs	20.097.236	20.852.979
Distribution costs	17.831.659	16.607.375
Administrative expenses	3.301.119	3.052.347

Pursuant to section 98(b) of the Danish Financial Statements Act, remuneration of Management is not disclosed for 2021 as the Company has only a CEO. No remuneration is paid to the Board of Directors.

	2021 kr.	2020 kr.
<b>3 Other financial Expenses</b>		
Interest expenses to group companies	-591.848	-368.151
Other financial costs	-330.204	-321.371
	<b><u>-922.052</u></b>	<b><u>-689.522</u></b>
<b>4 Tax on profit/loss for the year</b>		
Joint taxation contribution	-763.409	-3.607.088
Adjustment of deferred tax for the year	234.846	566.426
Adjustment of tax from previous years	0	-2.454
	<b><u>-528.563</u></b>	<b><u>-3.043.116</u></b>
<b>5 Proposed distribution of profit/loss</b>		
Retained earnings	-1.681.714	-10.799.984
<b>Total amount applied</b>	<b><u>-1.681.714</u></b>	<b><u>-10.799.984</u></b>
<b>6 Software and licenses</b>		
Cost, beginning-of-period	1.491.979	1.491.979
Completed and transferred for the year	283.283	0
<b>Cost, end-of-period</b>	<b><u>1.775.262</u></b>	<b><u>1.491.979</u></b>
Depreciation and impairment, beginning-of-period	724.298	323.769
Depreciation for the year	405.368	400.529
<b>Depreciation and impairment, end-of-period</b>	<b><u>1.129.666</u></b>	<b><u>724.298</u></b>
<b>Carrying amount, end-of-period</b>	<b><u>645.596</u></b>	<b><u>767.681</u></b>

Software and licenses compromise ERP system and other software applications in use.



	2021 kr.	2020 kr.
<b>7 Assets under construction</b>		
Cost, beginning-of-period	265.202	1.136.151
Additions for the year	1.132.617	710.078
Disposals for the year	-143.376	-43.496
Completed and transferred for the year	-1.254.443	-1.537.531
<b>Cost, end-of-period</b>	<b><u>0</u></b>	<b><u>265.202</u></b>
<b>Carrying amount, end-of-period</b>	<b><u>0</u></b>	<b><u>265.202</u></b>
<b>8 Land and buildings</b>		
Cost, beginning-of-period	42.107.824	41.819.323
Additions for the year	129.098	210.119
Completed and transferred for the year	0	78.382
<b>Cost, end-of-period</b>	<b><u>42.236.922</u></b>	<b><u>42.107.824</u></b>
Depreciation and impairment, beginning-of-period	26.626.739	25.143.255
Depreciation for the year	1.498.115	1.483.484
<b>Depreciation and impairment, end-of-period</b>	<b><u>28.124.854</u></b>	<b><u>26.626.739</u></b>
<b>Carrying amount, end-of-period</b>	<b><u>14.112.068</u></b>	<b><u>15.481.085</u></b>

Property value, according to public land assessment on 1 October 2020 amounts to DKK 24,100,000.

	<u>2021</u> kr.	<u>2020</u> kr.
<b>9 Production plant and machinery</b>		
Cost, beginning-of-period	51.632.835	50.180.258
Additions for the year	0	100.097
Completed and transferred for the year	420.599	1.352.480
<b>Cost, end-of-period</b>	<b><u>52.053.434</u></b>	<b><u>51.632.835</u></b>
Depreciation and impairment, beginning-of-period	36.247.484	34.265.528
Depreciation for the year	1.947.287	1.981.956
<b>Depreciation and impairment, end-of-period</b>	<b><u>38.194.771</u></b>	<b><u>36.247.484</u></b>
<b>Carrying amount, end-of-period</b>	<b><u>13.858.663</u></b>	<b><u>15.385.351</u></b>

	2021 kr.	2020 kr.
<b>10 Fixtures and fittings, other plant, and equipment</b>		
Cost, beginning-of-period excluding lease assets	8.115.495	7.552.416
Cost, beginning-of-period Lease assets (IFRS 16)	4.820.815	3.860.669
Additions for the year	341.617	524.911
Completed and transferred for the year	550.560	106.668
Lease assets (IFRS 16), additions	383.928	1.047.660
Disposals for the year	-28.560	-68.500
Lease assets (IFRS 16), disposals	0	-87.514
<b>Cost, end-of-period</b>	<b><u>14.183.855</u></b>	<b><u>12.936.310</u></b>
Depreciation and impairment, beginning-of-period excluding lease assets	6.809.670	6.215.024
Depreciation and impairment, beginning-of-period, lease assets (IFRS 16)	3.424.200	2.391.848
Depreciation for the year	585.706	663.146
Depreciation for the year IFRS 16	950.756	1.032.352
Reversed depreciation	-28.560	-68.500
<b>Depreciation and impairment, end-of-period</b>	<b><u>11.741.772</u></b>	<b><u>10.233.870</u></b>
<b>Carrying amount, end-of-period</b>	<b><u>2.442.083</u></b>	<b><u>2.702.440</u></b>
of which leased assets	<u>829.787</u>	<u>1.484.129</u>

Impairment losses and depreciation are recognized in the financial statements as follows:

Production costs	3.070.873	3.094.569
Administrative expenses	2.316.359	2.197.680
	<b><u>5.387.232</u></b>	<b><u>5.292.249</u></b>

	2021 kr.	2020 kr.
<b>11 Deferred tax</b>		
Deferred tax 1 January	184.687	-381.739
Deferred tax adjustment	234.846	566.426
<b>Deferred tax on 31 December</b>	<b>419.533</b>	<b>184.687</b>
Deferred tax relates to:		
Intangible assets	142.031	168.890
Property, plant, and equipment	-66.768	-386.886
Current assets and liabilities	344.270	402.683
	<b>419.533</b>	<b>184.687</b>
<b>12 Total long-term liabilities</b>		

The long-term liabilities due within 5 years.

### 13 Contingencies, pledges, and collateral

#### Joint taxation

Nestlé Professional Food A/S is jointly taxed with all other Danish companies in the Nestlé Group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividends, interest, and royalties within the jointly taxed companies.

## 13 Related parties

### Related party transactions

	2021	2020
Cost refunded by group enterprise	3.999.196	3.932.941
Sales of goods to group enterprises	49.481.324	47.375.043
Royalties	2.750.324	2.294.301
Purchase of services from group enterprises	31.642.754	22.865.016
Purchase of goods from group enterprises	55.677.181	60.125.808

Payables and receivables to group entities are disclosed in the balance sheet and expensed interest is disclosed in Income Statement.

Nestlé Danmark A/S has issued a letter of support to Nestlé Professional Food A/S with a promise to support the company with financial resources to ensure the company's continued operations.

### Ownership status

In the company's ownership records, the following shareholders are noted as owning a minimum of 5% of the votes, or a minimum of 5% of the share capital:

Nestlé Danmark A/S, Arne Jacobsens Allé 7, 2300 København S

For the consolidated financial statements of Nestlé S.A. can be requested on following address:

<http://www.nestle.com/sites/default/files/2022-03/2021-corp-governance-compensation-financial-statements-en.pdf>

## 14 ACCOUNTING POLICIES

The financial statements of Nestlé Professional Foods A/S for 2021 has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act.

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

Pursuant to sections 86 of the Danish Financial Statements Act, the Company has omitted to prepare a cash flow statement. The Company is included in the consolidated financial statements of Nestlé S.A.

### **Recognition and measurement**

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

Liabilities are recognized in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognizing and measuring assets and liabilities, any gains, losses, and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are considered.

Income is recognized in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognized, including depreciation, amortization, impairment, and provisions as well as reversals because of changes in accounting estimates of amounts which were previously recognized in the income statement.

### **INCOME STATEMENT**

#### **Revenue**

Income from the sale of goods for resale and finished goods is recognized in the income statement if delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT, taxes, and discounts in connection with the sale.

## **Production costs**

Production costs comprise costs, including depreciation and amortization and salaries, incurred in generating the revenue for the year.

Regarding goods for resale, cost of goods sold is recognized and regarding goods from own production, production costs are recognized corresponding to the year's revenue. Production costs include direct and indirect costs for raw materials and consumables, wages and salaries and depreciation of production plant.

Production costs also comprise development costs.

## **Distribution expenses**

Costs incurred in distributing goods purchased and sold during the year and in conducting sales campaigns etc. during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognized as distribution costs.

## **Administrative expenses**

Administrative cost comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

## **Other operating income**

Administrative cost comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

## **Other financial expenses**

Financial expenses comprise interest income and expense, gains and losses on receivables, payables and transactions denominated in foreign currencies.

## **Tax on profit/loss for the year**

The Company is covered by the Danish rules on compulsory joint taxation of group enterprises in Denmark. The Company is jointly taxed with Nestlé Danmark A/S, which is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities concurrently with the Company's payment of joint taxation contribution.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity.

## **BALANCE SHEET**

### **Intangible assets**

Software and licenses are measured at cost less accumulated amortization, or at the recoverable amount, if this is lower. Are amortized over the agreement period, however no more than 3 years.

### **Tangible assets**

Tangible assets are measured at cost less accumulated depreciation. The basis for depreciation is cost less the expected residual value at the end of the useful life. Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is available for use. Land is not depreciated.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets as follows:

25 years - Buildings

5-25 years - Plant and machinery

3-10 years - Fixtures and fittings, other plant, and equipment

Gains and losses on the disposal of tangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement under assets.

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortization or depreciation.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognized prospectively.



## **Accounting policies for leased assets and lease liabilities**

When entering a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration. When an assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities recognized as "lease liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently adjusted as follows if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognized as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognized in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognized in the balance sheet.

### **Inventories**

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise costs for insurance, wages, and salaries as well as amortization and depreciation which relate to production but are not direct production costs.

Obsolete and slow-moving goods are written down.

### **Receivables**

Receivables are measured at amortized cost which usually corresponds to the nominal value. Write-down is made for bad debt losses.

### **Prepayments and accrued income**

Prepayments and accrued income recognized under assets include incurred costs concerning subsequent financial years.

### **Cash and cash equivalents**

Cash and cash equivalents consist of bank deposits. Deposits in the Group's cash pool scheme are not regarded as cash and cash equivalents but are included in the accounting item "Debt to group companies", due to the nature of the scheme.

### **Tax payable and deferred tax**

In its capacity as the administrative company, Nestlé Danmark A/S is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries. Joint taxation contribution payable or receivable is recognized as intra-group balances.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is measured in accordance with current tax legislation and at the expected tax rate at the time when the temporary tax differences expect to set off.

Changes in deferred tax are recognized in the income statement with the share attributable to the results for the year and directly in equity with the share attributable to equity entries.

### **Liabilities**

Trade payables and other payables are measured at nominal values.

### **Foreign currency translation**

Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial costs. If currency positions are cash flow hedges, the value adjustments are recognized directly in equity.

Receivables, payables, and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are converted using the exchange rate at the balance sheet date. Any difference between the exchange rate on the balance sheet date and the rate at the occurrence of the receivable or the debt, is recognized in the income statement as financial income or expenses.