

NESTLÉ PROFESSIONAL FOOD A/S

INDUSTRIVEJ 36, 4683 RØNNEDE

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 25 May 2023**

Paul David Ronald den Dunnen

CVR NO. 13 23 74 09

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COMPANY DETAILS

Company	Nestlé Professional Food A/S Industrivej 36 4683 Rønnede
	CVR No.: 13 23 74 09 Established: 1 June 1989 Municipality: Faxe Financial Year: 1 January - 31 December
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

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Nestlé Professional Food A/S for the financial year 1 January - 31 December 2022.

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 at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

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 the Annual Report be approved at the Annual General Meeting.

Copenhagen, 25 May 2023

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

Conclusion

We have audited the financial statements of Nestlé Professional Foods A/S for the financial year 1 January - 31 December 2022, 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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 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. Management is also responsible 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Statement on the Management 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 Statements Act. We did not identify any material misstatement of the Management's review.

Frederiksberg, 25 May 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Tanggaard Jacobsen
State Authorised Public Accountant
MNE no. mne23314

Anders Roe Eriksen
State Authorised Public Accountant
MNE no. mne46667

FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Gross profit/loss.....	50.668	36.679	21.113	38.831	34.973
Operating profit/loss of main activities...	7.305	-1.288	-17.087	-639	-4.852
Financial income and expenses, net.....	-1.354	-922	-690	-450	-337
Profit/loss for the year.....	4.336	-1.682	-10.800	1.812	-4.072
Balance sheet					
Total assets.....	103.855	107.770	103.027	108.454	104.021
Equity.....	1.606	-2.729	-1.048	9.752	7.941
Investment in property, plant and equipment.....	-1.867	-1.725	-1.915	-1.915	-3.039
Average number of full-time employees.....	65	58	62	66	69
Key ratios					
Return on invested capital.....	3,0	-5,0	-16,2	-0,6	-9,3
Equity ratio.....	1,5	-2,5	-1,0	9,0	7,6
Return on equity.....	-772,0	89,0	-248,2	20,5	-36,1

The ratios stated in the list of key figures and ratios have been calculated as follows:

Invested capital:	NWC + intangible and tangible assets (ex goodwill) - provisions - other operating liabilities, non-current
Return on invested capital:	$\frac{\text{Operating Profit/loss adjusted for goodwill amortisation} \times 100}{\text{Average invested capital}}$
Equity ratio:	$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

MANAGEMENT'S 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.

Recognition and measurement uncertainty

No uncertainty relating to recognition and measurement.

Development in activities and financial and economic position

Covid-19 had a strong impact on the hospitality industry across all our supplying markets still in first half of 2022, where the second half was a very strong recovery period for the out of home channel sales.

The profit for the year 2022 is 4.336 DKK thousand compared with -1.682 DKK thousand in 2021.

Profit/loss for the year compared to the expected development

The outlook for 2022 in 2021 Annual report was the profit before tax between 0 DKK to 800 DKK thousand. The actual 2022 profit before tax was visibly higher than 2021 level due to strong sales growth in all markets especially in Denmark and Sweden and a full recovery from Covid in all sales channels in Out of Home. This higher volume resulted in better fixed cost absorption.

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 price driven growth 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 13. 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.

Significant events after the end of the financial year

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

Financial risk

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

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.

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.

Environmental issues

The Company is environmentally conscious and is continuously attempting to ensure the smallest

MANAGEMENT'S REVIEW

Environmental issues (continued)

possible impact on the environment by the Company's operations and products. The company is not liable to and does not prepare green accounts.

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.

Outlook

The Company expects growth in revenue for the coming years, with the profit before tax between 5.000 DKK thousand to 8.000 DKK thousand in 2023 due to mainly price driven growth. However, the outlook remains very difficult to predict accurately considering the global economic circumstances around inflation and potential recession.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK	2021 DKK
GROSS PROFIT	1	50.667.669	36.678.693
Distribution expenses.....	1	-31.006.468	-27.480.517
Administrative expenses.....	1	-12.356.393	-10.486.401
OPERATING PROFIT		7.304.808	-1.288.225
Financial expenses.....	2	-1.354.336	-922.052
PROFIT BEFORE TAX		5.950.472	-2.210.277
Tax on profit/loss for the year.....	3	-1.614.892	528.563
PROFIT FOR THE YEAR	4	4.335.580	-1.681.714

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK
Intangible fixed assets acquired.....		205.520	645.596
Intangible assets.....	5	205.520	645.596
Land and buildings.....		12.811.518	14.112.068
Production plant and machinery.....		13.224.657	13.858.663
Other plant, machinery tools and equipment.....		1.491.320	2.442.083
Tangible fixed assets in progress and prepayment.....		295.104	0
Property, plant and equipment.....	6	27.822.599	30.412.814
NON-CURRENT ASSETS.....		28.028.119	31.058.410
Raw materials and consumables.....		20.455.162	16.781.318
Finished goods and goods for resale.....		18.555.423	17.288.772
Inventories.....		39.010.585	34.070.090
Trade receivables.....		19.021.668	21.549.157
Receivables from group enterprises.....		17.368.199	19.388.002
Other receivables.....		2.000	2.000
Corporation tax receivable.....		0	763.409
Prepayments.....	7	424.731	939.304
Receivables.....		36.816.598	42.641.872
CURRENT ASSETS.....		75.827.183	76.711.962
ASSETS.....		103.855.302	107.770.372

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK	2021 DKK
Share capital.....	8	12.000.000	12.000.000
Retained earnings.....		-10.393.681	-14.729.261
EQUITY.....		1.606.319	-2.729.261
Provision for deferred tax.....	9	932.632	419.533
PROVISIONS.....		932.632	419.533
Lease commitments.....		68.502	214.591
Non-current liabilities.....	10	68.502	214.591
Lease commitments.....		233.152	608.032
Trade payables.....		11.363.091	20.375.038
Payables to group enterprises.....		82.495.998	81.850.365
Corporation tax payable.....		1.101.794	0
Other liabilities.....		6.053.814	7.032.074
Current liabilities.....		101.247.849	109.865.509
LIABILITIES.....		101.316.351	110.080.100
EQUITY AND LIABILITIES.....		103.855.302	107.770.372
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EQUITY

	Share capital	Retained earnings	Total
Equity at 1 January 2022.....	12.000.000	-14.729.261	-2.729.261
Proposed profit allocation, see note 4.....		4.335.580	4.335.580
Equity at 31 December 2022.....	12.000.000	-10.393.681	1.606.319

The company has lost more than half of its share capital. Please refer to note 13 for further comments on this.

NOTES

	2022 DKK	2021 DKK	Note
Staff costs			1
Average number of employees	65	58	
Wages and salaries.....	42.656.701	37.297.077	
Pensions.....	2.483.957	2.256.196	
Social security costs.....	999.058	679.861	
Other staff costs.....	826.457	996.880	
	46.966.173	41.230.014	
Personnel costs are recognized in the accounts as follows:			
Production expenses:	23.924.483	20.097.236	
Distribution expenses:	18.875.918	17.831.659	
Administrative expenses:	4.165.771	3.301.119	
Pursuant to section 98(b) of the Danish Financial Statements Act, remuneration of management is not disclosed for 2022 as the company has only a CEO. No remuneration is paid to the Board of Directors.			
Financial expenses			2
Interest expenses, Group enterprises.....	741.243	591.848	
Other financial expenses.....	613.093	330.204	
	1.354.336	922.052	
Tax on profit/loss for the year			3
Calculated tax on taxable income of the year.....	1.101.793	-763.409	
Adjustment of deferred tax.....	170.235	234.846	
Adjustment of deferred tax prior years.....	342.864	0	
	1.614.892	-528.563	
Proposed distribution of profit			4
Retained earnings.....	4.335.580	-1.681.714	
	4.335.580	-1.681.714	

NOTES

		Note
Intangible assets		5
	Intangible fixed assets acquired	
Cost at 1 January 2022.....	1.775.262	
Additions.....	27.648	
Cost at 31 December 2022.....	1.802.910	
Amortisation at 1 January 2022.....	1.129.666	
Amortisation for the year.....	467.724	
Amortisation at 31 December 2022.....	1.597.390	
Carrying amount at 31 December 2022.....	205.520	

Intangible assets comprise ERP system and other software applications in use.

		6
Property, plant and equipment		
	Land and buildings	Production plant and machinery
Cost at 1 January 2022.....	42.236.922	52.053.434
Additions.....	150.857	1.353.796
Disposals.....	0	-944.177
Cost at 31 December 2022.....	42.387.779	52.463.053
Depreciation and impairment losses at 1 January 2022.....	28.124.854	38.194.771
Disposals for the year.....	0	-944.177
Depreciation for the year.....	1.451.407	1.987.802
Depreciation and impairment losses at 31 December 2022...	29.576.261	39.238.396
Carrying amount at 31 December 2022.....	12.811.518	13.224.657
Property value according to public land assessment on 1 October 2022 amounts to.....	24.100.000	

NOTES

			Note
Tangible fixed assets (continued)			6
	Other plant, machinery tools and equipment	Tangible fixed assets in progress and prepayment	
Cost at 1 January 2022.....	8.979.112	0	
Cost, beginning-of-period Lease assets (IFRS 16).....	5.204.743	0	
Additions.....	67.062	295.104	
Lease assets (IFRS 16), additions.....	327.422	0	
Disposals.....	-54.052	0	
Lease assets (IFRS 16), disposals.....	-1.989.913	0	
Cost at 31 December 2022.....	12.534.374	295.104	
Depreciation and impairment losses at 1 January 2022.....	7.366.816		
Depreciation and imp, beginning-of-period IFRS 16.....	4.374.956		
Reversal of depreciation of assets disposed of.....	-35.830		
Reversed depreciation Lease Assets (IFRS 16).....	-1.989.913		
Depreciation for the year.....	471.470		
Depreciation for the year IFRS 16.....	855.555		
Depreciation and impairment losses at 31 December 2022...	11.043.054		
Carrying amount at 31 December 2022.....	1.491.320	295.104	
Included in the balance above are leased assets with a balance of DKK 301.654 (2021: DKK 829.787).			
Impairment losses and depreciation are recognised in the financial statements as follows:			
	2022 DKK	2021 DKK	
Production costs	3.076.358	3.070.873	
Administrative expenses	2.157.600	2.316.359	
	5.233.958	5.387.232	
Prepayments			7
Costs.....	424.731	939.304	
	424.731	939.304	
Prepayments relates to the prepaid expenses, primarily insurance and licenses.			
Share capital			8
The contributed capital consists of:			
Shares, 24.000 unit of nominal value of 500 DKK each.....	12.000.000	12.000.000	
	12.000.000	12.000.000	
Provision for deferred tax			9
The provision for deferred tax is related to intangible assets, PPE, current assets and liabilities.			

NOTES

	2022 DKK	2021 DKK	Note
Deferred tax, beginning of year.....	419.533	184.687	
Deferred tax of the year, income statement.....	170.235	234.846	
Adjustment of deferred tax prior years.....	342.864	0	
Deferred tax at 31 December 2022.....	932.632	419.533	

Long-term liabilities

	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities	10
Lease commitments.....	68.502	0	0	214.591	
	68.502	0	0	214.591	

Contingencies etc.

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Joint liabilities

The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of NESTLÉ DANMARK A/S, which serves as management Company for the joint taxation.

NOTES

Note

Related parties

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The Company's related parties include:

Controlling interest

Nestlé Danmark A/S, Kaj Fiskers Plads 10, 2300 København S, is the principal shareholder.

Transactions with related parties

During financial year the Company has the following transactions with related parties:

	2022 DKK	2021 DKK
Costs refunded by group enterprise	4.165.591	3.999.196
Sale of goods to group enterprises	69.666.703	49.481.324
Purchase of services from group enterprises	29.657.747	31.642.754
Purchase of goods from group enterprises	95.129.137	55.815.926
Royalty for group enterprises	6.058.066	2.750.324

Other financial expenses is stated under note 2.

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 price driven growth 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 13. 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.

Comfort letter

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Nestlé Professional foods has lost more than half of 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 2024.

Consolidated Financial Statements

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Nestlé Professional Foods A/S is part of the consolidated financial statements of Nestlé S.A., Avenue Nestlé 55, 1800 Vevey, Switzerland, which the Company is included as a subsidiary.

The consolidated financial statements of Nestlé S.A. can be requested on following address: <http://www.nestle.com/investors/publications>

ACCOUNTING POLICIES

The financial statements of Nestlé Professional Foods A/S for 2022 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

The company has chosen IFRS 15 as interpretation for revenue recognition. 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.

Gross profit

The items revenue, production costs have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

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.

ACCOUNTING POLICIES

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

Other operating income comprises items secondary to the Company's activities, including gains on disposal of intangible assets and property, plant and equipment and re invoicing of costs to Group Enterprises.

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. Intangible assets 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:

	Useful life
Buildings.....	25 years
Production plant and machinery.....	5-25 years
Other plant, fixtures and equipment.....	3-10 years

ACCOUNTING POLICIES

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

The Company has chosen IFRS 16 as interpretation for classification and recognition of leases. 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 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-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 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 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.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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

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 "Payable to group companies", due to the nature of the scheme.

ACCOUNTING POLICIES

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.