Vitakraft Danmark A/S

Industrivej 17
8260 Viby J

CVR no. 14 31 28 97

Annual report 2016

The annual report was presented and approved at the Company's annual general meeting on
24 April 2017
chairman

Contents

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 Vitakraft Danmark A/S for the financial year 1 January – 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Aarhus, 24 April 2017
Executive Board:

Christian Kjærgaard Thomsen

Board of Directors:

Heinz Johannes Gardewin Chairman	Christian Kjærgaard Thomsen	Dirk Strelow

KPMG

Independent auditor's report

To the shareholder of Vitakraft Danmark A/S

Opinion

We have audited the financial statements of Vitakraft Danmark A/S for the financial year 1 January – 31 December 2016 comprising 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 Company's assets, liabilities and financial position at 31 December 2016, and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

KPMG

Independent auditor's report

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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

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

— identify and assess the risks of material misstatement of the company 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.

KPMG

Independent auditor's report

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 24 April 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Anette Harritz
State Authorised
Public Accountant

Michael E. K. Rasmussen
State Authorised
Public Accountant

Management's review

Company details

Vitakraft Danmark A/S
Industrivej 17
8260 Viby J

CVR no.:	14 31 28 97
Established:	1 January 1990
Registered office:	Aarhus
Financial year:	1 January – 31 December

Board of Directors

Heinz Johannes Gardewin, Chairman
Christian Kjærgaard Thomsen
Dirk Strelow

Executive Board

Christian Kjærgaard Thomsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Annual general meeting

The annual general meeting will be held on 24 April 2017.

Management's review

Operating review

Principal activities

The Company's activities include wholesale and distribution of food and accessories for pets in Denmark.

The Company primarily purchases products from the parent company, but also distributes products from external parties.

Development in activities and financial position

For the financial year 2016, the Company reported a profit of DKK 593 thousand before tax as against results of a negative DKK 592 thousand last year.

It is positive to note that the Company again has been able to increase its operating profit. This underlines that the strategy for the Company is working, and therefore the positive development evidenced during in recent years also continued in 2016.

Due to a new regional group structure, the Company now organisationally operates as part of the Vitakraft Scandinavia region. As part of this, shared services have been introduced, and the Danish CEO is now CEO for the Group's activities in Scandinavia. A positive effect of this is a lower cost base for the Danish entity.

In 2016, the transfer pricing tax investigation into prior years by the Danish tax authorities was finished and agreed with the Company. The outcome was a minor tax payment for prior years of DKK 144 thousand expensed in 2016. The final fine for insufficient transfer pricing documentation was DKK 250 thousand, and prior year's provision of DKK 1,000 thousand has been reversed, and the impact on results for 2016 is positive and amounts to DKK 750 thousand as disclosed in note 2.

In 2016 the shareholder increased the capital in the Company by a capital injection amounting to DKK 8,331 thousand. Subsequently, equity and the financial position of the Company are considered sufficient for the planned activities for 2017.

Events after the balance sheet date

No events have occurred that will have a significant impact on the financial position of the Company.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Gross profit	2	5,104	4,502
Staff costs	3	-4,267	-4,610
Depreciation, amortisation and impairment		-71	-192
Operating profit/loss		766	-300
Financial income		34	27
Financial expenses	4	-207	-319
Profit/loss before tax		593	-592
Tax on profit/loss for the year		-144	0
Profit/loss for the year		449	-592

Proposed profit appropriation/distribution of loss

Retained earnings	449	-592
	449	-592

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment		180	212
		180	212
Investments			
Deposits		80	80
		80	80
Total fixed assets		260	292
Current assets			
Inventories			
Finished goods and goods for resale		3,131	3,269
		3,131	3,269
Receivables			
Trade receivables		3,797	4,394
Receivables from group entities		0	73
Prepayments		0	119
		3,797	4,586
Cash at bank and in hand		1,712	4,024
Total current assets		8,640	11,879
TOTAL ASSETS		8,900	12,171

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital		501	500
Retained earnings		449	-8,330
Total equity		950	-7,830
Provisions	5		
Other provisions		250	1,250
Total provisions		250	1,250
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		673	1,207
Payables to group entities		4,077	14,888
Corporation tax		181	0
Other payables		2,769	2,656
		7,700	18,751
Total liabilities other than provisions		7,700	18,751
TOTAL EQUITY AND LIABILITIES		8,900	12,171

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Share premium	Retained earnings	Total
Equity at 1 January 2016	500	0	-8,330	-7,830
Capital increase	1	8,330	0	8,331
Share premium transferred	0	-8,330	8,330	0
Transferred over the profit appropriation	0	0	449	449
Equity at 31 December 2016	501	0	449	950

Financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of Vitakraft Danmark A/S for 2016 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

— Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

The Company has chosen to apply with requirements applying to a higher reporting class.

Foreign currency translation

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

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

Income statement

Gross profit

Gross profit includes revenue, cost of goods sold, other operating income and other external costs.

Income from the sale of goods for resale and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place and the income may be reliably measured and is expected to be received.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

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

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Fixtures and fittings, tools and equipment	5 years

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

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

Leases

All leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Impairment of fixed 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 depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable 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.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

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

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions comprise anticipated costs of DKK 250 thousand. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

2 **Gross profit**

As mentioned in the Management's review, profit for the year was affected by the reversal of provision relating to the tax investigation for prior years. The positive effect amounts to DKK 750 thousand. This special item is not part of the Company's operating activities.

	DKK'000	2016	2015
3	**Staff costs**		
	Wages and salaries	3,939	4,233
	Pensions	248	289
	Other social security costs	80	88
		4,267	4,610
	Average number of full-time employees	12	12
4	**Financial expenses**		
	Interest expense to group entities	80	200
	Other interest expenses	127	119
		207	319
5	**Provisions**		
	Restoration of lease	250	250
	Provision for taxes due to investigation	0	1,000
		250	1,250

6 Contractual obligations and contingencies, etc.

Lease obligations

The Company has entered into rent and lease agreements with remaning obligations of DKK 526 thousand, which expire no later than in 2019.

Contingent assets

Tax losses with a tax value of DKK 600 thousand have not been recognised in the financial statements due to uncertainty relating to the possibility to use the losses.

7 Collateral

The Company has provided collateral to bank of DKK 200 thousand secured upon bank account.

8 Related parties

Vitakraft Danmark A/S is part of the consolidated financial statements of P.F.I. Vitakraft GmbH, Mahndorfer Heerstrasse 9, 28307 Bremen, Germany, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of P.F.I Vitakraft GmbH can be obtained from the Company.