Caldic Ingredients Denmark A/S

Odinsvej 23, DK-8722 Hedensted

Annual Report for 1 January - 31 December 2016

CVR No 16 54 59 96

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 23/5 2017

Bernardus Witte
Chairman

pwc

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Caldic Ingredients Denmark A/S for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

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

Hedensted, 23 May 2017

Executive Board

Steen Nordmark Kunnerup

Board of Directors

Bernardus Witte Chairman	Olav Caspar van Caldenborgh	Steen Nordmark Kunnerup

Independent Auditor's Report

To the Shareholder of Caldic Ingredients Denmark A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 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.

We have audited the Financial Statements of Caldic Ingredients Denmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor’s Report

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.

Aarhus, 23 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen	Claus Lyngsø Sørensen
State Authorised Public Accountant	State Authorised Public Accountant

Company Information

The Company	Caldic Ingredients Denmark A/S Odinsvej 23 DK-8722 Hedensted CVR No: 16 54 59 96 Financial period: 1 January - 31 December Municipality of reg. office: Hedensted
Board of Directors	Bernardus Witte, Chairman Olav Caspar van Caldenborgh Steen Nordmark Kunnerup
Executive Board	Steen Nordmark Kunnerup
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

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

	2016	2015	2014	2013	2012
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	384.759	440.759	406.549	285.071	293.893
Gross profit/loss	176.510	66.264	63.278	48.904	41.772
Profit/loss before financial income and expenses	130.124	15.660	26.733	15.590	15.695
Net profit/loss for the year	114.784	11.932	21.723	12.885	12.187
Balance sheet					
Balance sheet total	224.122	173.836	167.761	167.626	172.806
Equity	159.045	110.869	98.881	115.446	119.509
Investment in property, plant and equipment	540	4.362	-30.478	0	0
Number of employees	64	65	65	56	54
Ratios					
Gross margin	45,9%	15,0%	15,6%	17,2%	14,2%
Profit margin	33,8%	3,6%	6,6%	5,5%	5,3%
Return on assets	58,1%	9,0%	15,9%	9,3%	9,1%
Solvency ratio	71,0%	63,8%	58,9%	68,9%	69,2%
Return on equity	85,1%	11,4%	20,3%	11,0%	14,9%

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

Management's Review

The Financial Statements of Caldic Ingredients Denmark A/S for 2016 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The activities of the Company are within sale, production and distribution of food and beverage ingredients.

Products are sold on domestic and foreign markets.

Market overview

On the Danish market the Company is selling own produced assembled products and distributing food ingredients from various suppliers with whom the Company has long term relationships. The Danish market is the dominant market of the Company.

The export markets are dominated by the Nordic countries and countries within the EU, but also sale outside of the EU for own produced products.

Development in the year

The income statement of the Company for 2016 shows a profit of kDKK 114.784, and at 31 December 2016 the balance sheet of the Company shows equity of kDKK 159.045.

The primary reason for the increased profit compared to last year relates to sale of activities and shares in subsidiaries within the Caldic group.

Strategy

It is the strategy of the Company to provide food ingredients to the companies producing end-products to consumers. The strategy is to provide value added activities to commodities. The Company expects to further develop the current activities in cooperation with activities of the Caldic Group.

Targets and expectations for the year ahead

The Company expects positive results from operation in the coming year.

Research and development

A substantial part of the activities of the Company is related to the continuous development of ingredients for food and beverage products in cooperation with the Company's suppliers.

Management's Review

Intellectual capital resources

A substantial part of the income is related to own produced products with recipes developed in cooperation with customers. The Company is the owner of these recipes.

Statement of Distribution of gender according to the Danish Financial Statements Act section 99b

Measurement of the Board of Directors

The current Board of Directors consists of 3 men. It is the Company's target to have a minimum of 1 female member of the Board of Directors by the end of 2020. In 2016 there has not been elected any female members at the general assembly.

Measurement of the other management level

The management board currently has an even distribution of genders according to the definitions from the Danish Business Authority.

Statement of social responsibility according to the Danish Financial Statements Act section 99a

Social responsibility is of high importance within the Caldic Group and in order to comply with the social responsibility we have in the Caldic Group implemented a Caldic Code of Conduct which each employee needs to sign upon employment. This is the basic principle for all conduct within the Caldic organization.

Environment

The care for the environment is given the highest priority at all times, hence each person employed at Caldic is responsible for remaining up-to-date on the main applicable safety and environmental laws and regulations. The precautionary measures implemented by Caldic with respect to the environment must be applied at all times. Therefore, the Caldic Guideline is:

- Each person must refrain from any conduct that could potentially give rise to dangerous situations

- All persons are required to immediately report any situation that could potentially undermine safety and/or harm the environment.

In order to ensure the environmental behavior and food safety standards, internal courses are conducted following ISO 9001 and FSSC 22002 standards.

Besides financial measurements, accidents and nearby accidents are measured as an internal target reported to the Executive Board of Caldic Group on a quarterly basis. We are happy to report that there have been no accidents or nearby accidents in 2016.

Management's Review

Climate

The Caldic Code of Conduct implies that all employees of Caldic at any time will have focus on reducing climate changing behavior including reduction of scarce resources. This policy is followed by quarterly reporting to the Executive Board of the Caldic Group and there have been no violations reported of this Conduct in 2016.

In 2016 we have continuously worked on reducing the consumption of electricity, gas and water and investment in production equipment with low energy consumption has been initiated.

Human rights

The Caldic Code of Conduct implies that all employees of Caldic at any time will give fair human rights to all individuals. This policy is followed by quarterly reporting to the Executive Board of the Caldic Group and there have been no violations reported of this Conduct in 2016. In 2016 all job interviews have ensured the ideal match of candidates based on competence match and fair human rights.

Safty

The safety of all individuals involved in Caldic's operations is given the highest priority at all times, hence each person employed at Caldic is responsible for remaining up-to-date on the main applicable safety and environmental laws and regulations. The precautionary measures implemented by Caldic with respect to safety and the environment must be applied at all times. Therefore, the Caldic Code of conduct is:

- Each person must refrain from any conduct that could potentially give rise to dangerous situations.

- All persons are required to immediately report any situation that could potentially undermine safety and/or harm the environment.

Besides financial measurements, accidents and nearby accidents are measured as an internal target reported to the Board of Directors on a quarterly basis. We are happy to report that there have been no accidents or nearby accidents reported in 2016.

In 2016 the internal safety organization has worked on reducing risk related issues on both office and production facilities.

Employee relations

Caldic is committed to providing equal career opportunities to all qualified individuals, regardless of race, age, personal beliefs, skin color, religion, gender, sexual orientation or on any other grounds specified by law. No form of discrimination based on these characteristics will be tolerated; everyone is required to treat his or her colleagues with respect and to be open and honest in their dealings with others. All job and appraisal interviews in 2016 has complied with this policy in accordance with the Caldic Code of Conduct.

Management's Review

Competition

Caldic will compete honestly and lawfully in the markets in which it operates, which means that the applicable competition laws and regulations will be complied with at all times. Therefore, the Caldic Code of Conduct is to:

- Avoid anticompetitive practices at all times.
- Limit interaction with competitors to legitimate business purposes.
- Not enter into any verbal or written agreements that could potentially undermine competition laws and regulations.
- Not enter into any verbal or written agreements with one or more competitors for the purpose of fixing prices or dividing markets.
- In those cases where Caldic acts as a distributor, persons employed at the Company must refrain from exchanging information with the supplier about Caldic's customers.

There has in 2016 not been reported any non-compliance with this policy. During 2016 all sales and procurement staff is followed up regularly by the Executive Board to ensure compliance with the policy.

For any of the above policies within social responsibility a whistle blower rule is set for each employee to contact the managing director of the company or the CFO of the Caldic Group.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events other than as explained under Development in the year.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2016	2015
		kDKK	kDKK
Revenue	1	**384.759**	**440.759**
Change in inventories of finished goods, work in progress and goods for resale		-610	1.955
Other operating income		115.949	0
Expenses for raw materials and consumables		-301.253	-353.637
Other external expenses		-22.335	-22.813
Gross profit/loss		**176.510**	**66.264**
Staff expenses	2	-37.775	-41.104
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-8.611	-9.500
Profit/loss before financial income and expenses		**130.124**	**15.660**
Income from investments in subsidiaries		1.556	2.698
Financial income	3	1.135	437
Financial expenses	4	-542	-823
Profit/loss before tax		**132.273**	**17.972**
Tax on profit/loss for the year	5	-17.489	-6.040
Net profit/loss for the year		**114.784**	**11.932**

Balance Sheet 31 December

Assets

	Note	2016	2015
		kDKK	kDKK
Acquired patents		0	0
Goodwill		51.677	51.079
Intangible assets	6	**51.677**	**51.079**
Land and buildings		9.916	10.285
Plant and machinery		4.942	6.223
Other fixtures and fittings, tools and equipment		1.124	1.997
Leasehold improvements		2.913	3.230
Property, plant and equipment	7	**18.895**	**21.735**
Investments in subsidiaries	8	1.697	12.364
Deposits	9	982	931
Fixed asset investments		**2.679**	**13.295**
Fixed assets		**73.251**	**86.109**
Inventories	10	**25.451**	**26.393**
Trade receivables		31.828	42.284
Receivables from group enterprises		92.895	12.100
Other receivables		257	0
Prepayments		206	19
Receivables		**125.186**	**54.403**
Cash at bank and in hand		**234**	**6.931**
Current assets		**150.871**	**87.727**
Assets		**224.122**	**173.836**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		kDKK	kDKK
Share capital		4.100	4.100
Reserve for net revaluation under the equity method		1.428	6.013
Retained earnings		153.517	100.756
Equity		**159.045**	**110.869**
Provision for deferred tax	11	1.497	819
Provisions		**1.497**	**819**
Mortgage loans		2.690	2.815
Long-term debt	12	**2.690**	**2.815**
Mortgage loans	12	275	254
Credit institutions		563	0
Lease obligations		0	425
Prepayments received from customers		0	621
Trade payables		28.340	38.726
Payables to group enterprises		1.780	3.649
Corporation tax		17.930	1.264
Other payables	13	12.002	14.394
Short-term debt		**60.890**	**59.333**
Debt		**63.580**	**62.148**
Liabilities and equity		**224.122**	**173.836**
Distribution of profit	14		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	4.100	6.013	100.756	0	110.869
Net effect from merger and acquisition under the book value method	0	0	-26.612	1.500	-25.112
Adjusted equity at 1 January	4.100	6.013	74.144	1.500	85.757
Ordinary dividend paid	0	0	0	-1.500	-1.500
Extraordinary dividend paid	0	0	-40.000	0	-40.000
Exchange adjustments relating to foreign entities	0	4	0	0	4
Net profit/loss for the year	0	-4.589	119.373	0	114.784
Equity at 31 December	**4.100**	**1.428**	**153.517**	**0**	**159.045**

Notes to the Financial Statements

		2016	2015
		kDKK	kDKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	327.752	358.457
	Revenue, exports	57.007	82.302
		384.759	**440.759**
2	**Staff expenses**		
	Wages and salaries	33.402	36.374
	Pensions	2.092	2.377
	Other social security expenses	510	527
	Other staff expenses	1.771	1.826
		37.775	**41.104**
	Average number of employees	**64**	**66**

With reference to section 98B, litra 3 of the Danish Financial Statements Act, the remuneration to Executive Board and Board of Directors is not disclosed.

		2016	2015
3	**Financial income**		
	Interest received from group enterprises	554	118
	Other financial income	11	174
	Exchange adjustments	570	145
		1.135	**437**
4	**Financial expenses**		
	Interest paid to group enterprises	47	224
	Other financial expenses	495	597
	Exchange loss	0	2
		542	**823**

	2016	2015
	kDKK	kDKK

5 Tax on profit/loss for the year

	2016	2015
	kDKK	kDKK
Current tax for the year	17.930	5.988
Deferred tax for the year	312	52
Adjustment of tax concerning previous years	-797	0
Adjustment of deferred tax concerning previous years	44	0
	17.489	**6.040**

6 Intangible assets

	Acquired patents	Goodwill	Total
	kDKK	kDKK	kDKK
Cost at 1 January	3.882	77.379	81.261
Net effect from merger and acquisition	0	6.040	6.040
Additions for the year	0	3.194	3.194
Disposals for the year	-140	-4.152	-4.292
Cost at 31 December	3.742	82.461	86.203
Impairment losses and amortisation at 1 January	3.882	26.300	30.182
Net effect from merger and acquisition	0	2.817	2.817
Amortisation for the year	0	5.611	5.611
Impairment and amortisation of sold assets for the year	-140	-3.944	-4.084
Impairment losses and amortisation at 31 December	3.742	30.784	34.526
Carrying amount at 31 December	**0**	**51.677**	**51.677**

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Cost at 1 January	12.549	19.058	13.101	5.550	50.258
Net effect from merger and acquisition	0	0	1.413	47	1.460
Additions for the year	0	193	86	261	540
Disposals for the year	0	-95	-1.945	-47	-2.087
Cost at 31 December	12.549	19.156	12.655	5.811	50.171
Impairment losses and depreciation at 1 January	2.264	12.832	11.104	2.320	28.520
Net effect from merger and acquisition	0	0	581	47	628
Depreciation for the year	369	1.477	647	578	3.071
Impairment and depreciation of sold assets for the year	0	-95	-801	-47	-943
Impairment losses and depreciation at 31 December	2.633	14.214	11.531	2.898	31.276
Carrying amount at 31 December	**9.916**	**4.942**	**1.124**	**2.913**	**18.895**
Including assets under finance leases amounting to	0	1.962	0	0	1.962

Notes to the Financial Statements

8 Investments in subsidiaries

	2016	2015
	kDKK	kDKK
Cost at 1 January	6.352	6.258
Exchange adjustment	4	8
Net effect from merger and acquisition	-34.182	0
Additions for the year	34.182	86
Disposals for the year	-6.087	0
Cost at 31 December	269	6.352
Value adjustments at 1 January	6.012	11.591
Disposals for the year	-6.141	0
Exchange adjustment	1	47
Net profit/loss for the year	1.556	4.621
Dividend to the Parent Company	0	-8.323
Amortisation of goodwill	0	-1.924
Value adjustments at 31 December	1.428	6.012
Carrying amount at 31 December	**1.697**	**12.364**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
R2 ChemTec GmbH	Flensborg	EUR 25.000	100%	1.381	0
R2 Group Norway AS	Oslo	NOK 100.000	100%	316	142

Notes to the Financial Statements

9 Other fixed asset investments

	Deposits
	kDKK
Cost at 1 January	982
Cost at 31 December	982
Revaluations at 1 January	0
Revaluations at 31 December	0
Carrying amount at 31 December	**982**

	2016	2015
	kDKK	kDKK

10 Inventories

Raw materials and consumables	6.514	6.082
Finished goods and goods for resale	18.742	19.352
Prepayments for goods	195	959
	25.451	**26.393**

11 Provision for deferred tax

Provision for deferred tax at 1 January	819	767
Net effect from merger and acquisition	322	0
Amounts recognised in the income statement for the year	356	52
Provision for deferred tax at 31 December	**1.497**	**819**

Notes to the Financial Statements

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2016	2015
	kDKK	kDKK
Mortgage loans		
After 5 years	1.729	2.085
Between 1 and 5 years	961	730
Long-term part	2.690	2.815
Within 1 year	275	254
	2.965	**3.069**

13 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2016	2015
	kDKK	kDKK
Liabilities	14	46

Forward exchange contracts have been concluded to hedge future purchase of goods in USD and GBP. At the balance sheet date, the fair value of the forward exchange contracts amounts to kDKK 14. Purchase of goods in USD of kUSD 60, corresponding to less than 2 % of the expected purchase, has been hedged. The forward exchange contracts have a term of up to 2 months. Purchase of goods in GBP has been hedged for a period of up to 2 months for an amount of kGBP 135 corresponding to less than 4 % of the expected purchase in the period.

Notes to the Financial Statements

14 Distribution of profit

	2016 kDKK	2015 kDKK
Extraordinary dividend paid	40.000	0
Reserve for net revaluation under the equity method	-4.589	2.698
Retained earnings	79.373	9.234
	114.784	**11.932**

15 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	2016 kDKK	2015 kDKK
Land and buildings with a carrying amount of	9.916	10.285

The following assets have been placed as security with bankers:

	2016 kDKK	2015 kDKK
Mortgage deeds registered to the mortage totalling kDKK 2.000, providing security on land and buildings at a total carrying amount of	9.916	10.285
Company Charge registered to the mortgagor totalling kDKK 100.000, providing security on inventories, trade receivables, intangible rights and operating fixtures at a total carrying amount of	62.439	76.897

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2016 kDKK	2015 kDKK
Within 1 year	1.085	971
Between 1 and 5 years	2.216	780
	3.301	**1.751**

The Company has entered into rent contracts with notice periods of 3 - 12 month. The total obligation at 31 December 2016 is kDKK 1.588.

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

In 2013 the Company has performed a tax free demerger approved by the Danish Tax Authorities. When Caldic B.V. acquired the share capital, the approval was withdrawn which led to a tax to be paid of kDKK 8.300 excluding interests. The decision has been appealed to the National Tax Tribunal in Denmark and the legal assessment is that it is less likely that the Company will loose the case.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to kDKK 19.041. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

16 Related parties

	Basis
Controlling interest	
Caldic B.V.	100%

Notes to the Financial Statements

16 Related parties (continued)

Transactions

The sale of goods to group enterprises, kDKK 12.921.

The purchase of goods from group enterprises, kDKK 4.325.

Mangement fee received from Group entreprises amounts to kDKK 3.940. Management fee to Caldic B.V. amounts to kDKK 2.522.

Sale of tangible and intangible assets to Caldic Denmark A/S amounts to kDKK 1.132.

Sale of shares in Caldic Denmark A/S, R2 Group Belelux B.V. and R2 Group Sweden AB to Caldic B.V amounts to kDKK 64.662.

Sales of activity and customers to Caldic Denmark A/S, Caldic Ingredients Sweden, Caldic Finland and Caldic Norway amounts to kDKK 59.575.

Purchase of activity and customers from Caldic Denmark amounts to kDKK 3.194.

Receivables from group entreprise amounts to kDKK 92.895. kDKK 906 relates to sale at normal terms e.g. not interest bearing. kDKK 91.989 relates to intercompany loans with a carring interest rate of 1,15 - 2,5 %.

Payables to group entreprises amounts to kDKK1.780. kDKK 200 relates to purchase of goods at normal terms e.g. not interest bearing. kDKK 1.580 relates to intercompany loans with a carring interest rate of 1,15 - 2,5%.

Consolidated Financial Statements

The company is part of the Group Annual Report of the parent company:

Name	Place of registered office
Caldic B.V.	Rotterdam, Holland

The Group Annual Report of Caldic B.V. may be obtained at the following address:

Westerlann 1
NL-3016 CK Rotterdam
Holland

Notes to the Financial Statements

17 Fee to auditors appointed at the general meeting

	2016 kDKK	2015 kDKK
Audit fee	165	220
Tax advisory services	9	0
Other services	8	150
	182	**370**

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Caldic Ingredients Denmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in kDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Caldic B.V., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Caldic B.V., the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

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

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

Business combinations

Book value method

Intragroup business combinations are accounted for under the book value method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The Book value method is applied at the date of acquisition, and comparative figures have not been restated.

Notes, Accounting Policies

Leases

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

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

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes, Accounting Policies

Income Statement

Revenue

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

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

Notes, Accounting Policies

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5-20 years.

The estimated useful life has been determined by taking into consideration the business platform acquired, including a strong brand and reputation as well as very loyal customers.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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

Production buildings	35	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Notes, Accounting Policies

Assets costing less than DKK 12.900 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

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

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

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

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

Prepayments

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

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Notes, Accounting Policies

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$