

## **Caldic Ingredients Denmark A/S**

Odinsvej 23, DK-8722 Hedensted

Annual Report for 1 January - 31 December 2019

CVR No 16 54 59 96

The Annual Report was presented  
and adopted at the Annual General  
meeting of the Company on 5 May  
2020

Olav Caspar van Caldenborgh  
Chairman

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## **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 2019

The Annual report is prepared in accordance with the Danish Financial Statement Act.

In our opinion the Financial Statements give a true and fair view of the Financial position at 31 December 2019 of the company and of the results of the Company operations for 2019.

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

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

Hedensted, 5 May 2020

### **Executive Board**

\_\_\_\_\_  
Gustav Larsson

### **Board of Directors**

\_\_\_\_\_  
Olav Caspar van Caldenborgh  
Chairman

\_\_\_\_\_  
Bernardus Witte

\_\_\_\_\_  
Gustav Larsson

## **Independent Auditor's Report**

To the shareholders 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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 Statement does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

**Management's responsibilities for the Financial Statements**

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

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

**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 skepticism throughout the audit. We also:

- Identify and assess the risk 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, wherever 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 disclosure 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
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosure, and whether the Financial Statements represent the underlying transactions and events in 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, 5 May 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Lyngsø Sørensen

statsautoriseret revisor

mne34539

## 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	Olav Caspar van Caldenborgh, Chairman Bernardus Witte Gustav Larsson
Executive Board	Gustav Larsson
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:

	2019	2018	2017	2016	2015
	kDKK	kDKK	kDKK	kDKK	kDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Operating profit/loss	51 030	53 447	52 002	176 510	66 264
Profit/loss before financial income	4 394	12 295	9 175	130 124	15 660
Net profit/loss for the year	6 536	10 992	6 064	114 784	11 932
<b>Balance Sheet</b>					
Balance sheet total	107 522	220 229	209 803	224 122	173 836
Equity	32 668	176 274	165 071	159 045	110 869
Numer of employees	53	57	62	64	65
<b>Ratios</b>					
Return on assets	4,1 %	5,6 %	4,4 %	58,1 %	9,0 %
Solvency ratio	30,4 %	80,0 %	78,7 %	71,0 %	63,8 %
Return on equity	6,3 %	6,4 %	3,7 %	85,1 %	11,4 %

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 2019 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting Class C.

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

### **Main activities**

The activities of the company is 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 EU but also sales outside EU for the own produced products.

### **Development in the year**

The income statement of the Company for 2019 shows a profit of kDKK 6.536 which is slightly below the expectations which is mainly due to closing down production site Sejling in August 2019. At 31 December 2019 the balance sheet of the company shows equity of kDKK 32.668.

### **Strategy**

It's the strategy of the Company to provide food ingredients to companies producing end-products to consumers. The strategy is to provide value added activities to commodities.

### **Targets and expectations for the year ahead**

The Company's outlook for the future may be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 14.

Before the COVID-19 outbreak, Management expected a modest revenue growth of about 5% and unchanged net profit for the year as compared to 2019. This was based on Management's assumption of flattening economic growth in Denmark's neighboring countries (primarily Germany and Sweden) where the Company is selling its products. However, the COVID-19 outbreak hit both our neighboring countries and the Danish market, and Management expects this to have a negative impact on both revenue and net profit for 2020. The scope of the impact is, however, unknown at this time as it is uncertain to what extent the Company will be able to recapture lost revenue later in the 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.

### **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 corporate social responsibility**

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 and 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 has been no violations reported of this Conduct in 2019.

In 2019 we have continuously worked on reducing the consumption of electricity, Gas and water and investments in production equipment with low energy consumption has been initiated. 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 know that there has been no accidents or nearby accidents in 2019 that could have environmental or climate effect.

### *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 has been no violations reported of this Conduct in 2019. In 2019 all job interviews has ensured the ideal match of candidates based on competence match and fair human rights.

### *Safety*

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.

In order to ensure the environmental behavior and food safety standards, internal courses are conducted following ISO 9001 standards. 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 know that there has been no accidents or nearby accidents reported in 2019 that could have safety breach. In 2019 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 2019 has complied with this policy in accordance with the Caldic Code of Conduct.

### *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 distributor, persons employed at the company must refrain from exchanging information with the supplier about Caldic's customers.

There has in 2019 not been reported any non-compliance with this policy. During 2019 all sales and procurement staff is followed up regularly by the Executive Board to ensure the policy is complied with.

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 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 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

## Income Statement 1 January - 31 December

	Note	2019	2018
		kDKK	kDKK
<b>Gross profit/loss</b>		51 030	53 447
Staff expenses	1	-32 592	-33 337
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-14 044	-7 815
<b>Profit/loss before financial income and expenses</b>		<b>4 394</b>	<b>12 295</b>
Income from investments in subsidiaries		0	-26
Financial income	2	4 527	3 793
Financial expenses	3	-378	-636
<b>Profit/loss before tax</b>		<b>8 543</b>	<b>15 426</b>
Tax on profit/loss for the year	4	-2 007	-4 434
<b>Net profit/loss for the year</b>		<b>6 536</b>	<b>10 992</b>

## Balance Sheet 31 December

### Assets

	Note	2019 kDKK	2018 kDKK
Acquired patents		0	0
Goodwill		33 784	38 785
<b>Intangible assets</b>	<b>5</b>	<b>33 784</b>	<b>38 785</b>
Land and buildings		3 200	9 324
Plant and machinery		2 389	3 165
Other fixtures and fittings, tools and equipment		876	1 410
Leasehold improvements		2 981	4 129
<b>Property, plant and equipment</b>	<b>6</b>	<b>9 446</b>	<b>18 028</b>
Deposits	7	1 201	1 186
<b>Fixed asset investments</b>		<b>1 201</b>	<b>1 186</b>
<b>Fixed assets</b>		<b>44 431</b>	<b>57 999</b>
<b>Inventories</b>	<b>8</b>	<b>19 381</b>	<b>27 745</b>
Trade receivables		25 856	27 093
Receivables from group enterprises		2 550	92 206
Other receivables	9	1 347	0
Corporation tax		0	316
Deferred tax asset	11	509	0
Prepayments		754	3 136
<b>Receivables</b>		<b>31 016</b>	<b>122 751</b>
<b>Cash at bank and in hand</b>		<b>12 694</b>	<b>11 734</b>
<b>Currents assets</b>		<b>63 091</b>	<b>162 230</b>
<b>Assets</b>		<b>107 522</b>	<b>220 229</b>

## Balance Sheet 31 December

### Liabilities and equity

	Note	2019	2018
		kDKK	kDKK
Share capital		4 100	4 100
Retained earnings		28 568	172 174
<b>Equity</b>		<b>32 668</b>	<b>176 274</b>
Provision for deferred tax	11	0	2 046
<b>Provisions</b>		<b>0</b>	<b>2 046</b>
Trade payables		18 677	27 777
Payables to group enterprises		45 174	747
Corporation tax		394	4 284
Other payables	9	10 609	9 101
<b>Short-term debt</b>		<b>74 854</b>	<b>41 909</b>
<b>Debt</b>		<b>74 854</b>	<b>41 909</b>
<b>Liabilities and equity</b>		<b>107 522</b>	<b>220 229</b>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Subsequent events	14		
Accounting policies	15		

## Statement of Changes in Equity

	Retained		Total
	Share capital	earnings	
	kDKK	kDKK	kDKK
Equity at 1 January	4 100	172 174	<b>176 274</b>
Extraordinary dividend paid	0	-150 000	<b>-150 000</b>
Fair value adjustment of hedging instruments	0	-142	<b>-142</b>
Net profit/loss for the year	0	6 536	<b>6 536</b>
<b>Equity at 31 December</b>	<b>4 100</b>	<b>28 568</b>	<b>32 668</b>

## Notes to the Financial Statements

	2019	2018
	kDKK	kDKK
<b>1 Staff expenses</b>		
Wages and salaries	27 869	28 882
Pensions	1 932	2 010
Other social security expenses	682	427
Other staff expenses	2 109	2 018
	<b>32 592</b>	<b>33 337</b>

Including remuneration to the Executive Board of Directors of Executive Board	1 996	
Board of Directors	0	
	<b>1 996</b>	

<b>Average number of employees</b>	<b>53</b>	<b>57</b>
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With reference to section 98B, litra 3 of the Danish Financial Statement Act, the remuneration to Executive Board and Board of Directors is not disclosed in 2018.

<b>2 Financial income</b>		
Interest received from group enterprises	4 527	3 793
Other financial income	0	0
Exchange adjustments	0	0
	<b>4 527</b>	<b>3 793</b>

<b>3 Financial expenses</b>		
Interest paid to group enterprises	0	14
Other financial expenses	358	208
Exchange adjustments	20	414
	<b>378</b>	<b>636</b>

<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	4 434	4 284
Deferred tax for the year	-2 555	179
Adjustment of tax concerning previous years	128	-29
	<b>2 007</b>	<b>4 434</b>

	Acquired patents	Goodwill	Total
	kDKK	kDKK	kDKK
Cost at 1 January	3 742	79 267	83 009
Additions for the year	0	0	0
Cost at 31 December	<b>3 742</b>	<b>79 267</b>	<b>83 009</b>
Impairment losses and amortisation at 1 January	3 742	40 482	44 224
Amortisation for the year	0	5 001	5 001
Impairment losses and amortisation at 31 December	<b>3 742</b>	<b>45 483</b>	<b>49 225</b>
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>33 784</b>	<b>33 784</b>

## 6 Property, plant and equipment

	Land and buildings		Other fixtures and Leasehold improvements		Total
	kDKK	kDKK	kDKK	kDKK	
Cost at 1 January	12 704		19 671	12 371	9 763 54 509
Additions for the year	32		870	0	0 902
Disposals for the year	0		0	-441	0 -441
Cost at 31 January	12 736		20 541	11 930	9 763 54 970
Impairment losses and depreciation at 1 January	3 380		16 506	10 961	5 634 36 481
Depreciation for the year	6 156		1 646	93	1 148 9 043
Impairment losses and depreciation at 31 December	9 536		18 152	11 054	6 782 45 524
<b>Carrying amount at 31 December</b>	<b>3 200</b>		<b>2 389</b>	<b>876</b>	<b>2 981 9 446</b>

## 7 Other fixed asset investments

	Deposits kDKK
Cost at 1 January	1 186
Additions for the year	15
Cost at 31 December	<b>1 201</b>
Revaluations at 1 January	0
Revaluations at 31 December	0
<b>Carrying amount at 31 December</b>	<b>1 201</b>

## 8 Inventories

	2019 kDKK	2018 kDKK
Raw materials and consumables	7 254	8 702
Finished goods and goods for resale	12 127	19 043
	<b>19 381</b>	<b>27 745</b>

## 9 Derivate 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:

Assets	0	142
Liabilities	0	0

Forward exchange contracts have been concluded to hedge future purchase of goods in USD. At the balance sheet date the fair value of the forward exchange contracts amounts to kDKK 0,3. Purchase of goods in USD of kDKK 7 corresponding to approximately 5% of the expected purchase, has been hedged. The forward exchange contracts have a term up to 12 months.

<b>10 Distribution of profit</b>	2019	2018
	kDKK	kDKK
Extraordinary dividend paid	-150 000	0
Retained earnings	143 464	10 992
	6 536	10 992

#### **11 Provision for deferred tax**

Provision for deferred tax at 1 January	2 046	1 867
Amounts recognised in the income statement for the year	-2 555	179
Amounts recognised in equity for the year	0	0
<b>Provision for deferred tax at 31 December</b>	<b>-509</b>	<b>2 046</b>

#### **12 Contingent assets, liabilities and other financial obligations**

<b>Rental and lease obligations</b>	2019	2018
	kDKK	kDKK
Lease obligations under operating lease. Total future lease payments:		
Within 1 year	3 542	3 402
Between 1 and 5 years	1 015	3 312
	<b>4 557</b>	<b>6 714</b>

#### **Guarantee obligations**

As guarantee for the parent company loans in bank, Caldic Ingredients Denmark A/S has provided a guarantee for these loans together with other companies.

The guarantee is however limited to booked Equity, at any given time, in Caldic Ingredients Denmark A/S.

#### **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 legal assessment is that it is less likely that the Company will lose 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 is the sum of Caldic Denmark A/S payable and the payable disclosed in the Annual Report of Caldic Ingredients Denmark A/S which is the management company of the joint taxation purposes. 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.

### 13 Related parties

	<u>Basis</u>
Controlling interest	
Caldic B.V	100 %

#### Transactions

Sales of goods to group enterprises, 33 323 kDKK

Purchase of goods from group enterprises, 6 108 kDKK

Management fee received from group enterprises amounts to kDDK 7 836.

Management fee to group enterprises amounts to kDKK 7 007.

Receivables from group enterprises amounts to 2 550 kDKK. The amount relates to sale at normal terms e.g. not interest bearing. kDKK 1 006 relates to intercompany fee.

Payables to group enterprises amounts to 418 kDKK. 96 kDKK relates to purchase of goods at normal terms e.g. not interest bearing. 322 kDKK relates to intercompany fee.

Loan to group enterprises amounts to 44 707 kDKK and needs to be repaid no later than 31 December 2022. The loan is interest bearing with an annual interest rate of 5%

#### Consolidated Financial Statements

The company is part of The Group Annual reports of the parent companies

<u>Name</u>	<u>Place of registered</u>
Caldic Holdco B.V.	Rotterdam, Holland
Caldic B.V.	Rotterdam, Holland

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

Westerlaan 1  
NL-3016 CK Rotterdam  
Holland

### 14 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Many of the Company's customers have indicated that they will continue unaffected, but there is still a risk that COVID-19 will have negative impacts on the Company's revenue and earnings in 2020. Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.

## 15 Accounting Policies

The Annual Report of Caldic Denmark A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act Applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in kDKK.

### 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 statement 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 reversal 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 carry 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.

#### Lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance lease) 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 lease 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.

## **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 discount 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.

### **Gross profit/loss**

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, change in inventories of finished goods, work in progress and goods for resale, other operation income, expenses for raw materials and consumables and other external expenses.

### **Staff expenses**

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

### **Amortisation, depreciation and impairment losses**

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

### **Other operation 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.

### **Financial income and expenses**

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

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

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

The Company is jointly tax 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 amortisation 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.

#### **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 loan 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 internal value is calculated on a straight-line basis over the expected useful lives of the assets, which

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 37 250 (EUR 5.000) are expensed in the year of acquisition.

#### **Impairment of fixed assets**

The carry amounts of intangible assets and property, plant and equipment are reveiwed 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.

#### **Other fixed asset investments**

Other fixed asset investments consist of deposit.

## **Inventories**

Inventories are measured at the lower of cost based on weighted average prices 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 equipments 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 premium, 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 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 receivables and liabilities 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.

## **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 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 loans. Amortised cost, which for cash loans corresponds to the remaining loans. 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

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ration	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$