

# CP Kelco ApS

Ved Banen 16  
4623 Lille Skensved, Denmark  
CVR-nr. 21 21 02 85

## Annual Report

For the fiscal year ended December 31, 2015

17th Fiscal Year

Adopted at the Annual General Meeting of shareholders on May 26, 2016



Chairman of the meeting

Michael Her Bentzen

## CONTENTS

	<b>Page</b>
Management's Review	3
Financial highlights	6
Statement by the Executive Board	7
Independent auditors' Report	8
Accounting Policies	10
Income Statement for the years ended December 31	16
Balance Sheet at December 31	17
Statement of Changes in Equity	21
Cash flow statement	22
Notes and Disclosures	23

## **MANAGEMENT'S REVIEW**

### **Main activities**

CP Kelco ApS develops and manufactures pectin and carrageenan and the products are sold world-wide. CP Kelco ApS is owned by J.M. Huber Corporation one of the largest family-owned companies in North America.

CP Kelco has more than 1.500 customers in over 100 countries that use the products as food ingredients or ingredients for industrial and pharmaceutical products as well as suspension material for oil drilling.

The CP Kelco ApS Group owns and operates 5 plants located in Europe, South America and in Asia.

### **Business review**

Revenue increased by app. 31%, from DKK 1,417 mill. in 2014 to DKK 1,855 mill. in 2015.

The company generated an operating profit in 2015 of DKK 278 mill. compared to DKK 82 mill. in 2014.

Financial income/expenses amount to a net expense of DKK 159 mill for 2015 against a net income of DKK 115 mill in 2014. The development of USD currency rate resulted in 2015 in a total foreign exchange loss of DKK 139 mill. against foreign exchange loss of DKK 146 mill. in 2014. Dividends from subsidiaries amounted to DKK 32 mill. in 2015 hereof DKK 22 mill. has reduced the cost price of subsidiaries. In 2014 dividends amounted to DKK 9 mill. In 2015 previously recognised impairments on investments were reversed amounting to DKK 27. mill compared to reversal of DKK 306 mill. in 2014.

The profit for the year of DKK 67 mill. is satisfactory and is affected by net foreign exchange loss of 139 mill.

The company has assessed the carrying value of goodwill and investments in subsidiaries based on management's expectations for the future earnings in the parent company and subsidiaries respectively. Management has assessed that the recoverable amounts of goodwill and investments in subsidiaries exceed the carrying values of DKK 434 mill. and DKK 2.1 billion, respectively. References is made to notes 5 and 7 to the financial statements.

### **Social responsibility**

The company's statutory report of corporate social responsibility contains also the environmental report and is published on the company's website  
<http://cpkelco.com/wp-content/uploads/2013/07/CSR-CP-Kelco-Lille-Skensved-2014.pdf>  
cf. the Danish Financial Statements Act §99a, part 3.

## **Diversity in management cf. The Danish Company Acc. Act § 99 b**

### *Policy:*

The Company wishes to have the professionally best qualified person on the individual leadership position concurrently with maintaining an inclusive workplace, believing that equal representation of sex in the upper management levels will strengthen the Company's synergy, creativity and development.

### *Action:*

The top management level in CP Kelco ApS is the Company's Executive Board, composed by four members, appointed by the Company's American Parent Company, J.M. Huber Corporation. CP Kelco ApS has no influence on the composition of the Executive Board. For formal reasons the target figure is therefore 0.

The Skensved management level is composed by functional, middle, and team leaders with CP Kelco ApS. 49 such positions in total.

CP Kelco ApS has a target figure for both sexes to be represented in the group with a ratio of 40/60%.

For internal recruitment both sexes are ensured same possibilities, and all leaders and potential leaders regardless of sex are offered leadership training on equal terms. In connection with external recruitment candidates of both sexes are selected, however, qualifications will always be the crucial factor.

### *Result:*

The distribution as per Dec. 31, 2015 is 40,8% women and 59,2% men, against per Dec. 31, 2014 42% and 58%.

In 2015 CP Kelco ApS has decreased the representation of women in the Skensved management level by 1,2%, however the gender distribution is still on target.

## **Interest Rate and Foreign Currency Rate Risk**

A significant portion of CP Kelco's activities is carried out in US dollars and Japanese yen and the company's DKK result will be volatile as a result of exchange rate fluctuations. The Company has engaged in derivative financial instrument contracts in order to mitigate exposure to changes in exchange rates. The Company is also exposed to changes in exchange rates on intergroup USD loans.

CP Kelco's finance department is entering into derivative financial contracts through J.M. Huber Corporate Treasury, a intergroup company under the same control as CP Kelco ApS. All transactions are made in close cooperation with the J.M. Huber Corporate Treasury department and based on the guidelines of the J.M. Huber Treasury policy.

## **Knowhow**

CP Kelco is to some extent dependent on being able to attract and keep employees who continuously can develop new products and new production techniques so that CP Kelco can continue to meet customer demands for products which have been adapted to the specific needs of the customers.

The employees are continuously being educated to enable them to comply with CP Kelco's standards of environment and safety.

### **Research & Development**

CP Kelco applies resources to research and development of new production techniques and new products, meeting customer needs for new products with specific properties.

Consequently CP Kelco is to some extent dependent on the continued focus on research and development in order to continuously improve production effectiveness and maintain to CP Kelco's market position.

### **Subsequent events**

No significant events, which have a material influence on the assessment of the Annual Report 2015 have occurred after the balance sheet date.

### **Outlook**

The Company expects for 2016 a revenue and an operating profit before financial income/expenses at 2015 level.

## FINANCIAL HIGHLIGHTS

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000	2011 DKK'000
Revenue	1,855,277	1,416,526	1,302,794	1,307,050	1,246,556
Gross profit	513,830	300,483	253,277	345,827	315,038
Profit before amortization and write-down of goodwill and before financial income/expenses	386,891	190,348	224,087	236,748	224,108
Operating profit	278,316	81,773	115,512	128,173	115,533
Profit (loss) from financial income/expenses	-158,580	115,044	-105,856	269,764	85,556
Profit(loss) before tax	119,736	196,817	9,656	397,937	201,089
Profit (loss) for the year	67,124	183,874	-25,511	336,389	161,243
Equity	2,378,263	2,311,139	2,127,265	2,152,776	1,816,387
Total assets	5,195,185	4,768,551	4,404,398	4,521,421	4,598,942
Investments in property, plant and equipment	51,728	72,597	63,329	40,112	70,038
Average number of employees	366	364	363	377	386

## STATEMENT BY THE EXECUTIVE BOARD

The Executive Board have today discussed and approved the annual report of CP Kelco ApS for the financial year January 1 – December 31, 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at December 31, 2015 and of the result of the Company's operations and cash flows for the financial year January 1 – December 31, 2015.


In our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the result of the year and the Company's operations and financial position.

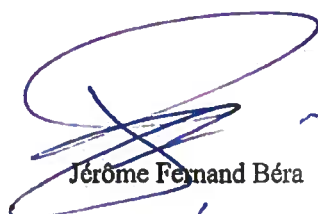
We recommend that the annual report be approved at the annual general meeting.

Lille Skensved, May 11, 2016

Executive Board:

  
Philip Martin Patterson

  
Donald George Rubright

  
Jérôme Fernand Béra

  
Jeffrey Jerome Prosinski

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of CP Kelco ApS**

#### **Independent auditors' report on the financial statements**

We have audited the financial statements of CP Kelco ApS for the financial year January 1 – December 31, 2015. The financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

#### ***Managements' 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.

#### ***Auditors' responsibility and basis of opinion***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

#### ***Opinion***

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at December 31, 2015 and of the results of its operations and cash flows for the financial year January 1 – December 31, 2015 in accordance with the Danish Financial Statements Act.

#### **Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.




Copenhagen, May 11, 2016

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR-nr. 25 57 81 98



Benny Lyng Sørensen

State Authorized Public Accountant



Niels Vendelbo

State Authorized Public Accountant

## **ACCOUNTING POLICIES**

### **General**

The Annual Report for the Company has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class C enterprises (large).

The company has not prepared group consolidated financial statements with reference to the Danish Financial Statements Act § 112. CP Kelco ApS and its subsidiaries are consolidated into the consolidated Group Financial Statements of the ultimate Parent company, J.M. Huber Corporation. The consolidated Group Financial Statements can be obtained from CP Kelco ApS.

### **Change in accounting policies**

The accounting policies used are unchanged compared to last year.

### **Recognition and measurement**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item. In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account. Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

### **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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and 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 at the date at which the receivable or payable arose or was recognised in the latest consolidated and parent company financial statements is recognised in the income statement as financial income or financial expenses.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognized directly in equity.

### **Derivative financial instruments**

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequent measured at fair value. Positive and negative fair values are recognized as other receivables and other payables respectively.

Fair value adjustments of derivative financial instruments classified as hedges of the fair value risk of financial assets or liabilities are treated as adjustments to the carrying amount of the hedged assets/liabilities.

Fair value adjustments of derivative financial instruments classified as hedges of expected future cash flows are recognized in equity until the hedge transaction is carried through. If the transaction results in an asset or in a liability, the accumulated gain or loss is included in the initial measurement of the asset or liability, and if the transaction results in revenue or an expense, the accumulated adjustment is recognized in the income statement together with the hedged item.

Fair value adjustments of derivative financial instruments which do not qualify for being treated as hedging instruments are recognized in the income statement.

### **Revenue**

Revenue related to the sale of goods is recorded in the income statement concurrently with delivery of goods, when risks have been transferred to the customer and the goods are invoiced.

### **Production costs**

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant and machinery. Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

### **Distribution costs**

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

### **Administrative expenses**

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

### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, 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, corporation tax and deferred tax**

The Company is comprised by the Danish rules on compulsory joint taxation of the J.M Huber Group's Danish subsidiaries.

CP Kelco is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

### **Tax on profit/loss for the year, corporation tax and deferred tax - continued**

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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.

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.

## **Intangible Assets**

### **Goodwill**

Goodwill is valued at cost less accumulated depreciation and write-down. Goodwill is depreciated over the expected useful lifetime which is 20 years and largest for strategic acquisitions with a long-term profitability profile.

### **Development projects, patents and licences**

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, distribution costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is 4 years.

Licences are measured at cost less accumulated amortisation and impairment losses. Licences are amortised over the contract period, however, not exceeding 20 years.

### **Property, plant and equipment**

Land and buildings, plant and machinery and 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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, energy consumption, staff and depreciation of machinery used.

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 depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	30 years
Plant and machinery	10-15 years
Fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

Depreciation is recognised as in the income statement production costs, distribution costs and administrative expenses, respectively.

### **Leases**

On initial recognition, leases for non-current assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are 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, etc.

### **Participating interests in subsidiaries**

Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, investments are written down to this lower value.

Dividends from subsidiaries are recognized in the income statement for that accounting year, in which the dividend is declared. To the extent that the declared dividend exceeds the accumulated earnings after the acquisition, cost is reduced by this exceeding amount.

### **Impairment of non-current assets**

The carrying amount of intangible assets and property, plant and equipment as well as investments in group entities and associates is subject to an annual assessment 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.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

### **Inventories**

Inventories are measured at cost in accordance with the 'Average 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.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management.

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 valued at par value and write downs for losses based on an individual assessment.

### **Prepayments**

Prepayments comprise prepayments of costs relating to subsequent financial years.

### **Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. 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.

Finance lease obligations are recognised as financial liabilities at amortised cost.

Other liabilities are measured at net realisable value.

### **Cash flow statement**

The cash flow statement shows the company's net cash flows, the year's changes in cash and cash equivalents and the enterprise's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid financial expenses and paid income taxes.

### **Cash flow statement - continued**

Cash flows from investing activities comprise payments related to additions and disposals of fixed assets.

Cash flow from financing activities comprises dividends paid to shareholders, capital increases and reductions and the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents comprise near money securities in respect of which the risk of changes in value is insignificant.

**INCOME STATEMENT for the years ended December 31**

		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>DKK'000</b>	<b>DKK'000</b>
Revenue	1	1,855,277	1,416,526
Production costs		<u>1,341,448</u>	<u>1,116,043</u>
<b>Gross profit</b>		<b>513,830</b>	<b>300,483</b>
Distribution costs		28,143	25,837
Administrative expenses		<u>98,796</u>	<u>84,298</u>
<b>Profit before depreciation and write-down of goodwill and before financial income/expenses</b>		<b>386,891</b>	<b>190,348</b>
Goodwill depreciation	5	<u>108,575</u>	<u>108,575</u>
<b>Operating profit</b>		<b>278,316</b>	<b>81,773</b>
Financial income	2	103,647	364,634
Financial expenses	3	<u>262,227</u>	<u>249,590</u>
<b>Profit before tax</b>		<b>119,736</b>	<b>196,817</b>
Tax on profit for the year	4	<u>52,612</u>	<u>12,943</u>
<b>Profit for the year</b>		<b><u>67,124</u></b>	<b><u>183,874</u></b>

**APPROPRIATION OF INCOME**

The Executive Board recommends that the net income of the Company is distributed as follows:

Net profit	67,124
Retained earnings, prior years	<u>2,258,137</u>
available for distribution	<u>2,325,261</u>
Proposed distributed as follows:	
Proposed dividend	0
Retained earnings	<u>2,325,261</u>
	<u>2,325,261</u>



**BALANCE SHEET at December 31**

<b>ASSETS</b>		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Goodwill		434,303	542,878
Development Projects		9,324	13,523
Licenses and software		<u>14,206</u>	<u>15,009</u>
<b>Total intangible assets</b>	<b>5</b>	<b><u>457,832</u></b>	<b><u>571,410</u></b>
<b>Property, plant and equipment</b>			
Land and buildings		106,254	101,441
Plant and machinery		277,707	282,446
Fixtures and equipment		7,283	8,238
Assets under construction		<u>60,912</u>	<u>62,705</u>
<b>Total property, plant and equipment</b>	<b>6</b>	<b><u>452,156</u></b>	<b><u>454,830</u></b>
<b>Investments</b>			
Investments in subsidiaries	<b>7</b>	2,140,474	2,134,690
Intra-group receivables		<u>1,358,176</u>	<u>1,015,165</u>
<b>Total investments</b>		<b><u>3,498,650</u></b>	<b><u>3,149,855</u></b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>4,408,639</u></b>	<b><u>4,176,095</u></b>

<b>BALANCE SHEET at December 31</b>		<b>2015</b>	<b>2014</b>
<b>ASSETS - continued</b>	<b>Note</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>	<b>8</b>	<u><b>411,476</b></u>	<u><b>356,628</b></u>
<b>Receivables</b>			
Trade accounts receivable		42,764	20,655
Intra-group receivables		298,695	176,945
Income tax receivable		0	6,250
Other receivables		27,642	24,024
Prepaid expenses		<u>2,931</u>	<u>2,956</u>
<b>Total receivables</b>		<b>372,032</b>	<b>230,830</b>
<b>Cash and bank</b>		<u><b>3,037</b></u>	<u><b>4,998</b></u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>786,545</b></u>	<u><b>592,456</b></u>
<b>TOTAL ASSETS</b>		<u><u><b>5,195,185</b></u></u>	<u><u><b>4,768,551</b></u></u>

**BALANCE SHEET at December 31****LIABILITIES**

		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>STOCKHOLDERS' Equity</b>			
Capital stock	9	53,002	53,002
Retained earnings		<u>2,325,261</u>	<u>2,258,137</u>
<b>STOCKHOLDERS' EQUITY</b>		<u><b>2,378,263</b></u>	<u><b>2,311,139</b></u>
<b>PROVISIONS</b>			
Deferred tax	10	<u>23,608</u>	<u>74,243</u>
<b>PROVISIONS</b>		<u><b>23,608</b></u>	<u><b>74,243</b></u>
<b>LONG-TERM LIABILITIES</b>			
<b>Long-term liabilities</b>			
Intra-group payables		2,125,981	1,650,699
Leasing obligation		<u>0</u>	<u>208</u>
<b>Total long-term liabilities</b>	11	<u><b>2,125,981</b></u>	<u><b>1,650,907</b></u>

**BALANCE SHEET at December 31**

		<b>2015</b>	<b>2014</b>
<b>LIABILITIES - continued</b>	<b>Note</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Current liabilities</b>			
Current liability of long-term liabilities	11	228	501
Trade accounts payable		162,769	139,558
Intra-group payables		423,386	546,003
Company tax payable		34,348	0
Other payables		<u>46,602</u>	<u>46,200</u>
<b>Total current liabilities</b>		<u><b>667,334</b></u>	<u><b>732,262</b></u>
<b>TOTAL LONG-TERM &amp; CURRENT LIABILITIES</b>		<u><b>2,793,315</b></u>	<u><b>2,383,169</b></u>
<b>TOTAL LIABILITIES</b>		<u><u><b>5,195,185</b></u></u>	<u><u><b>4,768,551</b></u></u>
Mortgages	12		
Contingent liabilities	13		
Derivatives	14		
Staff costs	15		
Fee to statutory auditors	16		

## STATEMENT OF CHANGES IN EQUITY

	DKK'000
<b>Capital Stock</b>	
Balance at January 1	<u>53,002</u>
Balance at December 31	<u>53,002</u>
<b>Retained earnings</b>	
Balance at January 1	2,258,137
Net profit	67,124
Proposal of dividend for the year	<u>0</u>
Balance at December 31	<u>2,325,261</u>
<b>Total Equity</b>	<u><u>2,378,263</u></u>

**CASH FLOW STATEMENT**

		2015	2014
<b>Cash flows from operating activities</b>	<b>Note</b>	<b>DKK'000</b>	<b>DKK'000</b>
Profit for the year		67,124	183,874
Non-cash adjustments	17	385,469	72,864
Changes in working capital	18	<u>-301,303</u>	<u>-16,056</u>
<b>Cash flow from operating activities before net financials</b>		<b><u>151,290</u></b>	<b><u>240,682</u></b>
Payments, net financial expenses		-4,136	-12,933
Net income taxes paid		<u>-62,586</u>	<u>-55,472</u>
<b>Total cash flows from operating activities</b>		<b><u>84,568</u></b>	<b><u>172,277</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of intangibles, net		-6,304	-11,297
Acquisition of property, plant and equipment		-51,728	-72,597
Disposal of property, plant and equipment		2	66
Additions long term intra-group receivables		-343,011	-164,607
Received dividend		<u>32,273</u>	<u>9,224</u>
<b>Total cash flows from investing activities</b>		<b><u>-368,768</u></b>	<b><u>-239,211</u></b>
<b>Cash flows from financing activities</b>			
Obtaining/payment long-term debt, net		<u>281,855</u>	<u>56,046</u>
<b>Total cash flows from financing activities</b>		<b><u>281,855</u></b>	<b><u>56,046</u></b>
<b>NET CASH FLOW FOR THE YEAR</b>		<b><u>-2,345</u></b>	<b><u>-10,888</u></b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at January 1		4,998	15,645
Currency translation adjustment cash and cash equivalent		384	241
Net cash flow for the year		<u>-2,345</u>	<u>-10,888</u>
<b>Cash and cash equivalents at December 31</b>		<b><u>3,037</u></b>	<b><u>4,998</u></b>

## NOTES AND DISCLOSURES

### Note 1. Revenue

The Company operates in one segment consisting of production of natural and naturally derived hydrocolloids. The operations are managed as one segment or strategic unit, because it offers similar products in similar markets and the factors determining strategic decisions are comparable for all products.

Information about activities on geographic areas is not submitted pursuant to the Danish Financial Statements Act, section 96 (1) as such information may be detrimental to the Group as there are only few material competitors in the segment.

	2015	2014
Note 2. Financial income	DKK'000	DKK'000
Financial income can be specified as follows:		
Reversal of write-down of participating interests in subsidiaries	27,000	305,816
Dividend from subsidiaries	11,501	9,224
Foreign currency adjustments	3,422	0
Interest received from group companies	58,382	49,594
Other interest and financial income	<u>3,340</u>	<u>0</u>
	<u><b>103,647</b></u>	<u><b>364,634</b></u>

### Note 3. Financial expenses

Financial expenses can be specified as follows:

Interest paid to group companies	122,841	103,423
Foreign currency adjustments	138,937	145,744
Interest on bank debt and other financial expenses	<u>449</u>	<u>423</u>
	<u><b>262,227</b></u>	<u><b>249,590</b></u>

**NOTES AND DISCLOSURES**

	<b>2015</b>	<b>2014</b>
<b>Note 4. Tax on profit for the year</b>	<b>DKK'000</b>	<b>DKK'000</b>
The expensed corporate income tax can be specified as follows:		
Tax on profit for the year	98,868	34,691
Adjustments regarding previous years	0	1,232
Adjustment of deferred tax as effect of the reduction of the tax rate	-1,326	-4,342
Deferred tax adjustment for the year	-49,309	-31,487
Other taxes, withholding tax	<u>4,379</u>	<u>12,849</u>
Tax for the year	<u><b>52,612</b></u>	<u><b>12,943</b></u>



## NOTES AND DISCLOSURES

### Note 5. Intangible assets

Investments in and depreciation of intangible assets made during the fiscal year can be specified as follows (in DKK thousands)

	Goodwill	Develop- ment projects	Licences and software	Total
Cost at January 1	2,591,524	48,921	44,216	2,684,661
Transferred	0	0	1,711	1,711
Additions for the year	0	3,289	1,305	4,593
Disposals for the year	<u>0</u>	<u>-8,685</u>	<u>-3,537</u>	<u>-12,222</u>
<b>Cost at December 31</b>	<b><u>2,591,524</u></b>	<b><u>43,525</u></b>	<b><u>43,694</u></b>	<b><u>2,678,743</u></b>
Depreciation at January 1	2,048,646	35,398	29,207	2,113,251
Transferred	0	0	0	0
Depreciation for the year	108,575	5,656	3,813	118,044
Depreciation of disposals	<u>0</u>	<u>-6,853</u>	<u>-3,531</u>	<u>-10,384</u>
<b>Depreciation at December 31</b>	<b><u>2,157,221</u></b>	<b><u>34,201</u></b>	<b><u>29,489</u></b>	<b><u>2,220,911</u></b>
<b>Carrying amount at December 31</b>	<b><u>434,303</u></b>	<b><u>9,324</u></b>	<b><u>14,206</u></b>	<b><u>457,832</u></b>

Based on current business plans and assumptions the management has assessed that no impairment indications exist. Therefore the management has not carried out an impairment test of goodwill as 31 December 2015. Depreciation of development projects, licnses and software are expensed in the income statement as production costs.

## NOTES AND DISCLOSURES

### Note 6. Property, plant and equipment

Investments in and depreciation of property, plant and equipment made during the fiscal year can be specified as follows (in DKK thousands):

	Land and buildings	Plant and machinery	Fixtures and equipment	Assets under construction	Total
Cost at January 1	232,473	858,838	41,136	62,705	1,195,152
Transferred	11,399	33,471	1,774	-48,355	-1,711
Additions for the year	830	4,548	1,500	46,562	53,439
Disposals for the year	-1,989	-37,597	-4,629	0	-44,215
<b>Cost at December 31</b>	<b>242,712</b>	<b>859,260</b>	<b>39,781</b>	<b>60,912</b>	<b>1,202,666</b>
Depreciation at January 1	131,032	576,392	32,898	0	740,322
Depreciation for the year	6,920	42,008	4,187	0	53,115
Depreciation of disposals	-1,494	-36,846	-4,587	0	-42,927
<b>Depreciation at December 31</b>	<b>136,458</b>	<b>581,554</b>	<b>32,498</b>	<b>0</b>	<b>750,509</b>
<b>Carrying amount at December 31</b>	<b>106,254</b>	<b>277,707</b>	<b>7,283</b>	<b>60,912</b>	<b>452,156</b>
Carrying amount of leased assets	0	0	217	0	217

Depreciation of property, plant and equipment is stated in the income statement at the following amounts:

	2015 DKK'000	2014 DKK'000
Production costs	52,492	55,871
Distribution costs	6	6
Administrative expenses	617	801
	<b>53,115</b>	<b>56,678</b>

## NOTES AND DISCLOSURES

<b>Note 7. Investments in subsidiaries</b>	<b>2015</b>	<b>2014</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Cost at January 1	2,476,789	2,476,789
Investment converted to loan	-444	0
Reduction due to dividends	<u>-20,772</u>	<u>-</u>
<b>Cost at December 31</b>	<b><u>2,455,573</u></b>	<b><u>2,476,789</u></b>
Valuation adjustments at January 1	-342,099	-647,915
Reversal of impairments from previous years	<u>27,000</u>	<u>305,816</u>
<b>Valuation adjustments at December 31</b>	<b><u>-315,099</u></b>	<b><u>-342,099</u></b>
<b>Carrying amount at December 31</b>	<b><u>2,140,474</u></b>	<b><u>2,134,690</u></b>

In instances of impairment indication, the carrying amount of the investment in subsidiaries at 31 December 2015 have been tested for impairment. The recoverable amount is based on business plans and budgets for 2016 to 2021 approved by Executive Board and J.M. Huber Group. The budgeted future cash-flows are subject to risk and uncertainties as various factors, some of which are beyond the control of CP Kelco ApS, may cause actual development and results to differ materiality from the current expectations and assumptions.

### **Significant assumptions**

Although depending on the specific market, generally a growth rate of 2,0 % during the terminal period has been assumed.

Net cash flows have been discounted using a discount rate after tax of 6.7 % -9.2 %, based on the country and market specific risk and the debt structure.

For all investments in subsidiaries the recoverable amount is higher than the carrying amount, thus no write-down of investments have been necessary. Based on the results of the impairment tests, write-down from previous years on the Company's investments in CP Kelco UK have been reversed by a total of DKK 27 mill.

## NOTES AND DISCLOSURES

### Note 7. Investments in subsidiaries - continued

Subsidiaries	Interest	Currency	Equity	Profit (loss) for the year
CP Kelco Germany GmbH, Germany	100%	EUR'000	*4,233	*699
CP Kelco UK Limited, UK	100%	GBP'000	6,590	454
CP Kelco Brazil SA, Brazil	99.99%	USD'000	**15,632	** -3,294
CP Kelco Services ApS, Denmark	100%	DKK'000	4,592	1,272
CP Kelco Philippines Inc., Philippines	99.99%	PHP'000	*485,621	*-45,608
Trinity Management Ventures Inc., Philippines	40%	PHP'000	*6,786	*959
CP Kelco Argentina SA, Argentina	99%	USD'000	**1,550	**369
Zanea Seaweed Co Ltd., Tanzania	66%	TSHS'000	*86,011	*24,962
CP Kelco Japan ApS, Denmark (including Japan Branch Japan)	100%	DKK'000	9,388	3,309
CP Kelco France SARL, France	100%	EUR'000	*1,310	*185
CP Kelco Singapore Pte Ltd, Singapore	100%	SGD'000	*1,361	*436
CP Kelco Belgium BVBA, Belgium	99.50%	EUR'000	*1,300	*288
CP Kelco Poland Sp.z.o.o, Poland	100%	PLN'000	*1,256	*40
CP Kelco OY, Finland	100%	EUR'000	42,554	-1,430
CP Kelco Korea Co. Ltd., Korea	100%	USD'000	** (197)	**80

Companies in which the participating interest is less than 50% are entered as subsidiaries in the Financial Statements as CP Kelco ApS has the controlling influence in the companies.

\* From audited Financial Statements for the year 2014.

\*\* From Internal Financial Statements for the year 2015 not audited.

## NOTES AND DISCLOSURES

	2015 DKK'000	2014 DKK'000
<b>Note 8. Inventories</b>		
Inventories can be specified as follows:		
Raw materials	208,917	145,169
Work in process	117,693	103,728
Finished goods and goods for resale	<u>84,866</u>	<u>107,731</u>
	<u><b>411,476</b></u>	<u><b>356,628</b></u>

### Note 9. Capital Stock

Analysis of the Company's capital stock, DKK 53,002 thousand:

50,501 class A shares of DKK 1,000 each	50,501	50,501
2,500 class B shares of DKK 1,000 each	2,500	2,500
62,553 class C shares of DKK 0,01 each	<u>1</u>	<u>1</u>
	<u><b>53,002</b></u>	<u><b>53,002</b></u>

Class B shares have no voting rights, and the holders are not entitled to receive dividends on these shares.

In the event of liquidation, each Class B share is entitled to a liquidation preference of the DKK equivalent of USD 20,000 per share. With respect to the liquidation preference, the Class B shares rank prior to the Company's Class A shares. In connection with a transaction which constitutes a change in control, as defined, or in connection with certain equity offerings, as defined, the Company shall be required to make an offer to the Class B shareholders to redeem the Class B shares at a multiple of the liquidation preference.

The Class C shares have no voting rights and its liquidation preference is subordinate to that of the Class B shares currently outstanding, but senior to Class A shares.

## NOTES AND DISCLOSURES

### Note 9. Capital Stock - continued

Capital stock has developed as follows:

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000	2011 DKK'000
Balance at January 1	<u>53,002</u>	<u>53,002</u>	<u>53,002</u>	<u>53,002</u>	<u>53,002</u>
	<u><b>53,002</b></u>	<u><b>53,002</b></u>	<u><b>53,002</b></u>	<u><b>53,002</b></u>	<u><b>53,002</b></u>

	2015 DKK'000	2014 DKK'000
<b>Note 10. Deferred tax</b>		
Provision at January 1	74,243	110,072
Adjustment of deferred tax for the year	<u>-50,635</u>	<u>-35,829</u>
<b>Provision at December 31</b>	<u><b>23,608</b></u>	<u><b>74,243</b></u>

Deferred tax relates to intangibles, fixed assets, inventories, receivables, trade accounts payable and other payables.

	2015 DKK'000	2014 DKK'000
<b>Note 11. Long-term liabilities</b>		
Long-term liabilities can be specified as follows:		
Falling due after more than 5 years	2,125,981	1,650,699
Falling due between 1 and 5 years	0	208
Falling due within 1 year	<u>228</u>	<u>501</u>
	<u><b>2,126,208</b></u>	<u><b>1,651,408</b></u>

## **NOTES AND DISCLOSURES**

### **Note 12. Mortgages**

On the property title No 6 as and others of the municipality of Lille Skensved, the parish of Højelse, a mortgage deed of totaling DKK 400 million are registered. Carrying amount of the property at December 31, 2015 is DKK 106 million.

### **Note 13. Contingent liabilities**

The Company has undertaken car, truck and computer leases last contract ending September 2019 amounting to DKK 7,997 thousand.

The Company is jointly taxed with other Danish companies in the J.M. Huber group. As a wholly owned subsidiary of J.M. Huber Corporation, the Company is unlimited and solidarity liable with the other companies in the joint taxation regarding Danish withholding taxes on dividends, interest and royalties in the joint taxation. Payable withholding taxes in the joint taxation are as of 31 December 2015 DKK 34 million. Any subsequent corrections of the taxable income in the joint taxation or withholding taxes could lead to the Company's liability being higher.

In connection with a change of control of the ownership the Parent Company is obligated to make an offer to redeem the Class B shares on the terms highlighted in note 9.

### **Note 14. Derivatives**

The Company has entered into forward rate contracts in order to reduce its net currency exposure primarily in USD, GBP and JPY.

The contracts are entered with J.M. Huber Finance (part of J.M. Huber Corporation).  
At December 31, 2015 the company has no open forward rate contracts.

## NOTES AND DISCLOSURES

	2015 DKK'000	2014 DKK'000
<b>Note 15. Staff costs</b>		
Specification of staff costs:		
Payroll costs	210,986	209,277
Pensions	18,000	17,410
Other social security costs	<u>3,532</u>	<u>3,472</u>
	<u><b>232,519</b></u>	<u><b>230,159</b></u>
Average number of employees	<u><b>366</b></u>	<u><b>364</b></u>

No remuneration was paid to the Executive Board.

The Company has paid management fees to group related companies which also cover remuneration to intra-group members of the Executive Board.

Staff costs is stated in the income statement at the following amounts:

Production costs	190,791	184,013
Distribution costs	15,942	16,052
Administrative expenses	<u>25,786</u>	<u>30,094</u>
	<u><b>232,519</b></u>	<u><b>230,159</b></u>

### Note 16. Fee to statutory auditors

Pursuant to Section 96 of the Danish Financial Statements Act, the Company has chosen not to disclose fees to the elected auditors, as this information are included in the consolidated financial statements of J.M. Huber Corporation, USA.



**NOTES AND DISCLOSURES**

	<b>2015</b>	<b>2014</b>
<b>Note 17. Non-cash adjustments, cash flow statement</b>	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation, depreciation and write-down	172,991	173,726
Loss on sale of fixed assets	1,286	1,239
Financial income	-103,647	-364,634
Financial expenses	262,227	249,590
Tax for the year	<u>52,612</u>	<u>12,943</u>
<b>Total non-cash adjustments</b>	<b><u>385,469</u></b>	<b><u>72,864</u></b>
<b>Note 18. Changes in working capital, cash flow statement</b>		
Changes in receivables	-25,702	-4,096
Changes in inventories	-54,848	-14,795
Changes in trade payables	23,211	-11,398
Changes in Intra-group balances	-244,367	13,799
Changes in other payables	<u>402</u>	<u>434</u>
<b>Total changes in working capital</b>	<b><u>-301,303</u></b>	<b><u>-16,056</u></b>