
Joe & The Juice A/S

Østergade 26, DK-1100 København K

Annual Report for 1 January - 31 December 2016

CVR No 26 58 93 55

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/4 2017

Morten Lodal Askekilde
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Joe & The Juice 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.

Copenhagen, 31 March 2017

Executive Board

Kaspar Basse
CEO

Sebastian Vestergaard

Board of Directors

Tue Mantoni
Chairman

Morten Nødgaard Albæk
Deputy Chairman

Melis Zeynep Kahya

Per Forsberg

Laurie Ann Goldman

Andrew William Crawford

Thomas Kusk Nørøxe

Kaspar Basse

Independent Auditor's Report

To the Shareholders of Joe & The Juice 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 Joe & The Juice 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.

Independent Auditor's Report

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 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 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.

Independent Auditor's Report

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

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.

Copenhagen, 31 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant

Claus Damhave
State Authorised Public Accountant

Company Information

The Company

Joe & The Juice A/S
Østergade 26
DK-1100 København K

CVR No: 26 58 93 55
Financial period: 1 January - 31 December
Municipality of reg. office: København K

Board of Directors

Tue Mantoni, Chairman
Morten Nødgaard Albæk
Melis Zeynep Kahya
Per Forsberg
Laurie Ann Goldman
Andrew William Crawford
Thomas Kusk Nørøxe
Kaspar Basse

Executive Board

Kaspar Basse
Sebastian Vestergaard

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2016	2015	2014	2013	2012/2013
	TDKK	TDKK	TDKK	6 mdr. TDKK	TDKK
Key figures					
Profit/loss					
Revenue	247.680	238.575	187.597	69.852	110.760
Gross profit/loss	167.411	141.177	106.027	34.958	61.616
Operating profit/loss	5.616	26.266	22.285	-6.416	9.874
Profit/loss before financial income and expenses	43.917	38.792	31.598	-4.298	18.455
Net financials	-1.393	5.298	2.216	-2.013	-6.822
Net profit/loss for the year	34.922	34.941	21.798	-5.160	7.191
Balance sheet					
Balance sheet total	299.646	172.672	131.936	83.413	76.263
Equity	137.971	102.077	67.515	45.716	43.671
Number of employees	274	259	197	157	150
Ratios					
Gross margin	67,6%	59,2%	56,5%	50,0%	55,6%
Profit margin	17,7%	16,3%	16,8%	-6,2%	16,7%
Return on assets	14,7%	22,5%	23,9%	-5,2%	24,2%
Solvency ratio	46,0%	59,1%	51,2%	54,8%	57,3%
Return on equity	29,1%	41,2%	38,5%	-11,5%	18,8%

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

Main activity

The object of the Company is to operate Joe & The Juice stores and related activities.

Development in the year

The Company has continued its expansion and opened 9 new stores in 2016.

The income statement of the Company for 2016 shows a profit of DKK 34.9 million, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 138 million.

The Company's earnings before depreciation and amortisation (EBITDA) for 2016 amount to DKK 76.5 million compared to DKK 57.5 million in 2015, an increase of 33%.

Management is overall very satisfied with the development and the financial results of the Company in 2016.

Capital resources

The Group's capital resources are considered adequate to support future growth.

Special risks - operating risks and financial risks

Market conditions

The Company's continued growth depends on the Company being able to enter into favourable leases of premises for Joe & The Juice stores.

Strategy and objectives

The Company's strategy is to continue its current growth with continued expansion in existing markets and to include new markets.

Targets and expectations for the year ahead

Activities from own stores are expected to be at the same level as in 2016, while fees from franchise partners are expected to increase in 2017.

Environmental issues

The Company is environmentally aware and works to reduce the environmental impact of business operations.

Management's Review

Knowledge resources

It is important for the continued growth of the Company to attract and maintain talented employees.

Statutory statement of corporate social responsibility

The Company has no written CSR policy but complies with current legislation and agreements, and the Group is currently working on completing a written CSR policy during 2017.

Share of the underrepresented gender

The management and the Board of Directors aim to follow the recommendations of the Danish Business Authority with respect to the underrepresented gender. During 2016 two women have joined the Board of Directors.

In the financial period a process has been initiated with respect to the Company's other Management levels to identify in-house talent to secure the right candidates for future management positions. This ongoing process comprises both men and women, and the best candidates will be selected.

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 DKK	2015 DKK
Revenue	1	247.680.408	238.575.169
Other operating income		38.300.780	12.526.257
Expenses for raw materials and consumables		-41.344.538	-43.785.869
Other external expenses		-77.226.101	-66.138.976
Gross profit/loss		167.410.549	141.176.581
Staff expenses	2	-90.944.427	-83.703.185
Result before depreciations (EBITDA)		76.466.122	57.473.396
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-32.549.437	-18.681.438
Profit/loss before financial income and expenses		43.916.685	38.791.958
Income from investments in subsidiaries		2.959.635	5.280.277
Financial income	3	2.983.739	1.629.345
Financial expenses		-7.336.450	-1.611.235
Profit/loss before tax		42.523.609	44.090.345
Tax on profit/loss for the year	4	-7.601.652	-9.149.388
Net profit/loss for the year		34.921.957	34.940.957

Distribution of profit

Proposed distribution of profit

Retained earnings		34.921.957	34.940.957
		34.921.957	34.940.957

Balance Sheet 31 December

Assets

	Note	2016 DKK	2015 DKK
Trademarks and rights		15.506.691	7.340.095
Goodwill		2.823.132	9.967.432
Development projects in progress		10.292.405	2.109.404
Intangible assets	5	28.622.228	19.416.931
Other fixtures and fittings, tools and equipment		57.521.786	47.194.524
Leasehold improvements		23.685.566	10.800.187
Property, plant and equipment in progress		1.208.158	1.084.849
Property, plant and equipment	6	82.415.510	59.079.560
Investments in subsidiaries	7	10.668.634	6.718.942
Deposits	8	890.675	206.461
Fixed asset investments		11.559.309	6.925.403
Fixed assets		122.597.047	85.421.894
Inventories		3.727.694	3.349.072
Trade receivables		8.582.760	3.559.723
Receivables from group enterprises		157.152.474	71.221.342
Prepayments	9	3.176.778	2.924.244
Receivables		168.912.012	77.705.309
Cash at bank and in hand		4.408.984	6.195.557
Currents assets		177.048.690	87.249.938
Assets		299.645.737	172.671.832

Balance Sheet 31 December

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		618.490	618.490
Reserve for development costs		6.382.740	0
Retained earnings		130.969.683	101.459.004
Equity	10	137.970.913	102.077.494
Provision for deferred tax	11	2.846.000	2.846.000
Other provisions	12	894.871	0
Provisions		3.740.871	2.846.000
Credit institutions		30.000.000	0
Lease obligations		12.239.559	3.203.106
Trade payables		2.624.610	794.857
Long-term debt	13	44.864.169	3.997.963
Credit institutions	13	28.475.702	0
Lease obligations	13	3.477.773	793.480
Trade payables	13	45.709.906	37.316.952
Payables to group enterprises		15.749.024	0
Corporation tax		6.349.837	8.669.281
Other payables		10.796.564	11.530.482
Deferred income	14	2.510.978	5.440.180
Short-term debt		113.069.784	63.750.375
Debt		157.933.953	67.748.338
Liabilities and equity		299.645.737	172.671.832
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	618.490	0	101.459.004	102.077.494
Exchange adjustments	0	0	971.462	971.462
Development costs for the year	0	6.382.740	-6.382.740	0
Net profit/loss for the year	0	0	34.921.957	34.921.957
Equity at 31 December	618.490	6.382.740	130.969.683	137.970.913

Notes to the Financial Statements

	<u>2016</u> DKK	<u>2015</u> DKK
1 Revenue		
Geographical segments		
Revenue, Denmark	247.680.408	238.575.169
	<u>247.680.408</u>	<u>238.575.169</u>
2 Staff expenses		
Wages and salaries	85.378.140	80.216.092
Pensions	905.401	634.424
Other social security expenses	2.364.396	950.540
Other staff expenses	2.296.490	1.902.129
	<u>90.944.427</u>	<u>83.703.185</u>
Including remuneration to the Executive Board and Board of Directors	<u>4.530.573</u>	<u>4.862.493</u>
Average number of employees	<u>274</u>	<u>259</u>
3 Financial income		
Interest received from group enterprises	2.983.739	1.615.345
Other financial income	0	14.000
	<u>2.983.739</u>	<u>1.629.345</u>
4 Tax on profit/loss for the year	<u>2016</u> DKK	<u>2015</u> DKK
Current tax for the year	8.704.429	8.697.000
Deferred tax for the year	0	452.388
Adjustment of tax concerning previous years	-1.102.777	0
	<u>7.601.652</u>	<u>9.149.388</u>

Notes to the Financial Statements

5 Intangible assets

	Trademarks and rights	Goodwill	Development projects in progress
	DKK	DKK	DKK
Cost at 1 January	9.384.849	13.421.722	2.109.404
Additions for the year	1.906.503	0	15.882.917
Disposals for the year	-51.085	-8.288.754	0
Transfers for the year	7.699.916	0	-7.699.916
Cost at 31 December	<u>18.940.183</u>	<u>5.132.968</u>	<u>10.292.405</u>
Impairment losses and amortisation at 1 January	2.044.754	3.454.290	0
Amortisation for the year	1.388.738	1.273.099	0
Impairment and amortisation of sold assets for the year	0	-2.417.553	0
Impairment losses and amortisation at 31 December	<u>3.433.492</u>	<u>2.309.836</u>	<u>0</u>
Carrying amount at 31 December	<u>15.506.691</u>	<u>2.823.132</u>	<u>10.292.405</u>

Development projects relate to the development of new software for Joe & The Juice stores, including internal reporting tools. Management has assessed that the projects meet the requirements for capitalisation. The projects are expected to be completed in 2017 and 2018. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The software is expected to result in improved efficiency and also support the Company in its expansion.

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK
Cost at 1 January	79.291.417	23.229.369	1.084.849
Additions for the year	7.840.297	4.423.663	33.885.108
Disposals for the year	-2.141.645	-3.900.750	0
Transfers for the year	17.985.082	15.776.717	-33.761.799
Cost at 31 December	<u>102.975.151</u>	<u>39.528.999</u>	<u>1.208.158</u>
Impairment losses and depreciation at 1 January	32.096.893	12.429.182	0
Depreciation for the year	15.471.670	6.071.247	0
Impairment and depreciation of sold assets for the year	-2.115.198	-2.656.996	0
Impairment losses and depreciation at 31 December	<u>45.453.365</u>	<u>15.843.433</u>	<u>0</u>
Carrying amount at 31 December	<u>57.521.786</u>	<u>23.685.566</u>	<u>1.208.158</u>
Including assets under finance leases amounting to	<u>15.238.812</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

	2016 <u>DKK</u>	2015 <u>DKK</u>
7 Investments in subsidiaries		
Cost at 1 January	17.439.358	15.046.395
Additions for the year	18.595	2.442.963
Disposals for the year	<u>0</u>	<u>-50.000</u>
Cost at 31 December	<u>17.457.953</u>	<u>17.439.358</u>
Value adjustments at 1 January	-10.720.416	-12.588.009
Disposals for the year	0	-189.445
Exchange adjustment	971.462	-378.139
Net profit/loss for the year	<u>2.959.635</u>	<u>2.435.177</u>
Value adjustments at 31 December	<u>-6.789.319</u>	<u>-10.720.416</u>
Carrying amount at 31 December	<u>10.668.634</u>	<u>6.718.942</u>

Notes to the Financial Statements

7 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
JOE & THE JUICE NG AB	Sweden	100%
JOE & THE JUICE NORGE AS	Norway	100%
JOE & THE JUICE BLEICHENHOF GmbH	Germany	100%
JOE & THE JUICE NICE	France	100%
JOE & THE JUICE UK Ltd	England	100%
JOE & THE JUICE SYDNEY PTY LIMITED	Australia	100%
JOE & THE JUICE Finland OY	Finland	100%
JOE & THE JUICE US HOLDING INC	USA	100%
JOE & THE JUICE NEW YORK LLC	USA	100%
JOE & THE JUICE NYC Inc	USA	100%
JOE & THE JUICE PRINCE STREET LLC	USA	100%
JOE & THE JUICE SPRING STREET LLC	USA	100%
JOE & THE JUICE BRYANT PARK LLC	USA	100%
JOE & THE JUICE WTC LLC	USA	100%
JOE & THE JUICE SFO LLC	USA	100%
JOE & THE JUICE LEXINGTON LLC	USA	100%
JOE & THE JUICE 1350 6TH AVENUE LLC	USA	100%
JOE & THE JUICE COLLINS AVE LLC	USA	100%
JOE & THE JUICE COLUMBUS LLC	USA	100%
JOE & THE JUICE MARKET STREET LLC	USA	100%
JOE & THE JUICE BRICKEL LLC	USA	100%
JOE & THE JUICE AMSTERDAM LLC	USA	100%
JOE & THE JUICE HOWARD LLC	USA	100%
JOE & THE JUICE BISCAY LLC	USA	100%
JOE & THE JUICE MADISON LLC	USA	100%
JOE & THE JUICE FILLMORE LLC	USA	100%
JOE & THE JUICE WEST AVENUE LLC	USA	100%
JOE & THE JUICE BROADWAY LLC	USA	100%
JOE & THE JUICE MIAMI LLC	USA	100%
JOE & THE JUICE MONTGOMERY LLC	USA	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

8 Other fixed asset investments

	Deposits DKK
Cost at 1 January	206.461
Additions for the year	1.049.142
Disposals for the year	-364.928
Cost at 31 December	<u>890.675</u>
Carrying amount at 31 December	<u>890.675</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

10 Equity

The share capital consists of 1,000 shares of a nominal value of DKK 618,490. No shares carry any special rights.

11 Provision for deferred tax

	2016 DKK	2015 DKK
Provision for deferred tax at 1 January	2.846.000	2.393.612
Amounts recognised in the income statement for the year	<u>0</u>	<u>452.388</u>
Provision for deferred tax at 31 December	<u>2.846.000</u>	<u>2.846.000</u>

12 Other provisions

Provision for restoration obligations on leases	<u>894.871</u>	<u>0</u>
	<u>894.871</u>	<u>0</u>

Notes to the Financial Statements

13 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:

	<u>2016</u> DKK	<u>2015</u> DKK
Credit institutions		
After 5 years	27.000.000	0
Between 1 and 5 years	3.000.000	0
Long-term part	<u>30.000.000</u>	<u>0</u>
Other short-term debt to credit institutions	28.475.702	0
	<u>58.475.702</u>	<u>0</u>
Lease obligations		
Between 1 and 5 years	12.239.559	3.203.106
Long-term part	<u>12.239.559</u>	<u>3.203.106</u>
Within 1 year	3.477.773	793.480
	<u>15.717.332</u>	<u>3.996.586</u>
Trade payables		
Between 1 and 5 years	2.624.610	794.857
Long-term part	<u>2.624.610</u>	<u>794.857</u>
Other short-term trade payables	45.709.906	37.316.952
	<u>48.334.516</u>	<u>38.111.809</u>

14 Deferred income

Deferred income consists of advance payments received concerning loyalty cards, which are expected to be redeemed within one year. Balance for 2015 also included advance payments received concerning franchise fees.

Notes to the Financial Statements

	2016 DKK	2015 DKK
15 Contingent assets, liabilities and other financial obligations		
Charges and security		
<p>The following assets have been placed as security with bankers: Shares in the companies Joe & The Juice NG AB, Joe & The Juice Norge AS, Joe & The Juice UK Ltd, Joe & The Juice Bleichenhof GmbH and JTJ US Holdings Inc. have been provided as security under certain circumstances for all accounts with SEB.</p>		
Rental and lease obligations		
<p>Lease obligations under operating leases. Total future lease payments:</p>		
Within 1 year	30.121.000	26.683.000
Between 1 and 5 years	53.334.000	45.067.000
After 5 years	0	6.635.000
	83.455.000	78.385.000

Other contingent liabilities

The Company has provided guarantee of payments for subsidiaries' outstanding balances with Danske Bank.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
Joe and The Juice Holding A/S	Ultimate Parent Company
JTJ Heartbeat A/S	Principal Shareholder

Transactions

There are no related party transactions that have not been carried through on market terms.

Consolidated Financial Statements

The Company is included in the Group Report of the Ultimate Parent Company Joe & Juice Holding A/S.

<u>Name</u>	<u>Place of registered office</u>
Joe & The Juice Holding A/S	Copenhagen, Denmark

17 Fee to auditors appointed at the general meeting

Referring to the Danish Statements Act § 96, sub section 3, information on fees to Auditors elected on a general meeting, has been omitted. We refer to the financial statement of Joe & The Juice Holding A/S.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Joe & The Juice 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 DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Joe & The Juice Holding A/S, 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 Joe & The Juice Holding A/S, 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the

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balance sheet date.

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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

Revenue

Information on geographical segments based on the Company's risks and returns and its internal financial reporting system.

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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 and other payroll related costs.

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 management and franchise fees and gains and losses on leases.

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.

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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 Danish group companies. 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 10 years.

Trademarks and rights are measured at the lower of cost less accumulated amortisation and recoverable amount. Trademarks are amortised over the remaining trademark period, and rights are amortised over the period of the agreement; however not exceeding 10 years.

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.

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:

Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

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.

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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 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 deposits.

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 equals landed cost.

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 and subscriptions etc.

Equity

Dividend

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

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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.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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.

Financial debts

Loans, such as 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.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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Financial Highlights

Explanation of financial ratios

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