Joe & The Juice A/S

Østergade 26, DK-1100 København K

Annual Report for 1 January - 31 December 2017

CVR No 26 58 93 55

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11/4 2018

Morten Lodal Askekilde
Chairman

Contents

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 6 March 2018

Executive Board

Morten Lodal Askekilde	Andreas Peter Dipo-Zimmermann

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

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

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

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

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

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

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

ment, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

Hellerup, 6 March 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild	Claus Damhave
State Authorised Public Accountant	State Authorised Public Accountant
mne33262	mne34166

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	Morten Lodal Askekilde Andreas Peter Dipo-Zimmermann
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:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	261.081	247.680	238.575	187.597	69.852
Gross profit/loss	258.764	244.637	207.316	150.833	54.066
Operating profit/loss	9.883	5.616	26.266	22.285	-6.416
Profit/loss before financial income and expenses	49.512	43.917	38.792	31.598	-4.298
Net financials	3.574	-1.393	5.298	2.216	-2.013
Net profit/loss for the year	38.702	34.922	34.941	21.798	-5.160
Balance sheet					
Balance sheet total	565.965	296.119	172.672	131.936	83.413
Equity	174.379	137.971	102.077	67.515	45.716
Number of employees	315	274	259	197	157
Ratios					
Gross margin	99,1%	98,8%	86,9%	80,4%	77,4%
Profit margin	19,0%	17,7%	16,3%	16,8%	-6,2%
Return on assets	8,7%	14,8%	22,5%	23,9%	-5,2%
Solvency ratio	30,8%	46,6%	59,1%	51,2%	54,8%
Return on equity	24,8%	29,1%	41,2%	38,5%	-11,5%

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

Key activities

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 in Denmark opened 3 new stores in 2017.

The income statement of the Company for 2017 shows a profit of DKK 38.7 million, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 174.4 million.

The Company's earnings before depreciation and amortization (EBITDA) for 2017 amount to DKK 80.0 million compared to DKK 76.5 million in 2016, an increase of 4.5%.

Management is overall very satisfied with the development and the financial results of the Company in 2017.

Capital resources

The Group's capital ressources 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 favorable leases of premises for Joe & The Juice.

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 2017.

Knowledge resources

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

Management's Review

Report on Corporate Social Responsibility, Cf. Section 99 a of the Danish Financial Statements Act

In accordance with section 99 a (6) of the Danish Financial Statements Act, the reporting on corporate social responsibility has been omitted as the parent company Joe & The Juice Holding A/S has prepared corporate social responsibility report for the entire group.

The corporate social responsibility report is included in the Annual Report for Joe & The Juice Holding A/S for 2017.

Report on the Gender Composition in Management, Cf. Section 99 b of the Danish Financial Statements Act

The management and the Board of Directors aim to follow the recommendations of the Danish Business Authority concerning the underrepresented gender. The Group was actively working on increasing a number of representatives of underrepresented gender, even though there was no particular target set for 2017.

The genders composition of Board of Directors did not change during 2017 and the percentage of women is 25%, meaning that two out of eight Board of Director members are women. The Group has set a target of number of women on the Board of Directors to be minimum two out of eight by 2022.

The Group recognizes the importance of attracting, developing and retaining the right talent of all genders, nationalities, and races, which are chosen solely because of their professional qualifications. In 2017, the Group focus was on attracting and hiring employees of all genders equally to increase the employee diversity and consequently has increased the percentage of female employees from 9% at the beginning of the year to 14% at year-end. In 2018, the Group will continue focusing on attracting and hiring employees of both genders on an equal basis.

In 2018, the Group aims to increase awareness about career opportunities for all employees, with a particular focus on underrepresented gender and encourage female candidates to pursue their career goals within the Group.

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	2017	2016
		DKK	DKK
Revenue		**261.080.602**	**247.680.408**
Other operating income		39.628.671	38.300.780
Expenses for raw materials and consumables		-41.944.995	-41.344.538
Gross profit/loss		**258.764.278**	**244.636.650**
Other external expenses		-73.536.702	-77.226.101
Staff expenses	1	-105.256.350	-90.944.427
Result before depreciations (EBITDA)		**79.971.226**	**76.466.122**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-30.459.317	-32.549.437
Profit/loss before financial income and expenses		**49.511.909**	**43.916.685**
Income from investments in subsidiaries		1.941.285	2.959.635
Financial income	2	13.096.367	2.983.739
Financial expenses	3	-11.463.415	-7.336.450
Profit/loss before tax		**53.086.146**	**42.523.609**
Tax on profit/loss for the year	4	-14.384.460	-7.601.652
Net profit/loss for the year		**38.701.686**	**34.921.957**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK	DKK
Completed development projects		17.202.475	0
Trademarks and rights		15.965.013	15.506.691
Goodwill		2.309.835	2.823.132
Intangible assets in progress		9.264.470	10.292.405
Intangible assets	5	**44.741.793**	**28.622.228**
Other fixtures and fittings, tools and equipment		52.387.661	57.521.786
Leasehold improvements		25.597.620	23.685.566
Property, plant and equipment in progress		3.648.231	1.208.158
Property, plant and equipment	6	**81.633.512**	**82.415.510**
Investments in subsidiaries	7	127.511.037	10.668.634
Deposits		1.062.367	890.675
Fixed asset investments		**128.573.404**	**11.559.309**
Fixed assets		**254.948.709**	**122.597.047**
Inventories		**4.854.730**	**3.727.694**
Trade receivables		7.771.586	8.582.760
Receivables from group enterprises		288.270.660	157.152.474
Other receivables		3.498.108	0
Prepayments	8	5.781.084	3.176.778
Receivables		**305.321.438**	**168.912.012**
Cash at bank and in hand		**839.812**	**882.382**
Currents assets		**311.015.980**	**173.522.088**
Assets		**565.964.689**	**296.119.135**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		618.490	618.490
Reserve for development costs		20.644.217	6.382.740
Retained earnings		153.115.888	130.969.683
Equity		**174.378.595**	**137.970.913**
Provision for deferred tax	10	6.177.454	2.846.000
Other provisions	11	2.598.128	894.871
Provisions		**8.775.582**	**3.740.871**
Credit institutions		156.096.100	30.000.000
Lease obligations		10.229.366	12.239.559
Trade payables		1.345.631	2.624.610
Long-term debt	12	**167.671.097**	**44.864.169**
Credit institutions	12	36.722.876	24.949.100
Lease obligations	12	5.098.930	3.477.773
Trade payables	12	61.281.382	45.709.906
Payables to group enterprises		87.300.161	15.749.024
Corporation tax		8.410.434	6.349.837
Other payables		15.218.019	10.796.564
Deferred income	13	1.107.613	2.510.978
Short-term debt		**215.139.415**	**109.543.182**
Debt		**382.810.512**	**154.407.351**
Liabilities and equity		**565.964.689**	**296.119.135**

Distribution of profit	9
Contingent assets, liabilities and other financial obligations	14
Related parties	15
Fee to auditors appointed at the general meeting	16
Accounting Policies	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	6.382.740	130.969.683	137.970.913
Exchange adjustments relating to foreign entities	0	0	-2.576.544	-2.576.544
Other equity movements in subsidiaries	0	0	282.540	282.540
Development costs for the year	0	14.261.477	-14.261.477	0
Net profit/loss for the year	0	0	38.701.686	38.701.686
Equity at 31 December	**618.490**	**20.644.217**	**153.115.888**	**174.378.595**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
1	**Staff expenses**		
	Wages and salaries	99.756.519	85.378.140
	Pensions	883.378	905.401
	Other social security expenses	1.622.638	2.364.396
	Other staff expenses	2.993.815	2.296.490
		105.256.350	**90.944.427**
	Including remuneration to the Executive Board and Board of Directors	**2.220.000**	**4.530.573**
	Average number of employees	**315**	**274**

		2017	2016
2	**Financial income**		
	Interest received from group enterprises	13.096.367	2.983.739
		13.096.367	**2.983.739**

		2017	2016
3	**Financial expenses**		
	Interest paid to group enterprises	3.447.668	0
	Other financial expenses	7.326.022	6.676.226
	Exchange adjustments, expenses	689.725	660.224
		11.463.415	**7.336.450**

		2017	2016
4	**Tax on profit/loss for the year**		
	Current tax for the year	8.717.280	8.704.429
	Deferred tax for the year	2.542.558	0
	Adjustment of tax concerning previous years	2.335.726	-1.102.777
	Adjustment of deferred tax concerning previous years	788.896	0
		14.384.460	**7.601.652**

Notes to the Financial Statements

5 Intangible assets

	Completed development projects	Trademarks and rights	Goodwill	Intangible assets in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	0	18.940.183	5.132.968	10.292.405
Additions for the year	0	1.854.461	0	17.297.435
Disposals for the year	0	-900.000	0	0
Transfers for the year	17.202.475	1.122.895	0	-18.325.370
Cost at 31 December	17.202.475	21.017.539	5.132.968	9.264.470
Impairment losses and amortisation at 1 January	0	3.433.492	2.309.836	0
Amortisation for the year	0	2.050.701	513.297	0
Impairment and amortisation of sold assets for the year	0	-431.667	0	0
Impairment losses and amortisation at 31 December	0	5.052.526	2.823.133	0
Carrying amount at 31 December	**17.202.475**	**15.965.013**	**2.309.835**	**9.264.470**

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. Some of the projects were completed end of 2017 and thus transferred to completed development projects. The remaining projects are expected to be completed in 2018 and 2019. 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 further 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	102.975.151	39.528.999	1.208.158
Additions for the year	9.618.089	3.079.725	12.181.647
Disposals for the year	-3.736.626	-1.446.454	0
Transfers for the year	3.818.397	5.923.177	-9.741.574
Cost at 31 December	112.675.011	47.085.447	3.648.231
Impairment losses and depreciation at 1 January	45.453.365	15.843.433	0
Depreciation for the year	17.805.833	6.355.657	0
Impairment and depreciation of sold assets for the year	-2.971.848	-711.263	0
Impairment losses and depreciation at 31 December	60.287.350	21.487.827	0
Carrying amount at 31 December	**52.387.661**	**25.597.620**	**3.648.231**
Including assets under finance leases amounting to	14.821.393	0	0

7 Investments in subsidiaries

	2017	2016
	DKK	DKK
Cost at 1 January	17.457.953	17.439.358
Additions for the year	117.195.116	18.595
Cost at 31 December	134.653.069	17.457.953
Value adjustments at 1 January	-6.789.319	-10.720.416
Exchange adjustment	-2.576.537	971.462
Net profit/loss for the year	2.698.607	2.959.635
Other equity movements, net	282.540	0
Amortisation of goodwill	-757.323	0
Value adjustments at 31 December	-7.142.032	-6.789.319
Carrying amount at 31 December	**127.511.037**	**10.668.634**

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 AG	Switzerland	100%
JOE & THE JUICE NICE SARL	France	100%
JOE & THE JUICE UK Ltd.	England	100%
JOE & THE JUICE Bleichenhof GmbH	Germany	100%
JOE & THE JUICE Finland Oy	Finland	100%
JOE & THE JUICE Netherlands B.V.	Netherlands	100%
JOE & THE JUICE Ng AB	Sweden	100%
JOE & THE JUICE Norge AS	Norway	100%
JOE & THE JUICE Sydney Pty Limited	Australia	100%
JOE & THE JUICE US HOLDING INC	USA	100%
JOE & THE JUICE ILLINOIS LLC	USA	100%
JOE & THE JUICE LA LLC	USA	100%
JOE & THE JUICE MIAMI LLC	USA	100%
JOE & THE JUICE SFO LLC	USA	100%
JOE & THE JUICE WASHINGTON LLC	USA	100%
JOE & THE JUICE NEW YORK LLC	USA	100%
JOE & THE JUICE WTC LLC	USA	100%
NFB Asia Pte. Ltd.	Singapore	100%
NFB Asia (Hong Kong) Limited	Hong Kong	100%
JOE & THE JUICE Shanghai WFOE	China	100%

All foreign subsidiaries are recognised and measured as separate entities.

8 Prepayments

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

	2017 DKK	2016 DKK
9 Distribution of profit		
Retained earnings	38.701.686	34.921.957
	38.701.686	**34.921.957**

Notes to the Financial Statements

		2017	2016
		DKK	DKK

10 Provision for deferred tax

Provision for deferred tax at 1 January	2.846.000	2.846.000
Amounts recognised in the income statement for the year	3.331.454	0
Provision for deferred tax at 31 December	**6.177.454**	**2.846.000**

11 Other provisions

Provision for restoration obligations on leases	2.598.128	894.871
	2.598.128	**894.871**

12 Long-term debt

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

The debt falls due for payment as specified below:

Credit institutions

After 5 years	31.219.220	27.000.000
Between 1 and 5 years	124.876.880	3.000.000
Long-term part	156.096.100	30.000.000
Other short-term debt to credit institutions	36.722.876	24.949.100
	192.818.976	**54.949.100**

Lease obligations

Between 1 and 5 years	10.229.366	12.239.559
Long-term part	10.229.366	12.239.559
Within 1 year	5.098.930	3.477.773
	15.328.296	**15.717.332**

Trade payables

Between 1 and 5 years	1.345.631	2.624.610
Long-term part	1.345.631	2.624.610
Other short-tem trade payables	61.281.382	45.709.906
	62.627.013	**48.334.516**

Notes to the Financial Statements

13 Deferred income

Deferred income consists of advance payments received concerning loyalty cards, which are expected to be reedemed within one year.

	2017	2016
	DKK	DKK

14 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bank and credit institutions:
Shares in the companies Joe & The Juice US Holdings Inc., Joe & The Juice Bleichenhof GmbH, Joe & The Juice Norge AS, Joe & The Juice NG AB, Joe and The Juice UK Ltd., Joe & The Juice Sydney Pty Ltd., Joe & The Juice Nice SARL and Joe & The Juice (Switzerland) AG have been provided as security under certain circumstances for all accounts with SEB.

Rental obligations

	2017 DKK	2016 DKK
Total future rental payments:		
Within 1 year	28.369.257	30.121.000
Between 1 and 5 years	40.055.056	53.334.000
After 5 years	804.229	0
	69.228.542	**83.455.000**

Other contingent liabilities

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

15 Related parties

	Basis
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.

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

16 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 to the Financial Statements

17 Accounting Policies

The Annual Report of Joe & The Juice A/S for 2017 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.

The Financial Statements for 2017 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 year.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 companises. 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 ageement; 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Impairment of fixed assets

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

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

Investments in subsidiaries

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

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial debts

Loans 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.

Financial Highlights

Explanation of financial ratios

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