Cloetta Danmark ApS

Vallensbækvej 18 D
2605 Brøndby

CVR no. 28 10 68 66

Annual report 2016/17

The annual report was presented and approved at the Company's annual general meeting

on 17 May 20 17

chairman of the annual general meeting

Contents

Statement by the Executive Board

The Executive Board have today discussed and approved the annual report of Cloetta Danmark ApS for the financial year 2 January 2016 – 1 January 2017.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 1 January 2017 and of the results of the Company's operations for the financial year 2 January – 1 January 2017 in accordance with the Danish Financial Statements Act.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Brøndby, 19/5- 2017

Executive Board:

Lars Jacob Broberg	Lars Torsten Påhlson
Danko Damir Maras	Henri De Sauvage-Nolting

Independent auditor's report

To the shareholders of Cloetta Danmark A/S

Opinion

We have audited the financial statements of Cloetta Danmark A/S for the financial year 2 January 2016 – 1 January 2017 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 1 January 2017 and of the results of the Company's operations and cash flows for the financial year 2 January 2016 – 1 January 2017 in accordance with the Danish Financial Statements Act.

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

Management's 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.

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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.

Independent auditor's report

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19/5 - 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant

Management's review

Financial highlights

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Revenue	252,052	245,363	225,406	186,066	177,954
Gross profit	91,831	90,040	72,135	66,808	63,272
Operating profit/loss	24,017	25,839	11,357	9,176	1,381
Net Financials	-10,339	-10,736	-7,202	-11,411	-7,091
Profit for the year	10,622	15,332	1,860	-9,284	-26,694
Total assets	255,178	385,838	428,396	270,377	323,850
Investments in property, plant and equipment	0	0	680	0	45
Equity	178,457	167,835	152,503	12,009	-8,547
Gross margin	36,4%	36,7%	32,0%	35,9%	35,6%
Return on equity	6,1%	9,6%	2,3%	-536,3%	-556,1%
Solvency ratio	69,9%	43,5%	35,6%	4,4%	-2,6%
Average number of full-time employees	36	37	36	33	62

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Management's review

Operating review

Principal activities

Cloetta Danmark ApS sells confectionery products.

Development in the year

The income statement of the Company for 2016/17 shows a profit of DKK 10,622 thousand, and at 1 January 2017, the balance sheet of the Company showed equity of DKK 178,457 thousand.

Profit for the year

The gross profit is in line with previous year. The sales has increased supported by higher volumes but is offset by increased distribution costs.

Outlook

Cloetta Danmark is well-equipped to continue its growth in the Danish market and thereby improve profitability.

Subsequent events

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Financial statements 2 January 2016 – 1 January 2017

Income statement

DKK'000	Note	2016/17	2015/16
Revenue	2	252,052	245,363
Production costs		-160,221	-155,323
Gross profit		**91,831**	**90,040**
Distribution costs		-24,232	-21,543
Administrative expenses	3	-43,582	-42,658
Ordinary operating profit		**24,017**	**25,839**
Other operating costs		0	-1,276
Profit before financial income and expenses		**24,017**	**24,563**
Financial income	4	1,860	4,263
Financial expenses	5	-12,199	-14,999
Profit before tax		**13,678**	**13,827**
Tax on profit for the year	6	-3,056	1,505
Profit for the year	7	**10,622**	**15,332**

Financial statements 2 January 2016 – 1 January 2017

Balance sheet

DKK'000	Note	2016/17	2015/16
ASSETS			
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		383	452
		383	452
Fixed assets investments	9		
Investments in subsidiaries		212,956	212,956
Receivables from group entities		0	105,967
		212,956	318,923
Total non-current assets		**213,339**	**319,375**
Current assets			
Inventories			
Inventories		0	137
		0	137
Receivables			
Trade receivables		36,200	31,805
Receivables from group entities		948	27,322
Other receivables		1,339	1,379
Deferred tax asset	10	3,352	5,820
Total receivables		41,839	66,326
Total current assets		**41,839**	**66,463**
TOTAL ASSETS		**255,178**	**385,838**

Financial statements 2 January 2016 – 1 January 2017

Balance sheet

DKK'000	Note	2016/17	2015/16
EQUITY AND LIABILITIES			
Equity			
Share capital		500	500
Retained earnings		177,957	167,335
Total equity	11	**178,457**	**167,835**
Non-current liabilities	12		
Credit institutions		0	42,501
Payables to group entities		17,576	116,643
		17,576	159,144
Current liabilities			
Trade payables		3,446	5,626
Payables to group entities		21,699	22,136
Corporation tax		288	237
Other payables		33,712	30,860
		59,145	58,859
Total liabilities		**76,721**	**218,003**
TOTAL EQUITY AND LIABILITIES		**255,178**	**385,838**

Contractual obligations, contingencies, etc.	13
Related party and ownership	14

Financial statements 2 January 2016 – 1 January 2017

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total equity
Equity at 2 January 2016	500	167,335	167,835
Profit for the year		10,622	10,622
Equity at 1 January 2017	500	177,957	178,457

DKK'000	Share capital	Retained earnings	Total equity
Equity at 2 January 2015	500	152,003	152,503
Profit for the year		15,332	15,332
Equity at 1 January 2016	500	167,335	167,835

Financial statements 2 January 2016 – 1 January 2017

Notes

1 **Accounting policies**

The annual report of Cloetta Danmark ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized entities of reporting class C.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

The accounting policies applied remain unchanged from previous years.

The annual report for 2016/17 is presented in DKK'000.

Pursuant to section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared as the Company is included in the group annual report of Cloetta AB.

In accordance with section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement as the Company is included in the consolidated financial statements of Cloetta AB.

Income statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk have taken place before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Production costs

Production costs comprise costs related to finished goods.

Distribution costs

Costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., during the year are recognised as distribution costs, including costs relating to sales staff, advertising, exhibitions and 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.

Other operating costs

Other operating costs comprise items secondary to the activities of the Company, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the Danish tax prepayment scheme, etc.

Tax on profit for the year

Tax for the year comprises current tax for the year and changes in deferred tax. 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.

Financial statements 2 January 2016 – 1 January 2017

Notes

1 Accounting policies (continued)

Balance sheet

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. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and wages.

Interest expenses on loans to finance the production of property, plant and equipment which relate to the production period are included in cost. All other borrowing costs are recognised in the income statement.

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 depreciation amount, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life.

The expected useful lives are as follows:

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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 2 January 2016 – 1 January 2017

Notes

1 Accounting policies (continued)

Investments in subsidiaries

Investment in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

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 expected net cash flows from the use of the asset or the group of assets, including expected 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 FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and consumables are measured at cost, comprising purchase price plus delivery costs.

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.

Financial statements 2 January 2016 – 1 January 2017

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Equity dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes, office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Financial statements 2 January 2016 – 1 January 2017

Notes

1 Accounting policies (continued)

Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; 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 and jurisdiction.

Adjustments are made to deferred tax resulting from elimination of unrealised intra-group profit and losses.

Deferred tax is measured in accordance with the tax rules and the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net 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 the proceeds and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial highlights overview

Financial highlights are calculated as follows:

Gross margin: $\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$

Solvency ratio: $\dfrac{\text{Equity at the year-end x 100}}{\text{Total assets}}$

Return on equity: $\dfrac{\text{Profit of the year x 100}}{\text{Average equity}}$

2 Information on segments

Activities - primary segment

The Company operates solely on the market for confectionery in Denmark, and therefore no specific segment information has been included.

DKK'000	2016/17	2015/16
3 Staff cost		
Wages and salaries	20,524	20,886
Pensions	1,803	1,713
Other social security costs	269	253
Other staff costs	2,087	1,551
	24,683	24,403

Wages and salaries, pensions, other social security costs and other staff costs are charged to the income statement under the following item:

Administrative expenses	24,683	24,403
	24,683	24,403

No numeration to the Executive board during 2016. The average number of employees has been 36.

DKK'000	2016/17	2015/16
4 Financial income		
Interest received from group entities	1,860	4,263
	1,860	4,263
5 Financial expenses		
Interest received from group entities	10,592	9,696
Other financial expenses	1,146	3,621
Foreign exchange losses	461	1,682
	12,199	14,999

Financial statements 2 January 2016 – 1 January 2017

Notes

DKK'000	2016/17	2015/16
Tax on profit/loss for the year		
Current tax for the year	-588	-237
Deferred tax adjustment for the year	-2 468	583
Adjustment regarding prior year	0	1,159
	-3 056	1,505

DKK'000	2016/17	2015/16
7 Proposed profit appropriation		
Retained earnings	10,622	15,332
	10,622	15,332

8 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 2 January 2016	6,098
Disposals	4,108
Additions	201
Cost at 1 January 2017	**2,191**
Disposals and depreciation at 2 January 2016	5,646
Disposals	-4,108
Depreciation of the year	270
Disposals and depreciation at 1 January 2017	**1,808**
Carrying amount at 1 January 2017	**383**

Financial statements 2 January 2016 – 1 January 2017

Notes

9 **Investments in subsidiaries**

DKK'000	2016/17	2015/16
Cost at 2 January 2016	212,956	212,956
Cost at 1 January 2017	212,956	212,956
Carrying amount at 1 January 2017	212,956	212,956

Name/legal form	Registered office	Equity interest	Equity	Profit/loss for the year
			DKK'000	DKK'000
Subsidiary:				
Cloetta Norge AS	Oslo, Norway	100%	129,514	-1,619

Cloetta Norge AS had not yet presented its financial statement for 2016, and consequently, the figures stated relate to the financial year 2015.

DKK'000	2016/17	2015/16
10 **Provision for deferred tax**		
Property, plant and equipment	-3,017	-3,991
Provision	-335	-412
Tax loss carry-forward	0	-1,414
Transferred to deferred tax assets	3,352	5,817
	0	0
Deferred tax assets		
Calculated tax assets	3,352	5,820
Carrying amount	3,352	5,820

11 **Equity**

The share capital consists of 500,000 shares of a nominal value of DKK 1 each. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Financial statements 2 January 2016 – 1 January 2017

Notes

12 Non-current liabilities

DKK'000	2 January 2016	1 January 2017	Payment Within 1 year	Debt after 5 years
Credit institutions	42,501	0	0	0
Payables to group entities	116,643	17,576	0	17,576
	159,144	17,576	0	17,576

13 Contractual obligations, contingencies, etc.

Contractual obligations

The Company has entered into operating leases. The leases have a remaining term of up to 45 months with a total remaining lease payment of approximately DKK 4.6 million.

Contingent liabilities

There are no contingent liabilities.

Financial statements 2 January 2016 – 1 January 2017

Notes

14 Related parties and ownership

Cloetta Danmark ApS' related parties comprise the following:

Parties exercising control

Cloetta Suomi Oy, Finland, which is the major shareholder

Other related parties

Entities affiliated with Cloetta Holland BV, the ultimate mother is Cloetta AB.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5 % of the votes or at least 5 % of the share capital:

Cloetta Suomi Oy, Finland

Consolidated financial statements

The consolidated financial statements is to be obtained from Cloetta AB, registration number 556308-8144.