Cloetta Danmark ApS

Vallensbækvej 18 D
2605 Brøndby

CVR no. 28 10 68 66

Annual report 2018/19

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

on 4 June 2019

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 2018 – 1 January 2019.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 1 January 2019 and of the results of the Company's operations for the financial year 2 January – 1 January 2019 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, 4 June 2019

Executive Board:

Lars Jacob Broberg	Christian Boas Linde
Frans Per Olof Rydén	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 2018 – 1 January 2019 comprising income statement, balance sheet, statement of changes in equity 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 2019 and of the results of the Company's operations and cash flows for the financial year 2 January 2018 – 1 January 2019 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, 4 June 2019

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant
MNE-nr. 33205

Management's review

Company details

Cloetta Danmark ApS
Address: Vallensbækvej 18 D, 2605 Brøndby

Telephone:	58 56 55 55
Website:	www.cloetta.com
E-mail:	info@cloetta.dk
CVR no.:	28106866
Established:	2004-09-09
Registered office:	Brøndby
Financial year:	2 January -1 January

Executive Board

Lars Jacob Broberg

Christian Boas Linde

Frans Per Olof Rydén

Henri de Sauvage Nolting

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab

Bank

Danske bank, Svenska Handelsbanken, Nordea

Annual general meeting

The annual general meeting will be held on 4 June 2019.

Financial highlights

DKK'000	2018/19 (*)	2017/18	2016/17	2015/16	2014/15
Revenue	449,803	227,767	252,052	245,363	225,406
Gross profit	169,838	87,957	91,831	90,040	72,135
Operating profit	44,347	23,676	24,017	25,839	11,357
Net Financials	-11,059	-11,190	-10,339	-10,736	-7,202
Profit for the year	25,857	9,664	10,622	15,332	1,860
Total assets	433,381	299,943	255,178	385,838	428,396
Investments in property, plant and equipment	0	0	0	0	680
Equity	180,559	188,121	178,457	167,835	152,503
Gross margin	37,8%	38,6%	36,4%	36,7%	32,0%
Return on equity	14,3%	5,3%	6,1%	9,6%	2,3%
Solvency ratio	41,6%	62,7%	69,9%	43,5%	35,6%
Average number of full-time employees	94	38	36	37	36

*) The company merged with Candyking Danmark A/S with retrospective effect from 2 January 2018.

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Return on equity $$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

Management's review

Operating review

Principal activities

Cloetta Danmark ApS sells confectionery products.

Development in the year

The income statement of the Company for 2018/19 shows a profit of DKK 25,857 thousand, and at 1 January 2019, the balance sheet of the Company showed equity of DKK 180,559 thousand.

On 2 January 2018, Candyking Danmark A/S, a wholly owned subsidiary was merged with Cloetta Danmark ApS as the surviving entity with pooling of interest method. The legal merger will for statutory accounting purposes have retrospective force until 2 January, 2018 and should from a statutory perspective result in the absorbing entity taking over the balance sheet and results of the dissolving entity as from 2 January, 2018.

Profit for the year

Revenue and profit increased for the year driven by the like for like Cloetta business in addition to the acquisition of Candyking Danmark A/S. All parts of the business contributed to profit growth except for savoury nuts which suffered both a volume decline and increasing raws & packs.

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 2018 – 1 January 2019

Income statement

DKK'000	Note	2018/19	2017/18
Revenue	2	449,803	227,767
Production costs		-279,965	-139,810
Gross profit		**169,838**	**87,957**
Distribution costs		-54,148	-25,212
Administrative expenses	3	-71,343	-39,069
Profit before financial income and expenses		**44,347**	**23,676**
Financial income	4	3,196	1,327
Financial expenses	5	-14,255	-12,517
Profit before tax		**33,288**	**12,486**
Tax on profit for the year	6	-7,431	-2,822
Profit for the year	7	**25,857**	**9,664**

Financial statements 2 January 2018 – 1 January 2019

Balance sheet

DKK'000	Note	2018/19	2017/18
ASSETS			
Intangible	8		
Software		76	0
Property, plant and equipment	9		
Fixtures, tools and equipment		9,539	89
Leasehold improvements.		16	0
		9,631	**89**
Financial assets	10		
Other receivables non-current		580	0
Fixed assets investments	11		
Investments in subsidiaries		212,956	265,404
Receivables from group entities	14	112,007	0
Total non-current assets		**335,174**	**265,493**
Current assets			
Receivables			
Trade receivables		92,228	30,323
Receivables from group entities		1,614	882
Other receivables		1,133	843
Deferred tax asset	12	3,232	2,402
Total receivables		98,207	34,450
Total current assets		**98,207**	**34,450**
TOTAL ASSETS		**433,381**	**299,943**

Financial statements 2 January 2018 – 1 January 2019

Balance sheet

DKK'000	Note	2018/19	2017/18
EQUITY AND LIABILITIES			
Equity			
Share capital		500	500
Retained earnings		180,059	187,621
Total equity	13	**180,559**	**188,121**
Non-current liabilities	14		
Payables to group entities		0	27,933
		0	27,933
Current liabilities			
Trade payables		3,140	4,457
Payables to group entities		194,909	49,744
Corporation tax		2,857	352
Other payables		51,916	29,336
		252,822	83,889
Total liabilities		**252,822**	**111,822**
TOTAL EQUITY AND LIABILITIES		**433,381**	**299,943**

Contractual obligations, contingencies, etc.	15
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Financial statements 2 January 2018 – 1 January 2019

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total equity
Equity at 2 January 2018	500	187,621	188,121
Merger with Candyking Danmark A/S	-	-33,419	33,419
Profit for the year	-	25,857	25,857
Equity at 1 January 2019	500	180,059	180,559

DKK'000	Share capital	Retained earnings	Total equity
Equity at 2 January 2017	500	177,957	178,457
Profit for the year	-	9,664	9,664
Equity at 1 January 2018	500	187,621	188,121

Financial statements 2 January 2018 – 1 January 2019

Notes

1 Accounting policies

The annual report of Cloetta Danmark ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized entities of reporting class C.

The annual report for 2018/19 is presented in DKK'000.

The accounting policies applied remain unchanged from previous years.

Omission of consolidated financial statements

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.

Omission of cash flow statement

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.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 2 January 2018 – 1 January 2019

Notes

1 **Accounting policies (continued)**

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.

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

The Company is comprised by the Danish rules on compulsory joint taxation. Cloetta Danmark ApS is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

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 2018 – 1 January 2019

Notes

1 **Accounting policies (continued)**

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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:

Fixtures, tools and equipment	3-5 years
Building improvement rental	3-10 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 administrative expenses.

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 2018 – 1 January 2019

Notes

1 Accounting policies (continued)

Investments in subsidiaries

Equity investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. When the 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.

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.

Financial statements 2 January 2018 – 1 January 2019

Notes

1 Accounting policies (continued)

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.

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 carry forwards, 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 statements 2 January 2018 – 1 January 2019

Notes

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	2018/19	2017/18
3	**Staff cost**		
	Wages and salaries	39,297	20,268
	Pensions	2,314	1,837
	Other social security costs	382	210
	Other staff costs	3,364	1,706
		45,357	24,021

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

Administrative expenses	45,357	24,021
	45,357	24,021

No remuneration to the Executive board during 2018. The average number of employees has been 94 (2017/18: 38)

	DKK'000		
4	**Financial income**		
	Interest received from group entities	3,196	1,327
		3,196	1,327

5	**Financial expenses**		
	Interest paid to group entities	13,016	11,571
	Other financial expenses	1,239	946
		14,255	12,517

Financial statements 2 January 2018 – 1 January 2019

Notes

DKK'000		2018/19	2017/18
6	**Tax on profit/loss for the year**		
	Current tax for the year	-7,718	-1,872
	Deferred tax adjustment for the year	289	-950
	Deferred tax adjustment previous year	88	0
	Corporate income tax adjustment previous year	-90	0
		-7,431	-2,822

The above tax loss for the year includes an effect from opening balance of the merged company Candyking Danmark A/S amounting to 541.

DKK'000			
7	**Proposed profit appropriation**		
	Retained earnings	25,857	9,664
		25,857	9,664

DKK'000		
8	**Intangible assets**	
		Software
	Cost at 2 January 2018	0
	Addition	78
	Cost at January 2019	78
	Disposal and depreciation at January 2018	0
	Depreciation for the year	2
	Disposals and depreciation at 1 January 2019	2
	Carrying amount at 1 January 2019	76

Depreciation of intangible assets are charged to the income statement under the following item:

Administrative expenses

Financial statements 2 January 2018 – 1 January 2019

Notes

9 Property, plant and equipment

DKK'000	Fixtures, tools and equipment	Leasehold improvement	Total
Cost at 2 January 2018	2,191	0	2,191
Addition merge Candyking	39,400	877	40,277
Addition	4,734	0	4,734
Cost at 1 January 2019	46,325	877	47,202
Disposals and depreciation at 2 January 2018	2,102	0	2,102
Depreciation merge Candyking	29,021	824	29,845
Depreciation for the year	5,663	37	5,700
Disposals and depreciation at 1 January 2019	36,786	861	37,647
Carrying amount at 1 January 2019			9,555

10 Financial assets

DKK'000	
Cost at 2 January 2018	0
Addition	580
Cost at 1 January 2019	580
Carrying amount at 1 January 2019	580

Financial statements 2 January 2018 – 1 January 2019

Notes

11 Investments in subsidiaries

DKK'000	2018/19	2017/18
Cost at 2 January 2018	265,404	212,956
Merge Candyking Danmark A/S	-52,448	52,448
Carrying amount at 1 January 2019	212,956	265,404

Name/legal form	Registered office	Equity interest	Equity	Profit/loss for the year
			DKK'000	DKK'000
Subsidiary:				
Cloetta Norge AS	Oslo, Norway	100%	102,801	-9,674

DKK'000	2018/19	2017/18
12 Provision for deferred tax		
Property, plant and equipment	-2,762	-2,307
Provision	-470	-95
Transferred to deferred tax assets	3,232	2,402
	0	0
Deferred tax assets		
Calculated tax assets	3,232	2,402
Carrying amount	3,232	2,402

13 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 2018 – 1 January 2019

Notes

14 Non-current liabilities/receivables

DKK'000	2 January 2018	1 January 2019	Within 1 year	After 5 years
Payables to group entities	27,933	0	0	0
Receivables to group entities	0	112,007	0	112,007
	27,933	112,007	0	112,007

15 Contractual obligations, contingencies, etc.

The Company has entered into operating leases. The leases have a remaining term of up to 54 months with a total remaining lease payment of approximately DKK 5.4 million (2017/18: 2.4)

Cloetta Danmark ApS has a parent company guarantee which relates to the rented office of Cloetta Norge AS with a total amount of 5.5 million.

There are no other contingent liabilities.

Financial statements 2 January 2018 – 1 January 2019

Notes

16 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.

Consolidated financial statements

Cloetta Danmark ApS is part of the consolidated financial statement of Cloetta AB registration number 556308-8144, in which the Company is included as a subsidiary

The consolidated financial statement is to be obtained from:

Cloetta AB
Box 6036
171 06 Solna
Sverige

Related party transactions

DKK'000	2018/19
Purchase of goods from related party	267,728
Sale of goods to related party	0
Services from related party	31,186
Services to related party	3,440

Services against related parties includes following:

Marketing, Financial services, HR, IT services, Advisory services, Royalty and Innovation.