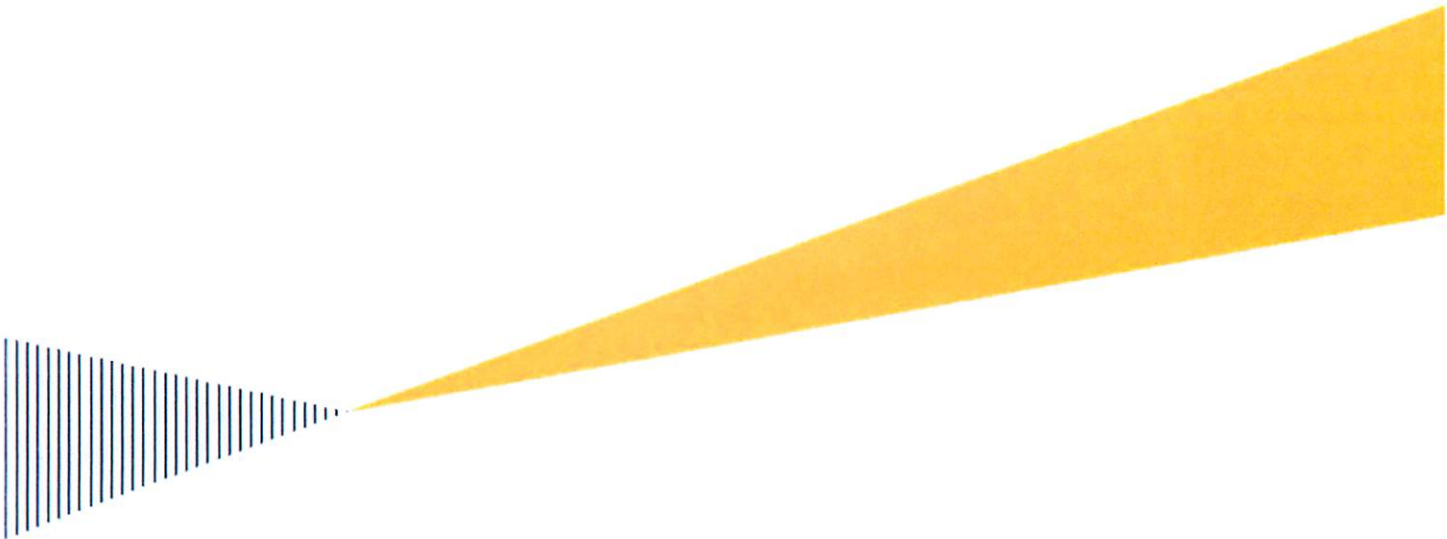


SARIA Denmark ApS

Dakavej 10, 8723 Løsning

CVR no. 33 77 42 81



Annual report 2016

Approved at the Company's annual general meeting on 8 May 2017

Chairman:


.....
Jan Isager



Building a better
working world

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Statement by the Board of Directors and the Executive Board

The Executive Board today discussed and approved the annual report of SARIA Denmark ApS for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2016.

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

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

Løsning, 2 March 2017
Executive Board:



Kurt Stoffel
CEO

Lars Krause-Kjær

Independent auditors' report

To the shareholders of SARIA Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of SARIA Denmark ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the group and the parent company, as well as consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2016 and of the results of the Group's and parent company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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.

Independent auditors' report

- ▶ 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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.

Aarhus, 2 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jes Lauritzen
State Authorised
Public Accountant



Christian Jøker
State Authorised
Public Accountant



Management's review

Company details

Name	SARIA Denmark ApS
Address, zip code, city	Dakavej 10, 8723 Løsning
CVR no.	33 77 42 81
Established	22 June 2011
Registered office	Hedensted
Financial year	1 January - 31 December
Executive Board	Kurt Stoffel, CEO Lars Krause-Kjær
Auditors	Ernst & Young Godkendt Revisionspartnerselskab EY Huset, Værkmestergade 25, DK-8000 Aarhus C

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	1,031,230	1,019,225	972,926	1,007,428	502,402
EBITDA	164,131	186,847	191,001	244,026	97,984
Gross profit	170,677	190,917	161,208	214,277	90,860
Ordinary operating profit	35,275	61,274	49,489	111,027	38,696
Profit/loss from financial income and expense	-3,082	-10,499	-11,918	-9,856	-5,860
Profit before tax	44,119	66,090	62,499	95,905	38,260
Non-controlling interest's share of profit for the year	-24,354	-27,978	-23,806	-36,416	-15,425
Profit for the year	9,265	24,770	22,408	35,016	13,964
Non-current assets	369,710	435,455	455,056	517,043	618,288
Current assets	293,774	457,108	362,486	288,228	212,124
Total assets	663,484	592,563	817,542	805,271	830,412
Share capital	600	600	500	500	500
Equity	38,583	103,502	83,763	91,501	64,675
Non-controlling interests	136,281	183,048	173,916	179,099	150,596
Provisions	0	0	1,967	9,248	15,082
Non-current liabilities other than provisions	206,381	317,946	310,825	310,945	320,848
Current liabilities other than provisions	282,239	288,067	247,071	214,477	279,211
Financial ratios					
Operating margin	4,6%	7,5%	7,2%	10,5%	8,8%
Gross margin	16,6%	18,7%	16,6%	21,3%	18,1%
Solvency ratio	26,4%	32,1%	31,5%	33,6%	25,9%
Return on equity	13,0%	26,5%	25,6%	44,8%	42,9%
Return on invested capital, excl. goodwill	13,7%	20,6%	19,2%	26,7%	20,6%
Return on invested capital, incl. goodwill	12,5%	17,5%	15,1%	20,0%	15,3%
Average number of full-time employees	312	303	289	273	270

The profit for 2012 derives from operations taken over at 2 July 2012. Due to this fact, operations and profit for the year are not comparable with financial year 2012.

The financial ratios have been prepared in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Management's review

Operating review

Principal activities of the Group

The principal activities of the Company are to hold 51% of the shares in the subsidiary Daka Denmark A/S and 100% of the shares in Bioceval Denmark A/S, which carries out the principle activities of the Group.

The Group's principal activities are the purchase of animal by-products from slaughterhouses, the meat and farming industry, etc. to process these products into various finished products for markets within pet food, feed, energy, fertilisation and foodstuffs.

Development in activities and financial matters

Profit for the year including non-controlling shareholders' share of the result in subsidiaries amounts to DKK 33,619 thousand derived from revenue of DKK 1,031,230 thousand.

Operating profit amounted to DKK 47,600 thousand in 2016 compared to DKK 75,953 thousand the previous year. The financial year 2016 is affected by a loss from the subsidiary Bioceval Denmark A/S and an impairment of plant and machinery in Daka Denmark A/S due to reassessment of useful lifetimes for some assets. In this light, Management considers the profit for the year satisfactory.

Of the profit for the year, dividends of DKK 19,000 thousand are proposed to the shareholders, whereas DKK -9,735 thousand is taken to equity as retained earnings.

The Company's equity totals DKK 38,583 thousand, including proposed dividends, corresponding to 26.5% of the balance sheet total, 26.4% at group level.

Outlook

The Company expects satisfactory development for the next financial year and to enjoy results at the same level as this year.

Risks

The Group has not undertaken any particular commercial risks other than those considered usual for the nature and size of the Group.

Monetary and commodity-related transactions are hedged to the extent deemed expedient.

Intellectual capital

The Group's operations are characterised by complex structures i.a. within the market structures and production technologies particular to the industry.

Moreover, conditions for the Group's activities are constantly changing. The development of the Group's employees to handle such changes will gain significance in order to obtain success. Measures are constantly being taken to maintain and develop employees' qualifications.

Environmental issues

The Group constantly strives to optimise its energy consumption and reduce the environmental impact of its operating activities.

The impact on the external environment in the form of odour has been a focus point, and the management thereof was satisfactory during the year.

Research and development activities

The Group does not carry on any research activities. The Group's production processes are continuously being optimised and its finished goods are undergoing constant development in order to increase their value in the Group's sales channels.

Management's review

Operating review

Corporate social responsibility

The SARIA Denmark Group has not laid down any separate policies for corporate social responsibility, human rights and climate impact, and therefore the Management's review does not make any disclosures in that respect.

The gender composition in the Group is not equal, mainly because Daka Denmark A/S and subsidiaries are manufacturing companies which for many years have operated in a line of business which primarily employs and attracts male employees. Consequently, women are the underrepresented gender on the Executive Board and in other executive positions. The management team of the Group comprised 46 persons at 31 December 2016, which included the Group's Executive Board and the department managers of various functions and selected specialists. Female managers on the management team made up 20% in 2016. Female employees made up 22% of all employees in the Group in 2016.

The Group wishes to ensure equal opportunities for all, and its overall goal is to ensure that the Board of Directors at all times is made up of the most suitable candidates, irrespective of gender. The Board of Directors of Daka Denmark A/S comprises eight members of which six members are appointed at the annual general meeting and two members are employee representatives. At present, members appointed at the annual general meeting are of the same gender, and consequently, the Group aims to increase the share of the underrepresented gender on the Board of Directors. The Group wishes to increase the underrepresented gender's share of total board members to one by the end of 2017.

The Group's overall goal is to ensure that at all times the Executive Board and management team are made up of the most suitable candidates, irrespective of gender. Furthermore, the Group wishes to ensure equal opportunities for all and wishes to also reflect the female/male ratio in society at management level. In setting goals for the share of women on the Board, the Group has laid down a policy which describes how to maintain and, if possible, increase the share of women in the Group in general and at management level in particular. In general, the policy contains three initiatives regarding female women in management positions: attention within the Group so that female managers are a focus area for the Group; attraction and recruitment where the Group works to identify and motivate more women to apply for management jobs; and retention and development, focusing on management development of women, including courses and coaching processes.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
2	Revenue	1,031,230	1,019,225	0	0
	Production costs	-860,553	-828,308	0	0
	Gross profit	170,677	190,917	0	0
	Distribution costs	-43,889	-25,626	0	0
	Administrative expenses	-91,513	-104,017	-132	-148
	Ordinary operating profit/loss	35,275	61,274	-132	-148
	Other operating income	19,151	17,691	0	0
	Other operating costs	-6,826	-3,012	0	0
	Operating profit/loss	47,600	75,953	-132	-148
	Income from investments in group enterprises	0	0	12,191	27,641
	Income from investments in associates	-399	636	0	0
3	Other financial income	9,282	4,793	0	0
4	Financial expenses	-12,364	-15,292	-3,619	-3,605
	Profit before tax	44,119	66,090	8,440	23,888
5	Tax on profit for the year	-10,500	-13,342	825	882
	Profit after tax	33,619	52,748	9,265	24,770
	Non-controlling shareholders' share of the results of subsidiaries	-24,354	-27,978	0	0
	Profit for the year	9,265	24,770	9,265	24,770
	Proposed profit appropriation				
	Reserve for net revaluation			0	27,641
	Extraordinary dividends distributed			51,000	0
	Proposed dividends			19,000	22,000
	Retained earnings			-60,735	-24,871
				9,265	24,770

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
	ASSETS				
	Non-current assets				
6	Intangible assets				
	Goodwill	16,470	49,406	0	0
	Incineration rights	0	1,392	0	0
	Software	3,589	6,575	0	0
	Intangible assets under construction	77	61	0	0
		<u>20,136</u>	<u>57,434</u>	<u>0</u>	<u>0</u>
7	Property, plant and equipment				
	Land and buildings	126,381	134,299	0	0
	Plant and machinery	145,297	162,244	0	0
	Fixtures and fittings, tools and equipment	36,013	30,201	0	0
	Property, plant and equipment under construction	15,091	30,421	0	0
		<u>322,782</u>	<u>357,165</u>	<u>0</u>	<u>0</u>
	Investments				
8	Investments in subsidiaries	0	0	142,726	204,559
9	Investments in associates	11,857	20,856	0	0
	Other investments	14,935	0		
		<u>26,792</u>	<u>20,856</u>	<u>142,726</u>	<u>204,559</u>
	Total non-current assets	<u>369,710</u>	<u>435,455</u>	<u>142,726</u>	<u>204,559</u>
	Current assets				
	Inventories				
	Raw materials and consumables	19,649	27,081	0	0
	Work in progress	1,235	1,094	0	0
	Finished goods and goods for resale	78,194	84,983	0	0
		<u>99,078</u>	<u>113,158</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	126,772	117,992	0	0
	Amounts owed by group enterprises	25,501	1,675	0	836
	Amounts owed by associates	4,392	5,755	0	0
10	Deferred tax asset	11,762	6,322	0	0
	Corporation tax	0	0	825	882
	Other receivables	19,627	6,724	0	0
	Prepayments	3,867	4,323	0	0
		<u>191,921</u>	<u>142,791</u>	<u>825</u>	<u>1,718</u>
	Cash	<u>2,775</u>	<u>201,159</u>	<u>2,251</u>	<u>836</u>
	Total current assets	<u>293,774</u>	<u>457,108</u>	<u>3,076</u>	<u>2,554</u>
	TOTAL ASSETS	<u>663,484</u>	<u>892,563</u>	<u>145,802</u>	<u>207,113</u>

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
		EQUITY AND LIABILITIES			
		Equity			
11	Share capital	600	600	600	600
	Reserve for net revaluation	0	0	0	48,599
	Retained earnings	18,983	80,902	18,983	32,303
	Proposed dividends	19,000	22,000	19,000	22,000
	Equity holders' share of equity, Saria Denmark ApS	38,583	103,502	38,583	103,502
	Non-controlling interests	136,281	183,048	0	0
	Total equity	174,864	286,550	38,583	103,502
	Liabilities other than provisions				
12	Non-current liabilities other than provisions				
	Mortgage loans	169,209	291,363	0	0
	Credit institutions	0	464	0	0
	Amounts owed to group enterprises	37,172	26,119	0	0
		206,381	317,946	0	0
	Current liabilities other than provisions				
	Current portion of non-current liabilities other than provisions	8,671	7,972	0	0
	Credit institutions	24,888	24,701	0	0
	Trade payables	67,582	93,486	51	54
	Amounts owed to group enterprises	108,486	105,187	107,168	103,557
	Corporation tax	684	2,245	0	0
	Other payables	67,157	49,427	0	0
	Deferred income	4,771	5,049	0	0
		282,239	288,067	107,219	103,611
	Total liabilities other than provisions	488,620	606,013	107,219	103,611
	TOTAL EQUITY AND LIABILITIES	663,484	892,563	145,802	207,113

- 1 Accounting policies
- 13 Contingencies, etc.
- 14 Mortgages and collateral
- 15 Staff costs
- 16 Fee paid to auditors appointed at the annual general meeting
- 17 Related party disclosures

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

Note	Consolidated					
	Share capital	Retained earnings	Proposed dividends	Total	Non-control-ling interests	Total equity
	DKK'000					
	500	64,263	19,000	83,763	173,916	257,679
	0	0	-19,000	-19,000	-17,854	-36,854
	100	14,900	0	15,000	0	15,000
	0	1,917	0	1,917	1,840	3,757
	0	-2,948	0	-2,948	-2,832	-5,780
18	0	2,770	22,000	24,770	27,978	52,748
	600	80,902	22,000	103,502	183,048	286,550
	0	0	-22,000	-22,000	-20,982	-42,982
	0	-51,000	0	0	-49,000	-100,000
	0	-1,897	0	-1,897	-1,824	-3,721
	0	713	0	713	685	1,398
18	0	-9,735	19,000	9,265	24,354	33,619
	600	18,983	19,000	38,583	136,281	174,864

Note	Parent company				
	Share capital	Reserve for net revaluation	Retained earnings	Proposed dividends	Total
	DKK'000				
	500	41,072	23,191	19,000	83,763
	0	0	0	-19,000	-19,000
	0	-19,083	19,083	0	0
	100	0	14,900	0	15,000
	0	1,917	0	0	1,917
	0	-2,948	0	0	-2,948
18	0	27,641	-24,871	22,000	24,770
	600	48,599	32,303	22,000	103,502
	0	0	0	-22,000	-22,000
	0	0	-51,000	0	-51,000
	0	-48,599	48,599	0	0
	0	0	-1,897	0	-1,897
	0	0	713	0	713
18	0	0	-9,735	19,000	9,265
	600	0	18,983	19,000	38,583

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	Consolidated	
		2016	2015
	Profit for the year	9,365	24,770
19	Adjustment for non-cash operating items, etc.	153,363	152,734
	Cash generated from operations (operating activities) before changes in working capital	162,728	177,504
20	Changes in working capital	-34,762	22,133
	Cash generated from operations (operating activities)	127,966	199,637
	Corporation tax paid	-17,807	-21,605
	Cash flows from operating activities	110,159	178,032
	Acquisition of intangible assets	171	-2,010
	Acquisition of property, plant and equipment	-52,049	-89,124
	Acquisition of investments in associates	-14,935	-406
	Disposal of property, plant and equipment	6,503	873
	Dividends from associates	5,307	-4,682
	Cash flows from investing activities	-55,003	-95,349
	External financing:		
	Proceeds from long-term debt	11,175	14,925
	Repayment of long-term debt	-121,919	-7,532
	Shareholders:		
	Capital increase	0	15,000
	Dividends paid	-142,983	-36,854
	Cash flows from financing activities	-253,727	-14,461
	Net cash flows from operating, investing and financing activities	-198,571	68,222
	Cash and cash equivalents at 1 January	176,458	108,236
	Cash and cash equivalents at 31 December	-22,113	176,458

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SARIA Denmark ApS for 2016 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The Company has implemented act no. 738 of 1 June 2015 with effect from 1 January 2016. This implies changes in the recognition and measurement of property, plant and equipment as residual values of property, plant and equipment must be reassessed annually. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

Apart from the above new and changed presentation and disclosure requirements which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, SARIA Denmark ApS, and subsidiaries in which SARIA Denmark ApS directly or indirectly holds more than 50% of the voting rights or which it otherwise controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence but which it does not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Foreign currency translation

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

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

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Derivative financial instruments

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

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Income statement

Revenue

Income from collected raw material fees and sale of finished goods, comprising sale of meal, fat and blood products and biodiesel, is recognised in revenue when the most significant rewards and risks to the buyer have been transferred and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Trading enterprises recognise their cost of sales, and production enterprises recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and maintenance, transportation and energy depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation as well as costs for protecting the internal and external environment.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Costs relating to sales staff, advertising, exhibitions, transport and warehouse rent and depreciation are also recognised as distribution costs.

Administrative expenses

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income and costs

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

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of SARIA Denmark ApS Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administration company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of the joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive a joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year due to changes in the tax rate. 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.

Balance sheet

Intangible assets

Goodwill and software

Goodwill and software are measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised over 5 years. Software is amortised on a straight-line basis over the estimated useful life of 3-5 years.

Incineration rights

Incineration rights are measured at cost less accumulated amortisation and impairment losses. Incineration rights are amortised on a straight-line basis over the term of the agreement of 10 years.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

CO₂ rights

On initial recognition, CO₂ rights allocated and acquired are measured at cost. If CO₂ rights are allocated free of charge, cost is DKK 0.

The basis of amortisation for CO₂ rights is measured at cost less scrap value. The scrap value depends on whether or not the Company expects to utilise the rights themselves or sell them. CO₂ rights are amortised as discharged.

To the extent that the actual discharge exceeds the CO₂ rights allocated and acquired, a liability is recognised corresponding to the fair value of the CO₂ rights which the Company is under an obligation to settle.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and other plant and equipment are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any expected residual value at the end of the useful life. 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, sub-suppliers, and wages and salaries.

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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	15-20 years
Plant and machinery	8-15 years
Fixtures and fittings, tools and equipment	5 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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 or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries and associates

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

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of SARIA Denmark ApS' annual report are not recognised in the reserve for net revaluation.

Acquisitions of subsidiaries and associates are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the assets and liabilities identified (goodwill) is recognised as investments in subsidiaries and depreciated over the estimated useful life of five years. The net asset value of goodwill is assessed on an ongoing basis and is written down in the income statement if the carrying amount exceeds the expected future net income from the enterprise or activity to which goodwill is allocated.

Other investments

Other securities and investments, recognised under "Non-current assets", comprise unlisted securities measured at cost.

Impairment of non-current assets

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

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and 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.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and direct production costs and indirect production overheads.

Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected 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.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

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.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

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 and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, 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.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Other liabilities are measured at net realisable value.

Prepayments, equity and liabilities

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
2 Revenue				
Finished goods, Denmark	187,664	170,400	0	0
Finished goods, abroad	216,996	247,381	0	0
Biodiesel, Denmark	154,561	203,689	0	0
Biodiesel, abroad	173,507	82,067	0	0
Raw material fees, Denmark	197,100	198,654	0	0
Raw material fees, abroad	101,402	117,034	0	0
	<u>1,031,230</u>	<u>1,019,225</u>	<u>0</u>	<u>0</u>
3 Financial income				
Interest income from group enterprises	0	0	0	0
Other interest income	3	4	0	0
Other financial income	9,279	4,789	0	0
	<u>9,282</u>	<u>4,793</u>	<u>0</u>	<u>0</u>
4 Financial expenses				
Interest expense to group enterprises	3,611	4,205	3,611	3,601
Other interest expense	5,607	4,918	0	0
Other financial expense	3,146	6,169	8	4
	<u>12,364</u>	<u>15,292</u>	<u>3,619</u>	<u>3,605</u>
5 Tax on the profit for the year				
Current tax for the year	16,308	20,089	-825	-882
Adjustment of deferred tax	-5,624	-6,747	0	0
Adjustment of tax relating to previous years	-184	0	0	0
	<u>10,500</u>	<u>13,342</u>	<u>-825</u>	<u>-882</u>

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Consolidated				Total
	Goodwill	Incineration rights	Software	Intangible assets under construction	
Cost at 1 January 2016	164,689	11,668	13,220	61	189,638
Foreign currency translation	0	-487	0	0	-487
Additions during the year	0	0	155	16	171
Disposals during the year	0	0	-77	0	-77
Cost at 31 December 2016	164,689	11,181	13,298	77	189,245
Amortisation at 1 January 2016	115,283	10,276	6,645	0	132,204
Foreign currency translation	-2	-429	0	0	-431
Disposals during the year	0	0	-77	0	-77
Amortisation for the year	32,938	1,334	3,141	0	37,413
Amortisation at 31 December 2016	148,219	11,181	9,709	0	169,109
Carrying amount at 31 December 2016	16,470	0	3,589	77	20,136
Amortised over	5 years	10 years	3-5 years		

7 Property, plant and equipment

DKK'000	Consolidated				Total
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
Cost at 1 January 2016	189,518	348,674	56,877	30,421	625,490
Foreign currency translation	-2,321	-6,175	-721	-6	-9,223
Additions during the year	213	29,700	10,202	11,934	52,049
Transferred	6,807	11,518	8,933	-27,258	0
Disposals during the year	-517	-61,598	-5,133	0	-67,248
Cost at 31 December 2016	193,700	322,119	70,158	15,091	601,068
Depreciation at 1 January 2016	55,219	187,283	25,823	0	268,325
Foreign currency translation	-242	-5,956	-643	0	-6,841
Disposals during the year	-320	-59,464	-2,532	0	-62,316
Depreciation during the year	12,662	54,959	11,497	0	79,118
Depreciation at 31 December 2016	67,319	176,822	34,145	0	278,286
Carrying amount at 31 December 2016	126,381	145,297	36,013	15,091	322,782
Depreciated over	15-20 years	8-15 years	5 years		

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Investments in subsidiaries

DKK'000	Parent company	
	2016	2015
Cost at 1 January	155,960	140,960
Additions during the year	0	15,000
Cost at 31 December	155,960	155,960
Value adjustments at 1 January	48,599	41,073
Dividend paid	-72,840	-19,083
Foreign currency translation	-1,897	1,916
Fair value adjustments of hedging instruments	713	-2,948
Profit/loss for the year	12,191	27,641
Value adjustments at 31 December	-13,234	48,599
Carrying amount at 31 December	142,726	204,559

Name and registered office:	Voting rights and ownership
Daka Denmark A/S, Hedensted	51.0%
Bioceval Denmark A/S, Hedensted	100.0%

9 Investments in associates

Name and registered office:	Voting rights and ownership
Svensk Lantbrukstjänst AB, Lidköping, Sweden	50.0%
Gyllebo Gödning AB, Lidköping, Sweden	33.3%

10 Provisions for deferred tax

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
Deferred tax at 1 January	-6,322	1,967	0	0
Adjustment of the deferred tax charge for the year	-5,829	-6,538	0	0
Tax on equity transactions	389	-1,630	0	0
Impact from gradual reduction of the income tax rate from 25% to 22%	0	-121	0	0
Deferred tax at 31 December	-11,762	-6,322	0	0

11 Share capital

The share capital comprises 600,000 shares of DKK 1 each. All shares rank equally.

The recent 5-year changes of the share capital are specified as follows:

DKK'000	Parent company				
	2016	2015	2014	2013	2012
Share capital 1 January	600	500	500	500	80
Capital increase	0	100	0	0	420
Share capital 31 December	600	600	500	500	500

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
12 Non-current liabilities				
Amounts owed to mortgage credit institutions which fall due more than 5 years after the balance sheet date	127,461	233,906	0	0
Amounts owed to group enterprises which fall due more than 5 years after the balance sheet date	0	0	0	0
13 Contingencies, etc.				
Contingent liabilities				
Lease obligations (operating leases) which fall due within 5 years	9,494	8,429	0	0
	9,494	8,429	0	0

CO₂ rights

Under the legislation on CO₂ quotas, the Danish Energy Agency has allocated quotas to the Company free of charge, corresponding to 253,832 tonnes for use in the period 1 January 2013 - 31 December 2020. The estimated need for the period amounts to 295,648 tonnes, corresponding to an estimated liability of DKK 814 thousand.

Joint taxation

The parent company is jointly taxed with the Danish subsidiaries. As the administration company, together with the subsidiary, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 31 December 2016, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 0. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc. may increase the companies' liability. The Group as a whole is not liable to others.

14 Mortgages and collateral

Land and buildings with a carrying amount of DKK 99,715 thousand have been provided as collateral for mortgages. In addition, a considerable part of the parent company's plant and machinery is deemed to be included in the collateral. Mortgage loans amounted to DKK 177,881 thousand at 31 December 2016.

15 Staff costs

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
Wages and salaries	160,496	148,861	0	0
Pensions	12,025	11,769	0	0
Other social security costs	6,354	6,030	0	0
	156,351	166,660	0	0
Remuneration to Executive Board and Board of Directors	1,263	2,479	0	0
Average number of full-time employees	312	303	0	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

16 Fees paid to auditors appointed at the annual general meeting

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
Fee regarding statutory audit	424	414	15	15
Assurance engagements	0	54	0	0
Tax assistance	402	142	0	4
Other assistance	383	329	32	32
	<u>1,209</u>	<u>939</u>	<u>47</u>	<u>51</u>

17 Related party disclosures

Parties exercising control

SARIA International GmbH, Werner Strasse 95, D-59379 Selm, Germany holds the majority of the share capital in the Company.

SARIA Denmark ApS is included in the consolidated financial statements of the ultimate parent company, Rethmann SE & Co. KG, Selm, Germany. The consolidated financial statements of Rethmann SE & Co. KG are available at the Company's address.

18 Appropriation of profit/loss

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
Reserve for net revaluation	0	0	0	27,641
Extraordinary dividends distributed	51,000	0	51,000	0
Proposed dividends	19,000	22,000	19,000	22,000
Retained earnings	-60,735	2,770	-60,735	-24,871
Non-controlling interests	24,354	27,978	0	0
	<u>33,619</u>	<u>52,748</u>	<u>9,265</u>	<u>24,770</u>

DKK'000	Consolidated	
	2016	2015
19 Adjustment for non-cash operating items, etc.		
Amortisation and depreciation and impairment losses	116,531	110,894
Gain on disposal of non-current assets	-4,116	-555
Loss on disposal of non-current assets	2,425	56
Change in investments in associates	399	-636
Tax on profit for the year	24,354	13,342
Minority shareholders' share of the results of subsidiaries	10,500	27,978
Change in fair value and derivative financial instruments	1,787	2,947
Foreign currency translation, etc.	1,483	-1,292
	<u>153,363</u>	<u>152,734</u>

20 Changes in working capital

Change in inventories	14,080	-36,998
Change in receivables	-43,690	30,531
Change in trade and other payables	-5,152	28,600
	<u>-34,762</u>	<u>22,133</u>