SARIA Denmark ApS

Lundagervej 21, 8723 Hedensted

CVR no. 33 77 42 81

Annual report 2017

Approved at the Company's annual general meeting on 7 May 2018

Chairman:

Jan Bagger
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Building a better working world

Contents

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 2017.

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 2017 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 2017.

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, 16 March 2018
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 2017, 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 2017 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 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 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, 16 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen State Authorised Public Accountant MNE no. 10121	Christian Jøker State Authorised Public Accountant MNE no. 31471

Management's review

Company details

Name	SARIA Denmark ApS
Address, zip code, city	Lundagervej 21, 8722 Hedensted
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	2017	2016	2015	2014	2013
Key figures					
Revenue	1,013,999	1,101,565	1,019,225	972,926	1,007,428
EBITDA	206,648	164,131	186,847	191,001	244,026
Gross profit	209,621	170,677	190,917	161,208	214,277
Ordinary operating profit	91,776	35,275	61,274	49,489	111,027
Profit/loss from financial income and expense	-4,082	-3,082	-10,499	-11,918	-9,856
Profit before tax	100,435	44,119	66,090	62,499	95,905
Non-controlling interest's share of profit for the year	-44,278	-24,354	-27,978	-23,806	-36,416
Profit for the year	**35,346**	**9,265**	**24,770**	**22,408**	**35,016**
Non-current assets	324,300	369,710	435,455	455,056	517,043
Current assets	346,011	293,774	457,108	362,486	288,228
Total assets	670,311	663,484	592,563	817,542	805,271
Share capital	600	600	600	500	500
Equity	**224,366**	**174,864**	**286,550**	**257,679**	**270,600**
Provisions	**0**	**0**	**0**	**1,967**	**9,248**
Non-current liabilities other than provisions	**176,404**	**206,381**	**317,946**	**310,825**	**310,945**
Current liabilities other than provisions	**269,541**	**282,239**	**288,067**	**247,071**	**214,477**
Financial ratios					
Operating margin	9.9%	4,3%	7.5%	7.2%	10.5%
Gross margin	20.7%	15,5%	18.7%	16.6%	21.3%
Solvency ratio	33.5%	26.4%	32.1%	31.5%	33.6%
Return on equity	17.7%	4.0%	9.1%	8.5%	14.4%
Return on invested capital, excl. goodwill	34,1%	13.7%	20.8%	18.2%	25.3%
Return on invested capital, incl. goodwill	33,2%	12.5%	17.6%	15.1%	20.0%
Average number of full-time employees	**299**	**312**	**303**	**289**	**273**

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Management's 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 79,624 thousand derived from revenue of DKK 1,013,999 thousand.

Operating profit amounted to DKK 100,786 thousand in 2017 compared to DKK 47,600 thousand the previous year. The financial year 2017 is affected by a loss from the subsidiary Bioceval Denmark A/S.

Of the profit for the year, dividends of DKK 35,000 thousand are proposed to the shareholders, whereas DKK -9,326 thousand is taken to equity as retained earnings and DKK 16,601 thousand is taken to equity as reserve for net revaluation.

The Company's equity totals DKK 65,501 thousand, including proposed dividends, corresponding to 37.2% of the balance sheet total, 33.5% 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

Corporate social responsibility

The SARIA Denmark Group has not laid down any separate policies for corporate social responsibility, human rights, environmental aspects 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 50 persons at 31 December 2017, 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 22% in 2017. Female employees made up 22% of all employees in the Group in 2017.

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.

The Board of Directors in Daka Denmark A/S has set up a goal for the underrepresented gender on the Board of Directors which is to account for at least one person. The Board of Directors has strived for fulfilling this goal within the end of 2017 taking into consideration natural replacements on the Board of Directors. At present, members appointed at the annual general meeting are of the same gender. The goal has not been fulfilled partly as there have only been very limited natural replacements on the Board in recent years and partly as there have been no qualified candidates among the underrepresented gender. It is still the Company's target that at least one of the Board members appointed by the general meeting is from the underrepresented gender, and that this goal must be fulfilled by the end of 2020.

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

		Consolidated		Parent company	
Note	DKK'000	2017	2016	2017	2016
2	**Revenue**	1,013,999	1,101,565	0	0
	Production costs	-804,378	-930,888	0	0
	Gross profit	209,621	170,677	0	0
	Distribution costs	-30,259	-43,889	0	0
	Administrative expenses	-87,586	-91,513	-136	-132
	Ordinary operating profit/loss	91,776	35,275	-136	-132
	Other operating income	12,625	19,151	0	0
	Other operating costs	-3,615	-6,826	0	0
	Operating profit/loss	100,786	47,600	-136	-132
	Income from investments in group enterprises	0	0	45,203	12,191
	Income from investments in associates	3,047	-399	0	0
	Income from other investments	684	0	0	0
3	Other financial income	10,091	9,282	0	0
4	Financial expenses	-14,173	-12,364	-3,618	-3,619
	Profit before tax	100,435	44,119	41,449	8,440
5	Tax on profit for the year	-20,811	-10,500	826	825
	Profit after tax	79,624	33,619	42,275	9,265
	Non-controlling shareholders' share of the results of subsidiaries	-44,278	-24,354	0	0
	Profit for the year	35,346	9,265	42,275	9,265

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

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2017	2016	2017	2016
	ASSETS				
	Non-current assets				
6	**Intangible assets**				
	Goodwill	0	16,470	0	0
	Software	544	3,589	0	0
	Intangible assets under construction	200	77	0	0
		744	20,136	0	0
7	**Property, plant and equipment**				
	Land and buildings	113,348	126,381	0	0
	Plant and machinery	112,811	145,297	0	0
	Fixtures and fittings, tools and equipment	34,618	36,013	0	0
	Property, plant and equipment under construction	39,321	15,091	0	0
		300,098	322,782	0	0
	Investments				
8	Investments in subsidiaries	0	0	172,561	142,726
9	Investments in associates	8,523	11,857	0	0
	Other investments	14,935	14,935	0	0
		23,458	26,792	172,561	142,726
	Total non-current assets	324,300	369,710	172,561	142,726
	Current assets				
	Inventories				
	Raw materials and consumables	26,327	19,649	0	0
	Work in progress	1,551	1,235	0	0
	Finished goods and goods for resale	63,242	78,194	0	0
		91,120	99,078	0	0
	Receivables				
	Trade receivables	84,596	126,772	0	0
	Amounts owed by group enterprises	127,527	25,501	0	0
	Amounts owed by associates	4,451	4,392	0	0
10	Deferred tax asset	15,633	11,762	0	0
	Corporation tax	0	0	826	825
	Other receivables	14,405	19,627	0	0
	Prepayments	4,511	3,867	0	0
		251,123	191,921	826	825
	Cash	3,768	2,775	2,938	2,251
	Total current assets	346,011	293,774	3,764	3,076
	TOTAL ASSETS	670,311	663,484	176,325	145,802

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

Balance sheet

Note	DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
	EQUITY AND LIABILITIES				
	Equity				
11	Share capital	600	600	600	600
	Reserve for net revaluation	0	0	16,601	0
	Retained earnings	22,972	18,983	13,300	18,983
	Proposed dividends	35,000	19,000	35,000	19,000
	Equity holders' share of equity, Saria Denmark ApS	58,572	38,583	65,501	38,583
	Non-controlling interests	165,794	136,281	0	0
	Total equity	224,366	174,864	65,501	38,583
	Liabilities other than provisions				
12	**Non-current liabilities other than provisions**				
	Mortgage loans	165,237	169,209	0	0
	Amounts owed to group enterprises	11,167	37,172	0	0
		176,404	206,381	0	0
	Current liabilities other than provisions				
	Current portion of non-current liabilities other than provisions	8,089	8,671	0	0
	Credit institutions	10,384	24,888	0	0
	Trade payables	80,902	67,582	54	51
	Amounts owed to group enterprises	114,465	108,486	110,770	107,168
	Corporation tax	5,974	684	0	0
	Other payables	41,440	67,157	0	0
	Deferred income	8,287	4,771	0	0
		269,541	282,239	110,824	107,219
	Total liabilities other than provisions	445,945	488,620	110,824	107,219
	TOTAL EQUITY AND LIABILITIES	670,311	663,484	176,325	145,802

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	DKK'000	Consolidated					
		Share capital	Retained earnings	Proposed dividends	Total	Non-control-ling interests	Total equity
	Equity at 1 January 2016	600	80,902	22,000	103,502	183,048	286,550
	Dividend distributed	0	0	-22,000	-22,000	-20,982	-42,982
	Extraordinary dividend distributed	0	-51,000	0	-51,000	-49,000	-100,000
	Foreign currency translation	0	-1,897	0	-1,897	-1,824	-3,721
	Value adjustments of hedging instruments at 31 December	0	713	0	713	685	1,398
18	Transferred; see profit appropriation	0	-9,735	19,000	9,265	24,354	33,619
	Equity at 1 January 2017	600	18,983	19,000	38,583	136,281	174,864
	Dividend distributed	0	0	-19,000	-19,000	-18,268	-37,268
	Foreign currency translation	0	-471	0	-471	-453	-924
	Value adjustments of hedging instruments at 31 December	0	4,114	0	4,114	3,956	8,070
18	Transferred; see profit appropriation	0	346	35,000	35,346	44,278	79,624
	Equity at 31 December 2017	600	22,972	35,000	58,572	165,794	224,366

Note	DKK'000	Parent company				
		Share capital	Reserve for net revaluation	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2016	600	48,599	32,303	22,000	103,502
	Dividend distributed	0	0	0	-22,000	-22,000
	Extraordinary dividend distributed	0	0	-51,000	0	-51,000
	Dividends paid from subsidiary	0	-48,599	48,599	0	0
	Foreign currency translation adjustments, foreign subsidiaries	0	0	-1,897	0	-1,897
	Value adjustments of hedging instruments at 31 December	0	0	713	0	713
18	Transferred; see profit appropriation	0	0	-9,735	19,000	9,265
	Equity at 1 January 2017	600	0	18,983	19,000	38,583
	Dividend distributed	0	0	0	-19,000	-19,000
	Dividends paid from subsidiary	0	-19,011	19,011	0	0
	Foreign currency translation adjustments, foreign subsidiaries	0	-471	0	0	-471
	Value adjustments of hedging instruments at 31 December	0	4,114	0	0	4,114
18	Transferred; see profit appropriation		31,969	-24,694	35,000	42,275
	Equity at 31 December 2017	600	16,601	13,300	35,000	65,501

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

Cash flow statement

Note	DKK'000	Consolidated 2017	Consolidated 2016
	Profit for the year	35,346	9,365
19	Adjustment for non-cash operating items, etc.	160,580	153,705
	Cash generated from operations (operating activities) before changes in working capital	195,926	163,070
20	Changes in working capital	-50,275	-34,762
	Cash generated from operations (operating activities)	145,651	128,308
	Corporation tax paid	-19,374	-17,807
	Cash flows from operating activities	126,277	110,501
	Acquisition of intangible assets	-373	-171
	Acquisition of property, plant and equipment	-67,002	-52,049
	Acquisition of investments in associates	0	-14,935
	Disposal of property, plant and equipment	61	6,503
	Dividends from associates	6,104	5,307
	Cash flows from investing activities	-61,210	-55,345
	External financing:		
	Proceeds from long-term debt	0	11,175
	Repayment of long-term debt	-30,559	-121,919
	Shareholders:		
	Dividends paid	-19,011	-142,983
	Cash flows from financing activities	-49,570	-253,727
	Net cash flows from operating, investing and financing activities	15,497	-198,571
	Cash and cash equivalents at 1 January	-22,113	176,458
	Cash and cash equivalents at 31 December	-6,616	-22,113

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 2017 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as 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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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)

CO_2 rights

On initial recognition, CO_2 rights allocated and acquired are measured at cost. If CO_2 rights are allocated free of charge, cost is DKK 0.

The basis of amortisation for CO_2 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. CO_2 rights are amortised as discharged.

To the extent that the actual discharge exceeds the CO_2 rights allocated and acquired, a liability is recognised corresponding to the fair value of the CO_2 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	3-6 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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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

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.

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.

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

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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

	Consolidated		Parent company	
DKK'000	2017	2016	2017	2016
2 Revenue				
Finished goods, Denmark	172,476	187,664	0	0
Finished goods, abroad	159,716	216,996	0	0
Biodiesel, Denmark	99,042	154,561	0	0
Biodiesel, abroad	213,199	173,507	0	0
Raw material fees, Denmark	262,495	267,435	0	0
Raw material fees, abroad	107,071	101,402	0	0
	1,013,999	1,101,565	0	0
3 Financial income				
Interest income from group enterprises	0	0	0	0
Other interest income	4	3	0	0
Other financial income	10,087	9,279	0	0
	10,091	9,282	0	0
4 Financial expenses				
Interest expense to group enterprises	4,642	3,611	3,601	3,611
Other interest expense	3,162	5,607	17	0
Other financial expense	6,369	3,146	0	8
	14,173	12,364	3,618	3,619
5 Tax on the profit for the year				
Current tax for the year	26,840	16,308	-826	-825
Adjustment of deferred tax	-6,147	-5,624	0	0
Adjustment of tax relating to previous years	118	-184	0	0
	20,811	10,500	-826	-825

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

Notes to the financial statements

6 Intangible assets

	Consolidated				
DKK'000	Goodwill	Incineration righs	Software	Intangible assets under construction	Total
Cost at 1 January 2017	164,689	11,181	13,298	77	189,245
Foreign currency translation	0	0	0	0	0
Additions during the year	0	0	0	373	373
Transferred	0	0	250	-250	0
Disposals during the year	0	0	-1,922	0	-1,922
Cost at 31 December 2017	164,689	11,181	11,626	200	187,696
Amortisation at 1 January 2017	148,219	11,181	9,709	0	169,109
Foreign currency translation	603	0	0	0	603
Disposals during the year	0	0	-1,821	0	-1,821
Amortisation for the year	15,867	0	3,194	0	19,061
Amortisation at 31 December 2017	164,689	11,181	11,082	0	186,952
Carrying amount at 31 December 2017	0	0	544	200	744
Amortised over	5 years	10 years	3-5 years		

7 Property, plant and equipment

	Consolidated				
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under con-struction	Total
Cost at 1 January 2017	193,700	322,119	70,158	15,091	601,068
Foreign currency translation	-2,337	-2,415	-337	-30	-5,119
Additions during the year	630	7,926	12,460	45,986	67,002
Transferred	0	18,530	3,196	-21,726	0
Disposals during the year	-308	-19,553	-4,454	0	-24,315
Cost at 31 December 2017	191,685	326,607	81,023	39,321	638,636
Depreciation and impairment losses at 1 January 2017	67,319	176,822	34,145	0	278,286
Foreign currency translation	-1,917	-2,319	-296	0	-4,532
Disposals during the year	-196	-17,189	-4,395	0	-21,780
Depreciation during the year	13,131	29,808	11,754	0	54,693
Impairment losses during the year	0	26,674	5,197	0	31,871
Depreciation and impairment losses at 31 December 2017	78,337	213,796	46,405	0	338,538
Carrying amount at 31 December 2017	113,348	112,811	34,618	39,321	300,098
Depreciated over	15-20 years	8-15 years	3-6 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 2017	Parent company 2016
Cost at 1 January	155,960	155,960
Additions during the year	0	0
Cost at 31 December	155,960	155,960
Value adjustments at 1 January	-13,234	48,599
Dividend paid	-19,011	-72,840
Foreign currency translation	-471	-1,897
Fair value adjustments of hedging instruments	4,114	713
Profit/loss for the year	45,203	12,191
Value adjustments at 31 December	16,601	-13,234
Carrying amount at 31 December	172,561	142,726

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

	Consolidated		Parent company	
DKK'000	2017	2016	2017	2016
Deferred tax at 1 January	-11,762	-6,322	0	0
Adjustment of the deferred tax charge for the year	-6,147	-5,829	0	0
Tax on equity transactions	2,276	389	0	0
Deferred tax at 31 December	-15,633	-11,762	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				
	2017	2016	2015	2014	2013
Share capital 1 January	600	600	500	500	500
Capital increase	0	0	100	0	0
Share capital 31 December	600	600	600	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 2017	Consolidated 2016	Parent company 2017	Parent company 2016
12 Non-current liabilities				
Amounts owed to mortgage credit institutions which fall due more than 5 years after the balance sheet date	131,133	127,461	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.

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
Contingent liabilities				
Lease obligations (operating leases) which fall due within 5 years	24,383	9,494	0	0
	24,383	9,494	0	0

CO_2 rights

Under the legislation on CO_2 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 272,213 tonnes, corresponding to an estimated liability of DKK 1,204 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 2017, 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 89,190 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 173,326 thousand at 31 December 2017.

15 Staff costs

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
Wages and salaries	147,004	160,496	0	0
Pensions	11,546	12,025	0	0
Other social security costs	6,447	6,354	0	0
	164,997	178,875	0	0
Remuneration to Executive Board and Board of Directors	1,861	1,263	0	0
Average number of full-time employees	297	312	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

	Consolidated		Parent company	
DKK'000	2017	2016	2017	2016
Fee regarding statutory audit	446	424	15	15
Assurance engagements	48	0	0	0
Tax assistance	747	402	0	0
Other assistance	305	383	31	32
	1,546	1,209	46	47

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

	Consolidated		Parent company	
DKK'000	2017	2016	2017	2016
Extraordinary dividends distributed	0	51,000	0	51,000
Proposed dividends	35,000	19,000	35,000	19,000
Reserve for net revaluation	0	0	31,969	0
Retained earnings	346	-60,735	-24,694	-60,735
Non-controlling interests	44,278	24,354	0	0
	79,624	33,619	42,275	9,265

	Consolidated	
DKK'000	2017	2016
19 Adjustment for non-cash operating items, etc.		
Amortisation and depreciation and impairment losses	105,862	116,531
Gain on disposal of non-current assets	-35	-4,116
Loss on disposal of non-current assets	2,397	2,425
Change in investments in associates	-3,047	399
Tax on profit for the year	20,851	24,354
Minority shareholders' share of the results of subsidiaries	24,354	10,500
Change in fair value and derivative financial instruments	10,279	1,787
Foreign currency translation, etc.	-81	1,825
	160,580	153,705

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

Notes to the financial statements

20 Changes in working capital

	Consolidated	
DKK'000	2017	2016
Change in inventories	7,958	14,080
Change in receivables	-55,331	-43,690
Change in trade and other payables	-2,902	-5,152
	-50,275	-34,762