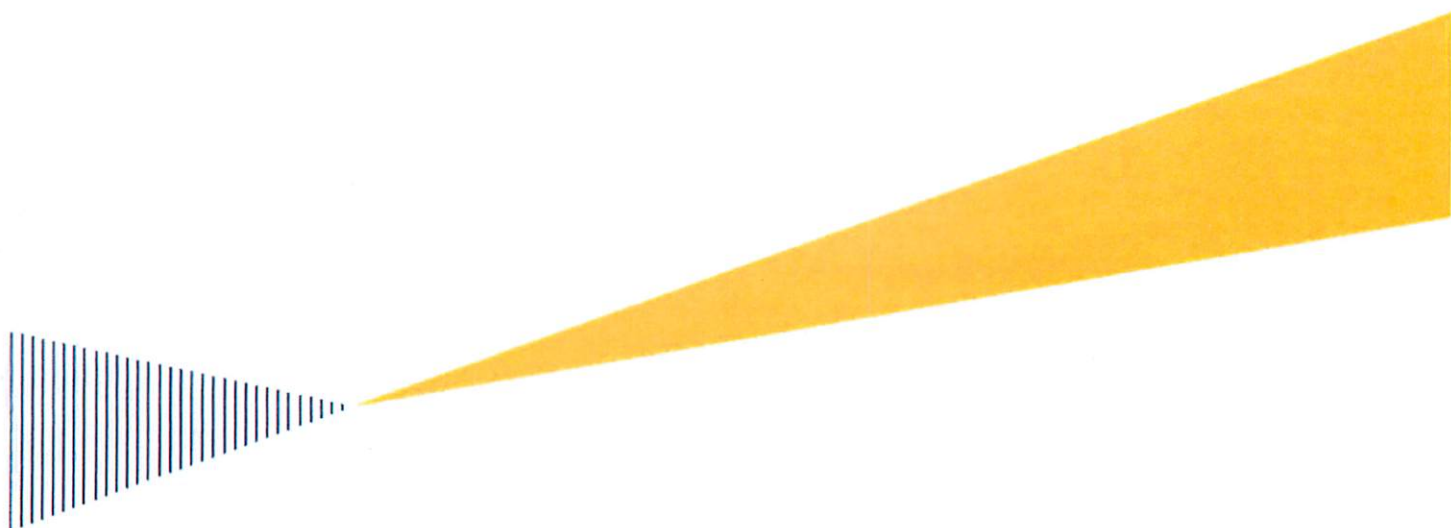


# Daka Denmark A/S

Dakavej 10, 8723 Løsning

CVR no. 33 77 60 39



## 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 Board of Directors and the Executive Board have today discussed and approved the annual report of Daka Denmark A/S 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 financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations 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 Company's operations and financial matters and the results of the Company's operations and financial position.

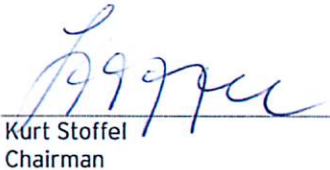
We recommend that the annual report be approved at the annual general meeting.

Løsning, 2 March 2017  
Executive Board:



Lars Krause-Kjær  
CEO

Board of Directors:



Kurt Stoffel  
Chairman



Preben Sunke



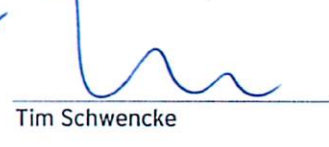
Franz-Bernhard Thier



Jan Roelsgaard



Niels Jørgen Villésen



Tim Schwencke



Jacob Martin Andersen



Lars Jørgen Nielsen

## Independent auditors' report

To the shareholders of Daka Denmark A/S

### Opinion

We have audited the financial statements of Daka Denmark A/S 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. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditors' report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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


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

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

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	Daka Denmark A/S
Address, zip code, city	Dakavej 10, 8723 Løsning
CVR no.	33 77 60 39
Established	22 June 2011
Registered office	Hedensted
Financial year	1 January - 31 December
Website	<a href="http://www.daka.dk">www.daka.dk</a>
E-mail	<a href="mailto:daka@daka.dk">daka@daka.dk</a>
Board of Directors	Kurt Stoffel, Chairman Preben Sunke Franz-Bernhard Thier Jan Roelsgaard Niels Jørgen Villesen Tim Schwencke Jacob Martin Andersen (employee representative) Lars Jørgen Nielsen (employee representative)
Executive Board	Lars Krause-Kjær, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab EY Huset Værkmestergade 25, DK-8000 Aarhus C

## Management's review

### Financial highlights

DKK'000	2016	2015	2014	2013	2012
<b>Key figures</b>					
Revenue	834,393	794,784	825,456	893,090	427,153
EBITDA	152,894	162,824	170,986	211,813	96,125
Gross profit	145,501	158,716	145,754	202,226	87,379
Ordinary operating profit	33,278	50,114	40,114	102,577	38,438
Profit/loss from financial income and expense	814	-6,522	-7,605	-3,558	-1,693
Profit before tax	60,059	70,600	63,173	101,425	42,063
<b>Profit for the year</b>	<b>49,703</b>	<b>57,097</b>	<b>48,583</b>	<b>74,318</b>	<b>31,479</b>
Non-current assets	446,265	504,868	442,048	477,403	548,699
Current assets	238,788	393,167	345,011	306,072	253,667
Total assets	685,053	898,035	787,059	783,475	802,466
Share capital	27,540	27,540	27,540	27,540	27,540
Equity	278,123	373,567	354,931	365,509	307,340
Provisions	0	0	1,182	6,634	8,438
Non-current liabilities other than provisions	244,209	366,827	299,660	310,945	320,848
Current liabilities other than provisions	162,721	157,641	131,286	100,387	165,840
<b>Financial ratios</b>					
Operating margin	5.3%	7.8%	7.7%	12.6%	9.9%
Gross margin	17.4%	20.0%	17.7%	22.6%	20.5%
Solvency ratio	40.6%	41.6%	45.1%	46.7%	38.3%
Return on equity	15.3%	15.7%	13.5%	22.1%	20.5%
Return on invested capital, excl. goodwill	11.3%	14.6%	14.8%	25.8%	19.4%
Return on invested capital, incl. goodwill	10.5%	12.7%	12.1%	20.0%	14.6%
<b>Average number of full-time employees</b>	<b>271</b>	<b>272</b>	<b>259</b>	<b>239</b>	<b>233</b>

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

The principal activity of the Company is to purchase animal by-products from slaughterhouses, the meat and farming industry, etc. and to process these products into various finished products for the pet food, feed, energy, fertilization and foodstuff markets.

#### Development in activities and financial matters

Profit for the year amounts to DKK 49,703 thousand derived from revenue of DKK 834,393 thousand (parent company).

Operating profit amounted to DKK 44,327 thousand in 2016 compared to DKK 61,958 thousand the previous year. The financial year 2016 is affected by an impairment of plant and machinery 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 37,277 thousand are proposed to the shareholders, whereas DKK 12,510 thousand is taken to equity as retained earnings and a negative DKK 84 thousand is transferred from reserve for net revaluation.

During the year 2016, an extraordinary dividend of DKK 100,000 thousand was distributed to the shareholders.

The Company's equity totals DKK 278,123 thousand, including proposed dividends, corresponding to 40.6% of the balance sheet total (45.4% 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 Company has not undertaken any particular commercial risks other than those considered usual for the nature and size of the Company.

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

#### Intellectual capital

Operations of the Company are characterized by complex structures i.a. within the market structures and production technologies particular to the industry.

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

#### Environmental issues

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

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

#### Research and development activities

The Company does not carry on any research activities. The Company's production processes are continuously being optimized, just as its finished goods are undergoing constant development in order to add value thereto in the Company's sales channels.



## Management's review

### Operating review

#### Corporate social responsibility

The Daka 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 Daka Denmark A/S is not equal, mainly because the Company is a manufacturing company, which for many years has 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 Daka Denmark A/S comprised 40 persons at 31 December 2016, which included the Company'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 21% of all employees in the Company in 2016.

Daka Denmark A/S wishes to ensure equal opportunities to 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 Company aims to increase the share of the underrepresented gender on the Board of Directors. Daka Denmark A/S wishes to increase the underrepresented gender's share of total board members to one by the end of 2017.

Daka Denmark A/S' overall goal is to ensure that the Executive Board and management team at all times are made up of the most suitable candidates, irrespective of gender. Furthermore, Daka Denmark A/S wishes to ensure equal opportunities for all and wishes to represent the female/male ratio in society also at management level. In connection with setting goals for the share of women on the Board, the Company has laid down a policy, which describes how to maintain and, if possible, increase the share of women in the Company in general and at management level in particular. In general, the policy comprises three initiatives regarding female women in management positions: Attention by the Company so that female managers are a focus area in the Daka Group, attraction and recruitment, where the Company 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.

## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK'000	2016	2015
2	Revenue	834,393	794,784
	Production costs	-688,892	-636,068
	<b>Gross profit</b>	145,501	158,716
	Distribution costs	-26,316	-24,735
	Administrative expenses	-85,907	-83,867
	<b>Ordinary operating profit</b>	33,278	50,114
	Other operating income	14,557	14,856
	Other operating costs	-3,508	-3,012
	<b>Operating profit</b>	44,327	61,958
	Income from investments in group enterprises	14,918	15,164
3	Other financial income	9,143	5,056
4	Financial expenses	-8,329	-11,578
	<b>Profit before tax</b>	60,059	70,600
5	Tax on profit for the year	-10,356	-13,503
	<b>Profit for the year</b>	49,703	57,097
	<b>Proposed profit appropriation</b>		
	Reserve for net revaluation	-84	84
	Extraordinary dividends distributed	100,000	0
	Proposed dividends	37,277	42,823
	Retained earnings	-87,490	14,190
		49,703	57,097

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK'000	2016	2015
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
6	<b>Intangible assets</b>		
	Goodwill	15,867	47,601
	Software	3,589	6,575
	Intangible assets under construction	77	61
		<u>19,533</u>	<u>54,237</u>
7	<b>Property, plant and equipment</b>		
	Land and buildings	99,715	103,876
	Plant and machinery	141,933	156,109
	Fixtures and fittings, tools and equipment	33,646	28,284
	Property, plant and equipment under construction	14,004	29,936
		<u>289,298</u>	<u>318,205</u>
	<b>Investments</b>		
8	Investments in subsidiaries	122,499	130,094
9	Amounts owed by group enterprises	0	2,332
	Other investments	14,935	0
		<u>137,434</u>	<u>132,426</u>
	<b>Total non-current assets</b>	<u>446,265</u>	<u>504,868</u>
	<b>Current assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	19,419	26,880
	Work in progress	1,235	1,094
	Finished goods and goods for resale	46,526	68,982
		<u>67,180</u>	<u>96,956</u>
	<b>Receivables</b>		
	Trade receivables	107,210	99,992
9	Amounts owed by group enterprises	47,648	21,612
	Amounts owed by associates	874	2,475
11	Deferred tax asset	9,788	4,393
	Other receivables	2,240	1,176
	Prepayments	3,465	3,431
		<u>171,225</u>	<u>133,079</u>
	<b>Cash</b>	<u>383</u>	<u>163,132</u>
	<b>Total current assets</b>	<u>238,788</u>	<u>393,167</u>
	<b>TOTAL ASSETS</b>	<u>685,053</u>	<u>898,035</u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK'000	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
10	Share capital	27,540	27,540
	Reserve for net revaluation	0	84
	Retained earnings	213,306	303,120
	Proposed dividends	37,277	42,823
	<b>Total equity</b>	<u>278,123</u>	<u>373,567</u>
	<b>Provisions</b>		
11	Provisions for deferred tax	0	0
	<b>Liabilities other than provisions</b>		
12	<b>Non-current liabilities other than provisions</b>		
	Mortgage loans	169,209	291,363
	Credit institutions	0	464
	Amounts owed to group enterprises	75,000	75,000
		<u>244,209</u>	<u>366,827</u>
	<b>Current liabilities other than provisions</b>		
	Current portion of non-current liabilities other than provisions	8,671	7,972
	Credit institutions	22,868	10,289
	Trade payables	49,948	75,011
	Amounts owed to group enterprises	16,198	16,269
	Corporation tax	2,873	1,605
	Other payables	57,431	41,496
	Deferred income	4,732	4,999
		<u>162,721</u>	<u>157,641</u>
	<b>Total liabilities other than provisions</b>	<u>406,930</u>	<u>524,468</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>685,053</u>	<u>898,035</u>

- 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

## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Reserve for net revaluation	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2015	27,540	0	290,954	36,437	354,931
	Dividend distributed	0	0	0	-36,437	-36,437
	Foreign currency translation adjustments, foreign subsidiaries	0	0	3,756	0	3,756
	Value adjustments of hedging instruments at 31 December	0	0	-5,780	0	-5,780
18	Transferred; see profit appropriation	0	84	14,190	42,823	57,097
	<b>Equity at 1 January 2016</b>	<b>27,540</b>	<b>84</b>	<b>303,120</b>	<b>42,823</b>	<b>373,567</b>
	Dividend distributed	0	0	0	-42,823	-42,823
	Extraordinary dividend distributed	0	0	-100,000	0	-100,000
	Foreign currency translation adjustments, foreign subsidiaries	0	0	-3,721	0	-3,721
	Value adjustments of hedging instruments at 31 December	0	0	1,397	0	1,397
18	Transferred; see profit appropriation	0	-84	12,510	37,277	49,703
	<b>Equity at 31 December 2016</b>	<b>27,540</b>	<b>0</b>	<b>213,306</b>	<b>37,277</b>	<b>278,123</b>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Daka Denmark A/S 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.

Referring to section 112 of the Danish Financial Statements Act, consolidated financial statements have not been prepared as Daka Denmark A/S and group enterprises are included in the consolidated financial statements of the parent company, SARIA Denmark ApS.

Referring to section 86 of the Danish Financial Statements Act, no cash flow statement has been prepared, as the consolidated financial statements of the ultimate parent company, SARIA Denmark ApS, include a consolidated cash flow statement, in which the Company's cash flows are incorporated.

#### 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 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.

## 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 have been transferred to the buyer 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 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. Also, costs relating to sales staff, advertising, exhibitions, transport and warehouse rent and depreciation are 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.

#### Profits/losses from investments in subsidiaries

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.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, 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 the 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 joint taxation contributions 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 is 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.

##### CO<sub>2</sub> rights

On initial recognition, CO<sub>2</sub> rights allocated and acquired are measured at cost. If CO<sub>2</sub> rights are allocated free of charge, cost is DKK 0.

The basis of amortisation for the CO<sub>2</sub> 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. The CO<sub>2</sub> rights are amortised as discharged.

To the extent that the actual discharge exceeds the CO<sub>2</sub> rights allocated and acquired, a liability is recognised corresponding to the fair value of the CO<sub>2</sub> 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.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries 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 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 Daka Denmark A/S' annual report are not recognised in the reserve for net revaluation.

Acquisitions of subsidiaries 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.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

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.

##### 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.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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.

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.

##### 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.

##### 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.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK'000	2016	2015
<b>2 Revenue</b>		
Finished goods, Denmark	145,525	137,839
Finished goods, abroad	165,256	169,994
Biodiesel, Denmark	314,491	271,680
Raw material fees, Denmark	197,100	198,654
Raw material fees, abroad	12,021	16,617
	<u>834,393</u>	<u>794,784</u>
<b>3 Financial income</b>		
Interest income from subsidiaries	596	809
Other interest income	2	2
Other financial income	8,545	4,245
	<u>9,143</u>	<u>5,056</u>
<b>4 Financial expenses</b>		
Interest expense from subsidiaries	2,068	1,350
Other interest expense	4,090	4,713
Other financial expense	2,171	5,515
	<u>8,329</u>	<u>11,578</u>
<b>5 Tax on the profit for the year</b>		
Current tax for the year	16,140	17,497
Adjustment of deferred tax	-5,784	-3,994
Adjustment of tax relating to previous years	0	0
	<u>10,356</u>	<u>13,503</u>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 6 Intangible assets

DKK'000	Goodwill	Software	Intangible assets under construction	Total
Cost at 1 January 2016	158,670	13,220	61	171,951
Additions during the year	0	155	16	171
Transferred	0	0	0	0
Disposals during the year	0	-77	0	-77
Cost at 31 December 2016	158,670	13,298	77	172,045
Amortisation at 1 January 2016	111,069	6,645	0	117,714
Disposals during the year	0	-77	0	-77
Amortisation for the year	31,734	3,141	0	34,875
Amortisation at 31 December 2016	142,803	9,709	0	152,512
Carrying amount at 31 December 2016	15,867	3,589	77	19,533
Amortised over	5 years	3-5 years		

#### 7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2016	146,364	320,976	54,519	29,937	551,796
Transferred	6,807	11,364	8,608	-26,779	0
Additions during the year	213	29,419	8,627	10,846	49,105
Disposals during the year	-517	-4,843	-3,793	0	-9,153
Cost at 31 December 2016	152,867	356,916	67,961	14,004	591,748
Depreciation at 1 January 2016	42,488	164,867	26,235	0	233,590
Disposals during the year	-320	-2,709	-1,803	0	-4,832
Depreciation during the year	10,984	52,825	9,883	0	73,692
Depreciation at 31 December 2016	53,152	214,983	34,315	0	302,450
Carrying amount at 31 December 2016	99,715	141,933	33,646	14,004	289,298
Depreciated over	15-20 years	8-15 years	5 years		

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

8 Investments in subsidiaries DKK'000	2016	2015
Cost at 1 January	130,010	55,010
Additions during the year	0	75,000
Cost at 31 December	130,010	130,010
Value adjustments at 1 January	84	-3,706
Dividend paid	-18,793	-15,131
Foreign currency translation	-3,720	3,757
Profit/loss for the year	20,283	20,529
Amortisation of goodwill	-5,365	-5,365
Value adjustments at 31 December	-7,511	84
<b>Carrying amount at 31 December</b>	<b>122,499</b>	<b>130,094</b>

Name and registered office:	Voting rights and ownership
Daka ecoMotion A/S, Ringsted	100.0 %
DAKA Ejendomme og Finans A/S, Ringsted	100.0 %
Konvex AB, Lidköping, Sweden	100.0 %

9 Amounts owed by group enterprises DKK'000	2016	2015
Loan Konvex AB	464	2,332

DKK 0 thousand (2015: DKK 464 thousand) hereof falls due more than one year after the balance sheet date.

### 10 Share capital

The share capital comprises 27,539,600 shares of DKK 1 each. All shares rank equally.

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

DKK'000	2016	2015	2014	2013	2012
Share capital 1 January	27,540	27,540	27,540	27,540	500
Capital increase	0	0	0	0	27,040
Share capital 31 December	27,540	27,540	27,540	27,540	27,540

11 Provisions for deferred tax DKK'000	2016	2015
Deferred tax at 1 January	-4,393	1,182
Adjustment of the deferred tax charge for the year	-5,784	-3,824
Tax on equity transactions	389	-1,630
Impact from gradual reduction of the income tax rate from 25% to 22%	0	-121
<b>Deferred tax at 31 December</b>	<b>-9,788</b>	<b>-4,393</b>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK'000	2016	2015
<b>12 Non-current liabilities</b>		
Amounts owed to mortgage credit institutions which fall due more than 5 years after the balance sheet date	127,461	233,906
Amounts owed to DAKA Ejendomme og Finans A/S which fall due more than 5 years after the balance sheet date	0	0
<b>13 Contingencies, etc.</b>		
Contingent liabilities		
Lease obligations (operating leases) which fall due within 5 years	9,212	7,608
Guarantee for pension commitment in subsidiary	2,594	2,727
	11,806	10,335

### CO<sub>2</sub> rights

Under the legislation on CO<sub>2</sub> 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

Daka Denmark A/S Group is jointly taxed with the parent company, SARIA Denmark ApS. Jointly taxed companies which are not wholly owned have limited and secondary liability for Danish withholding taxes on dividends, interest and royalties within the joint taxation unit. The jointly taxed enterprises' total known net liabilities to the tax authorities/SKAT are stated in the financial statements of the administration company. Any subsequent corrections of the joint taxation income and withholding taxes, etc. may result in an increase in the Company's liability.

### 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	2016	2015
Wages and salaries	143,256	137,617
Pensions	10,799	10,799
Other social security costs	2,296	2,384
	156,351	150,800
Remuneration to Executive Board and Board of Directors	1,263	2,479
Average number of full-time employees	271	272

## 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	2016	2015
Fee regarding statutory audit	240	240
Assurance engagements	0	54
Tax assistance	164	130
Other assistance	282	234
	<u>686</u>	<u>658</u>

#### 17 Related party disclosures

##### *Parties exercising control*

SARIA Denmark ApS, Dakavej 10, DK-8723 Løsning holds the majority of the share capital in the Company.

The consolidated financial statements of SARIA Denmark ApS are available at the Company's address.

#### 18 Appropriation of profit/loss

DKK'000	2016	2015
Reserve for net revaluation	-84	84
Extraordinary dividends distributed	100,000	0
Proposed dividends	37,277	42,823
Retained earnings	-87,490	14,190
	<u>49,703</u>	<u>57,097</u>