

New Nutrition ApS

Saturnvej 51, DK-8700 Horsens

CVR no. 36 90 44 29

Annual report 2016

Approved at the annual general meeting of shareholders on

May 11, 2017

Chairman:


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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 New Nutrition ApS for the financial year 1 January - 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's 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.

Horsens, 2 May 2017
Executive Board:

Søren Dan Johansen

Board of Directors:

Kjeld Johannesen
Chairman

Torben Gosvig Madsen

Michael Specht Bruun
Deputy chairman

Christoffer Lorenzen

Søren Dan Johansen
Deputy chairman

Sarah Vawda

Independent auditors' report

To the shareholder of New Nutrition ApS

Opinion

We have audited the financial statements of New Nutrition ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's 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 the 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 the additional requirements applicable in Denmark, we exercise professional judgment 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.

Independent auditors' report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 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.

Horsens, 2 May 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Jens Thordahl Nøhr
State Authorised Public Accountant


Morten Klarskov Larsen
State Authorised Public Accountant

Management's review

Company details

Name New Nutrition ApS
Address, Postal code, City Saturnvej 51, DK-8700 Horsens

CVR no. 36 90 44 29
Established 27 May 2015
Registered office Horsens
Financial year 1 January - 31 December

Board of Directors Kjeld Johannesen, Chairman
Michael Specht Bruun, Deputy chairman
Søren Dan Johansen, Deputy chairman
Torben Gosvig Madsen
Christoffer Lorenzen
Sarah Vawda

Executive Board Søren Dan Johansen

Auditors Ernst & Young Godkendt Revisionspartnerselskab
Holmboes Allé 12, 8700 Horsens, Denmark

Management's review

Financial highlights

DKK'000	2016 12 months	2015 7 months
Key figures		
Revenue	9,331	8,858
Profit/loss for the year	-44,419	-21,586
Total assets		
Equity	886,152	947,274
Financial ratios		
Solvency ratio	65.8%	66.3%
Return on equity	-7.3%	-3.4%
Average number of employees	3	3

Management's review

Management commentary

Business review

The Company's objects are to own shares and other financial instruments.

In September 2015, the Company acquired HAMLET PROTEIN A/S.

Financial review

In 2016, the Company's revenue came in at DKK 9,331 thousand against DKK 8,858 thousand last year. The income statement for 2016 shows a loss of DKK 44,419 thousand against a DKK 21,586 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 583,127 thousand.

The result is affected by the result of HAMLET PROTEIN A/S.

Bank debt at year-end in the amount of DKK 299,170 thousand is subject to usual financial covenants, which include leverage, interest coverage ratios and investment amounts. All such financial covenants were in compliance during the year and as at 31 December 2016.

Management has early 2017 entered into a new financing agreement with the lender ensuring a more flexible financing solution to better fit both the short and long term expectations regarding investment and growth profile.

Non-financial matters

Statutory CSR report

The Company has not drawn any CSR report, as the parent has done so for the entire group. The report is reflected in the parent's annual report.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

For 2017 we expect the global trend towards increasing demand for quality protein to continue and expect sales growth on the back of increasing customer demand. In order to further strengthen our platform for global growth we will continue to expand and invest in our organization.

Through the combination of sales growth, and improved utilisation of our production facilities, we expect improved earnings compared to 2016.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016 12 months	2015 7 months
	Revenue	9,331	8,858
	Other external expenses	-8,902	-6,260
	Gross margin	429	2,598
3	Staff costs	-8,465	-2,703
	Profit/loss before net financials	-8,036	-105
	Income from investments in group entities	-25,927	-16,984
4	Financial income	7,070	1,900
5	Financial expenses	-21,217	-7,696
	Profit/loss before tax	-48,110	-22,885
	Tax for the year	3,691	1,299
	Profit/loss for the year	-44,419	-21,586
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	-44,419	-21,586

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
6	Financial assets		
	Investments in group entities	668,853	692,805
	Deferred tax assets	2,371	1,285
		<u>671,224</u>	<u>694,090</u>
	Total non-current assets	<u>671,224</u>	<u>694,090</u>
	Current assets		
	Receivables		
	Receivables from group entities	207,254	181,349
	Joint taxation contribution receivable	0	171
	Other receivables	0	50
		<u>207,254</u>	<u>181,570</u>
	Cash at bank and in hand	<u>7,674</u>	<u>71,614</u>
	Total Current assets	<u>214,928</u>	<u>253,184</u>
	TOTAL ASSETS	<u>886,152</u>	<u>947,274</u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	55	55
	Retained earnings	583,072	628,023
	Total equity	<u>583,127</u>	<u>628,078</u>
8	Non-current liabilities		
	Bank debt	298,635	289,651
	Total non-current liabilities	<u>298,635</u>	<u>289,651</u>
	Current liabilities		
	Bank debt	535	786
	Trade payables	1,371	0
	Other payables	2,484	28,759
	Total current liabilities	<u>4,390</u>	<u>29,545</u>
	Total liabilities	<u>303,025</u>	<u>319,196</u>
	TOTAL EQUITY AND LIABILITIES	<u>886,152</u>	<u>947,274</u>

- 1 Accounting policies
- 2 Special items
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 27 May 2015	50	0	50
Capital increase	5	648,364	648,369
Profit/loss for the year	0	-21,586	-21,586
Other value adjustments of equity	0	1,754	1,754
Adjustment of hedging instruments at fair value	0	-665	-665
Tax on items recognised directly in equity	0	156	156
Equity at 1 January 2016	55	628,023	628,078
Profit/loss for the year	0	-44,419	-44,419
Other value adjustments of equity	0	1,975	1,975
Adjustment of hedging instruments at fair value	0	-3,214	-3,214
Tax on items recognised directly in equity	0	707	707
Equity at 31 December 2016	55	583,072	583,127

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements for New Nutrition ApS and its group entities are part of the consolidated financial statements for New Nutrition Holding ApS.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, New Nutrition Holding ApS.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Business combinations

Newly acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, however not exceeding 20 years.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill from acquired enterprises may be adjusted until the end of the year following the year of acquisition.

Income statement

Revenue

Income from the rendering of services, which comprises management fee, is recognised as revenue as the services are rendered.

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

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to sale, advertising, administration, etc.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation.

Acquisitions of new 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. Provision is made for costs related to adopted plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of revaluations made is taken into account.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

Investments in subsidiaries are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base 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 alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended 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.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

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.

Financial ratios

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

The financial ratios stated under "Financial highlights" have been calculated as follows:

Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Special items

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK'000	2016 12 months	2015 7 months
Expenses		
Consultancy, strategy and legal compliance costs, etc., of a non-recurring character	-9,542	0
	<u>-9,542</u>	<u>0</u>
Special items are recognised in the below items of the financial statements		
Other external expenses	-8,889	0
Staff costs	-653	0
Net profit/loss on special items	<u>-9,542</u>	<u>0</u>
3 Staff costs and incentive programmes		
Wages/salaries	7,358	2,600
Pensions	434	101
Other social security costs	20	2
Other staff costs	653	0
	<u>8,465</u>	<u>2,703</u>
Average number of full-time employees	<u>3</u>	<u>3</u>

Total remuneration to management: DKK 168 thousand (2015: DKK 69 thousand).

Incentive programmes

The parent company has issued warrants to executives of the Company. The warrants entitle the holder to subscribe for shares in the parent company.

4 Financial income		
Interest receivable, group entities	7,043	1,867
Exchange gain	27	33
	<u>7,070</u>	<u>1,900</u>
5 Financial expenses		
Other interest expenses	15,224	3,641
Other financial expenses	5,993	4,055
	<u>21,217</u>	<u>7,696</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Investments

DKK'000	<u>Investments in group entities</u>
Cost at 1 January 2016	708,035
Cost at 31 December 2016	<u>708,035</u>
Value adjustments at 1 January 2016	-15,230
Share of the loss for the year	-25,927
Equity adjustments, investments	<u>1,975</u>
Value adjustments at 31 December 2016	<u>-39,182</u>
Carrying amount at 31 December 2016	<u>668,853</u>

The Company performed an impairment test of goodwill in December 2016. The impairment test showed limited headroom, but no impairment at 31 December 2016.

	<u>Legal form</u>	<u>Domicile</u>	<u>Interest</u>
Subsidiaries			
HAMLET PROTEIN A/S	A/S	Horsens, Denmark	100.00 %
DKK'000		<u>2016</u>	<u>2015</u>
7 Share capital			
Analysis of the share capital:			
55,000 shares of DKK 1.00 nominal value each		<u>55</u>	<u>55</u>
		<u>55</u>	<u>55</u>

8 Non-current liabilities

DKK'000	<u>Total debt at 31/12 2016</u>	<u>Repayment, next year</u>	<u>Long-term portion</u>	<u>Outstanding debt after 5 years</u>
Bank debt	<u>298,635</u>	<u>0</u>	<u>298,635</u>	<u>248,448</u>
	<u>298,635</u>	<u>0</u>	<u>298,635</u>	<u>248,448</u>

The debt facilities are subject to usual financial covenants, which include leverage, interest coverage ratios and investment amounts. All such financial covenants were in compliance during the year and as at 31 December 2016.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Contractual obligations and contingencies, etc.

Contingent liabilities

Other contingent liabilities

The Company is jointly taxed with its parent, New Nutrition Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2015 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 18 September 2015.

The Company is liable for total bank loans in the New Nutrition Holding Group. At year-end 2016 total credit facilities amounted to DKK 571 million.

10 Collateral

As security for the Company's bank debt, the Company has placed shares in subsidiaries. The total carrying amount of the shares having been put as security is DKK 668,853 thousand.

11 Related parties

New Nutrition ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
New Nutrition Holding ApS	Horsens, Denmark	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
New Nutrition Holding ApS	Horsens, Denmark	Erhvervsstyrelsen