

Haribo Lakrids A/S

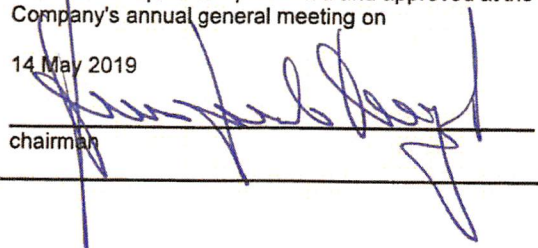
Delta Park 44
2665 Vallensbæk Strand
Denmark

CVR no. 37 65 76 54

Annual report 2018

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

14 May 2019



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 Haribo Lakrids A/S for the financial year 1 January – 31 December 2018.

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


In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

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

Vallensbæk 14 May 2019
Executive Board:



Stefano Paul Franzoia


André Smit

Board of Directors:


Hans-Guido Riegel
Chairman


Michael Phiesel


Herwig Jean L. Vennekens



Independent auditor's report

To the shareholder of Haribo Lakrids A/S

Opinion

We have audited the financial statements of Haribo Lakrids A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



Independent auditor's 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 14 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
mne19737

Haribo Lakrids A/S
Annual report 2018
CVR no. 37 65 76 54

Management's review

Company details

Haribo Lakrids A/S
Delta Park 44
2665 Vallensbæk Strand
Denmark

Website: www.haribo.com

CVR no.: 37 65 76 54
Established: 20 April 2016
Registered office: Vallensbæk
Financial year: 1 January – 31 December

Board of Directors

Hans-Guido Riegel, Chairman
Michael Phiesel
Herwig Jean L. Vennekens

Executive Board

Stefano Paul Franzoia
André Smit

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016
Key figures			
Revenue	280,906	357,121	350,237
Gross profit/loss	91,105	89,161	88,881
Ordinary operating profit/loss	28,505	25,634	38,806
Profit/loss from financial income and expenses	-550	-149	-35
Profit/loss for the year	22,451	19,825	30,402
Total assets			
Equity	264,314	249,795	183,909
Investment in property, plant and equipment	188,555	166,105	146,281
	1,017	3,856	8,205
Ratios			
Gross margin	32.4%	25.0%	25.4%
Operating margin	10.1%	7.2%	11.1%
Return on invested capital	8.5%	20.1%	26.8%
Current ratio	337.4%	281.9%	326.3%
Return on equity	15.6%	19.1%	20.8%
Solvency ratio	73.5%	66.5%	79.5%

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

Gross margin $\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$

Operating margin $\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$

Return on invested capital $\frac{\text{Operating profit/loss} * 100}{\text{Average invested capital}}$

Current ratio $\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$

Return on equity $\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

Haribo Lakrids A/S sells high quality confectionary, mainly to the Danish market and with export to Greenland, The Faroe Islands and Iceland.

Haribo Lakrids A/S (established in 2016 as a 100% owned subsidiary of Haribo Produktion A/S) is part of the international Haribo Group (Germany).

Development in activities and financial position

In 2018 Haribo Lakrids A/S reached the expected net sales and EBIT result. The Management Board sees this as an acceptable result, taking the challenging market situation into consideration.

2019 Outlook

Haribo Lakrids A/S expects to continue delivering high quality confectionary products to the Danish market. In 2019, focus will continue to be on securing a long-term customer relationship. This is expected to lead to an increase in net sales and EBIT. The gross margin is expected to stay on the same level as in 2018.

Knowledge resources

Haribo Lakrids A/S will continue its strategy of increasing the qualifications of the employees, both by investing in upgrading the qualifications of existing employees and by adding new employees which can contribute with new and relevant qualifications for the Company.

Risk assessment

Haribo Lakrids A/S has identified its potential risks and has taken the necessary steps in order to secure the Company's assets and minimize the risks.

The Company has a strong cooperation with the Haribo Group and uses the resources in the global Haribo Group to secure its assets. Furthermore, the Company is continuously in contact with the authorities and with the Company's insurance partner in order to make sure that the Company is updated both regarding legislation and new technology, in order to secure both the employees and other assets.

Research and development activities

Research and development are carried out by Haribo Lakrids A/S in cooperation with the Haribo Group, in order to keep the leading position on the Danish market within sugar confectionary.

Events after the balance sheet date

No events have occurred after the end of the financial year, which significantly effects the annual report.

Management's review

Operating review

Corporate social responsibility

Haribo Lakrids refers to the corporate social responsibility of its owner Haribo Produktion A/S. Haribo Produktion's Corporate social responsibility statement cf. 99a is available at: <https://www.haribo.com/daDK/forbrugerinfo/samfundsansvar-csr.html>

Gender composition

Haribo A/S fully respects the current legislation, with the aim of a more balanced gender composition in both the Supervisory Board and in other management positions. We strive to reach a balanced gender composition on all levels including management levels.

The Supervisory Board consists of 3 members, which are all male. There has been one change to the Supervisory Board during 2018. No female candidates were identified in the recruitment process. The aim is to have at least one female member of the Supervisory Board in 2022.

On other managerial levels there are 2 male directors, and 8 managers with a gender balance of 50% female and 50% men. The goal of having a balanced gender composition is obtained.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue	2	280,906	357,121
Cost of sales		-159,608	-228,777
Other operating income		28,915	12,742
Other external costs		<u>-59,108</u>	<u>-51,925</u>
Gross profit		91,105	89,161
Staff costs	3	-59,636	-59,280
Depreciation, amortisation and impairment losses		<u>-2,964</u>	<u>-4,247</u>
Operating profit		28,505	25,634
Financial income	4	75	143
Financial expenses	5	<u>-412</u>	<u>-320</u>
Profit before tax		28,168	25,457
Tax on profit for the year	6	<u>-5,717</u>	<u>-5,632</u>
Profit for the year	7	<u><u>22,451</u></u>	<u><u>19,825</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		<u>7,163</u>	<u>14,040</u>
Investments			
Deposits		<u>1,661</u>	<u>1,398</u>
Total fixed assets		<u>8,824</u>	<u>15,438</u>
Current assets			
Inventories			
Finished goods and goods for resale		<u>1,997</u>	<u>2,291</u>
Receivables			
Trade receivables		78,208	99,597
Receivables from group entities		119,265	105,036
Prepayments	9	<u>2,480</u>	<u>1,866</u>
		<u>199,953</u>	<u>206,499</u>
Cash at bank and in hand		<u>53,540</u>	<u>25,567</u>
Total current assets		<u>255,490</u>	<u>234,357</u>
TOTAL ASSETS		<u><u>264,314</u></u>	<u><u>249,795</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,000	1,000
Retained earnings		72,555	165,105
Proposed dividends for the financial year		115,000	0
Total equity		188,555	166,105
Provisions			
Provisions for deferred tax	10	26	554
Total provisions		26	554
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		4,616	8,856
Payables to group entities		19,887	29,242
Other payables		51,230	45,038
		75,733	83,136
Total liabilities other than provisions		75,733	83,136
TOTAL EQUITY AND LIABILITIES		264,314	249,795
Contractual obligations, contingencies, etc.	11		
Related party disclosures	12		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
Equity at 1 January 2018	1,000	165,104	0	166,104
Transferred over the profit appropriation	0	-92,549	115,000	22,451
Equity at 31 December 2018	<u>1,000</u>	<u>72,555</u>	<u>115,000</u>	<u>188,555</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Haribo Lakrids A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

The financial statements for 2018 have been prepared by nature compared to prior years financial statements prepared by function. The purpose of the change from financial statements prepared by function to financial statements prepared by nature is to align the statutory financial statements with the internal financial reporting. The change has no effect on profit, loss or equity.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Haribo Produktion A/S.

Omission of fee paid to the Company's auditor

Pursuant to section 96(3) of the Danish Financial Statements Act, fee paid to the Company's auditor appointed at the general meeting has not been disclosed.

Foreign currency translation

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

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

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

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.

Other operating costs

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the entity, including revenue from supply of administrations services for other firms from the Haribo Group.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, 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 Company is included in mandatory joint taxation with the Parent undertaking Haribo Produktion A/S.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. 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

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	5-15 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Impairment of fixed assets

The carrying amount of fixtures and fittings, tools and equipment is subject to an annual test for

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 forecast net cash flows from the use of the asset or the group of assets, including forecast 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.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

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 has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

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.

Deferred tax is measured using the balance sheet liability method on all temporary differences between

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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 as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

	2018	2017
DKK'000		
2 Revenue		
Revenue, Denmark	238,566	306,018
Revenue, Europe	<u>42,340</u>	<u>51,103</u>
	<u>280,906</u>	<u>357,121</u>
3 Staff costs		
Wages and salaries	54,609	54,715
Pensions	4,158	4,085
Other social security costs	<u>869</u>	<u>480</u>
	<u>59,636</u>	<u>59,280</u>
Average number of full-time employees	<u>97</u>	<u>98</u>

Staff costs include remuneration of the Executive Board of DKK 4,358 thousand (2017: DKK 5,243 thousand). The Board of Directors does not receive remuneration.

Financial statements 1 January – 31 December

Notes

DKK'000	2018	2017
4 Financial income		
Exchange gains	75	143
	<u>75</u>	<u>143</u>
5 Financial expenses		
Other financial costs	187	320
Exchange adjustments costs	18	0
Exchange losses	205	0
Percentage surcharge, corporation tax	2	0
	<u>412</u>	<u>320</u>
6 Tax on profit for the year		
Current tax for the year	6,245	5,986
Deferred tax for the year	-12	-354
Adjustment of deferred tax concerning previous year	-516	0
	<u>5,717</u>	<u>5,632</u>
7 Proposed profit appropriation		
Proposed dividends for the year	115,000	0
Retained earnings	-92,549	19,825
	<u>22,451</u>	<u>19,825</u>
8 Property, plant and equipment		
DKK'000		Fixtures and fittings, tools and equipment
Cost at 1 January 2018		36,038
Additions for the year		993
Disposals for the year		<u>-9,329</u>
Cost at 31 December 2018		27,702
Depreciation and impairment losses at 1 January 2018		-21,998
Depreciation for the year		-2,964
Reversed depreciation and impairment losses on assets sold		<u>4,423</u>
Depreciation and impairment losses at 31 December 2018		-20,539
Carrying amount at 31 December 2018		<u>7,163</u>

Financial statements 1 January – 31 December

Notes

DKK'000	<u>31/12 2018</u>	<u>31/12 2017</u>
9 Prepayments		
IT cost	323	732
Rent	909	683
Other, prepayments	<u>1,248</u>	<u>451</u>
	<u>2,480</u>	<u>1,866</u>
10 Deferred tax		
Deferred tax at 1 January	554	908
Deferred tax adjustment for the year in the income statement	<u>-528</u>	<u>-354</u>
	<u>26</u>	<u>554</u>
Provisions for deferred tax relate to:		
Property, plant and equipment	<u>26</u>	<u>554</u>
	<u>26</u>	<u>554</u>
11 Contractual obligations, contingencies, etc.		

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes, such as dividend, as well as for the joint registration for VAT. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 13,697 thousand within 32 months (2017: DKK 9,826 thousand).

Financial statements 1 January – 31 December

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12 Related party disclosures

Haribo Lakrids A/S' related parties comprise the following:

Control

Haribo Produktion A/S holds the majority of shares in the Company.

Haribo Lakrids A/S is part of the consolidated financial statements of Haribo Produktion A/S, Faxe, Denmark, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Haribo Produktion A/S can be obtained by contacting the Company.

Haribo Lakris A/S' ultimate beneficial owner is Haribo International GmbH, Hans-Riegel-Strasse 1, 53129 Bonn, Germany.

Related party transactions

DKK'000	2018	2017
Sale of goods and services to associated companies	23,277	29,453
Purchase of goods and services from associated companies	161,174	219,246

Receivables and debt against group companies are disclosed in the balance sheet.