

Haribo Produktion A/S

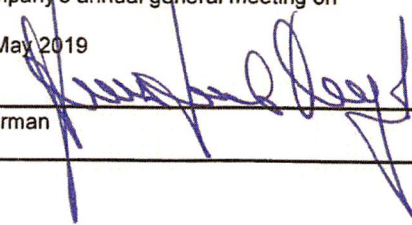
Præstøvej 55
4640 Faxe
Denmark

CVR no. 43 42 30 10

Annual report 2018

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

14 May 2019



chairman

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights for the Group	7
Operating review	8
Consolidated financial statements and parent company financial statements 1 January – 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Cash flow statement	14
Notes	15

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 Produktion 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows 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 Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Faxe, 14 May 2019
Executive Board:



Stefano Paul Franzoia



André Smit

Board of Directors:



Hans-Guido Riegel
Chairman



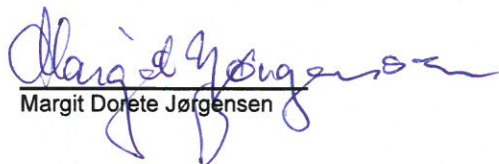
Michael Phiesel



Herwig Jean L. Vennekens



Dorthe Nygaard
Godtfredsen



Margit Dorete Jørgensen



Independent auditor's report

To the shareholder of Haribo Produktion A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Haribo Produktion 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, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 consolidated financial statements and the parent company financial statements

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

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

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and 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 consolidated financial statements and parent company 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.



Independent auditor's report

We also

- identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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



Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial 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 Produktion A/S
Annual report 2018
CVR no. 43 42 30 10

Management's review

Company details

Haribo Produktion A/S
Præstøvej 55
4640 Faxe
Denmark

Website: www.haribo.com

CVR no.: 43 42 30 10
Established: 6 May 1935
Registered office: Faxe
Financial year: 1 January – 31 December

Board of Directors

Hans-Guido Riegel, Chairman
Michael Phiesel
Herwig Jean L. Vennekens
Dorthe Nygaard Godtfredsen
Margit Dorete Jørgensen

Executive Board

Stefano Paul Franzoia
André Smit

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
2100 Copenhagen
Denmark

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	495,060	515,923	538,771	568,372	562,919
Gross profit/loss	172,885	171,937	166,806	209,576	199,394
Ordinary operating profit/loss	-12,963	-19,137	1,555	35,440	27,931
Profit/loss from financial income and expenses	412	648	360	86,660	101,389
Profit/loss for the year	24,186	33,039	55,729	113,657	124,018
Total assets	1,242,082	1,213,302	1,153,631	1,198,123	1,118,400
Equity	1,079,775	1,053,353	1,019,368	1,081,631	1,029,452
Investment in property, plant and equipment	7,728	20,047	51,611	17,606	25,936
Ratios					
Gross margin	34.9%	33.3%	31.0%	36.9%	35.4%
Operating margin	-2.6%	-3.4%	0.0%	5.9%	4.6%
Return on invested capital	-4.1%	-6.7%	0.4%	2.9%	2.3%
Current ratio	187.9%	182.5%	212.9%	364.3%	377.9%
Return on equity	1.1%	3.2%	5.3%	10.8%	12.2%
Solvency ratio	86.9%	86.8%	88.4%	89.8%	91.4%

Financial ratios are calculated in accordance with the guidelines "Recommendations and 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
$$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$$

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 of the Company

Haribo Produktion A/S manufactures and sells high quality confectionary, mainly to the Nordic market.

Haribo Produktion A/S, established in 1935 as the first Haribo company outside Germany, is part of the international Haribo Group (Germany).

Development in activities and financial position

In 2018 Haribo Produktion A/S has reached a net sale at almost the same level as in 2017 and a slightly lower EBIT result. The Management Board does not regard this as an acceptable result.

Haribo Produktion A/S has continuously offered products of the highest quality and continues to provide a variety of tastes and sizes to fulfill the need of the consumers.

2019 Outlook

Haribo Produktion A/S expects to continue producing high quality confectionary products to the Nordic market. In 2019, focus will be on improving the production efficiency. Together with an increase in net sales, this is expected to lead to an improvement of EBIT.

Knowledge resources

Haribo Produktion 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 Produktion 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 regarding both 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 Produktion 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.

Corporate social responsibility

The Company's Corporate social responsibility statement cf. 99a is available at:
<https://www.haribo.com/daDK/forbrugerinfo/samfundsansvar-csr.html>

Management's review

Operating review

Gender composition

Haribo Produktion 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. There are also 2 employee representatives, which are female. 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 5 managers with a gender balance of 40% female and 60% men. Our goal of having a balanced gender composition is obtained.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group		Parent Company	
		2018	2017	2018	2017
Revenue	2	495,060	515,923	366,597	369,793
Cost of sales		-232,260	-240,195	-225,096	-222,406
Other operating income		17,831	13,438	6,317	696
Other external costs		-107,746	-117,229	-66,038	-65,306
Gross profit		172,885	171,937	81,780	82,777
Staff costs	3	-159,016	-162,363	-99,380	-103,083
Depreciation, amortisation and impairment		-26,832	-28,711	-23,868	-24,464
Operating loss		-12,963	-19,137	-41,468	-44,770
Income from equity investments in group entities		36,704	49,027	59,155	68,851
Financial income	4	290	280	215	137
Financial expenses	5	-702	-928	-290	-608
Profit before tax		23,329	29,242	17,612	23,610
Tax on profit/loss for the year	6	857	3,797	6,574	9,429
Share of profit for the year	7	24,186	33,039	24,186	33,039

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
ASSETS					
Fixed assets					
Property, plant and equipment					
	8				
Land and buildings		77,715	81,775	77,715	81,775
Property, plant and equipment in progress		3,559	5,570	3,559	5,570
Plant and machinery		93,562	105,873	93,562	105,873
Fixtures and fittings, tools and equipment		8,745	16,549	1,582	2,509
		<u>183,581</u>	<u>209,767</u>	<u>176,418</u>	<u>195,727</u>
Investments					
	9				
Equity investments in group entities		0	0	188,556	166,104
Investments in associates		780,087	741,146	780,087	741,146
Deposits		1,661	1,399	0	0
		<u>781,748</u>	<u>742,545</u>	<u>968,643</u>	<u>907,250</u>
Total fixed assets		<u>965,329</u>	<u>952,312</u>	<u>1,145,061</u>	<u>1,102,977</u>
Current assets					
Inventories					
Raw materials and consumables		23,351	22,610	23,351	22,610
Work in progress		4,091	8,409	4,091	8,409
Finished goods and goods for resale		34,217	50,626	32,220	48,335
		<u>61,659</u>	<u>81,645</u>	<u>59,662</u>	<u>79,354</u>
Receivables					
Trade receivables		78,255	99,734	47	137
Receivables from group entities		36,125	34,093	47,431	43,797
Other receivables		0	41	0	41
Prepayments	10	3,733	4,235	1,253	2,368
		<u>118,113</u>	<u>138,103</u>	<u>48,731</u>	<u>46,343</u>
Cash at bank and in hand		<u>96,981</u>	<u>41,242</u>	<u>43,441</u>	<u>15,676</u>
Total current assets		<u>276,753</u>	<u>260,990</u>	<u>151,834</u>	<u>141,373</u>
TOTAL ASSETS		<u>1,242,082</u>	<u>1,213,302</u>	<u>1,296,895</u>	<u>1,244,350</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
EQUITY AND LIABILITIES					
Equity					
Contributed capital	11	6,000	6,000	6,000	6,000
Reserve for net revaluation under equity method		0	0	798,323	736,931
Retained earnings		1,073,775	1,047,353	275,452	310,422
Total equity		<u>1,079,775</u>	<u>1,053,353</u>	<u>1,079,775</u>	<u>1,053,353</u>
Provisions					
Provisions for deferred tax	12	15,042	16,159	15,016	15,605
Total provisions		<u>15,042</u>	<u>16,159</u>	<u>15,016</u>	<u>15,605</u>
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		17,640	20,211	13,025	11,355
Payables to group entities		64,562	64,572	175,246	150,070
Other payables		65,063	59,007	13,833	13,967
		<u>147,265</u>	<u>143,790</u>	<u>202,104</u>	<u>175,392</u>
Total liabilities other than provisions		<u>147,265</u>	<u>143,790</u>	<u>202,104</u>	<u>175,392</u>
TOTAL EQUITY AND LIABILITIES		<u>1,242,082</u>	<u>1,213,302</u>	<u>1,296,895</u>	<u>1,244,350</u>
Fees to auditor appointed at the general meeting			13		
Contractual obligations, contingencies, etc.			14		
Mortgages and collateral			15		
Related party disclosures			16		

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Group			
	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	6,000	1,047,353	0	1,053,353
Exchange adjustment	0	2,236	0	2,236
Transferred over the profit appropriation	0	24,186	0	24,186
Equity at 31 December 2018	6,000	1,073,775	0	1,079,775

DKK'000	Parent Company				
	Contributed capital	Reserve for net revaluation under equity method	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	6,000	736,931	310,422	0	1,053,353
Exchange adjustment	0	2,236	0	0	2,236
Transferred over the profit appropriation/distribution of loss	0	59,156	-34,970	0	24,186
Equity at 31 December 2018	6,000	798,323	275,452	0	1,079,775

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group	
		2018	2017
Profit for the year		24,186	33,039
Other adjustments of non-cash operating items	17	-10,103	-23,457
Cash flows from operations before changes in working capital		14,083	9,582
Changes in working capital	18	43,452	19,977
Cash flows from ordinary activities		57,535	29,559
Interest income		290	280
Interest expense		-916	-1,074
Corporation tax paid		0	-680
Cash flows from operating activities		56,909	28,085
Acquisition of property, plant and equipment		-8,721	-19,856
Disposal of property, plant and equipment		7,549	712
Cash flows from investing activities		-1,172	-19,144
Cash flows for the year		55,737	8,941
Cash and cash equivalents at the beginning of the year		41,244	32,303
Cash and cash equivalents at year end		96,981	41,244

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Haribo Produktion 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 consolidated financial statements and parent company financial statements are consistent with those of last year.

The financial statements for 2018 has 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.

Change in comparative figures

Some comparative figures have been reclassified in the balance sheet. The reclassifications have no effect on total assets, equity or liabilities.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company and subsidiaries in which the Company directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

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

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

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.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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. The revenue is calculated excluding VAT and taxes collected by a third part and with deduction of discounts in connection with sales.

Other operating income

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Income from equity investments in group entities and associates

The proportionate share of the individual subsidiaries' and associates' profit/loss after tax is recognised in the Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

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 Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

Land and buildings, plant and machinery and 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.

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.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

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:

Buildings	20-40 years
Plant and machinery	5-15 years
Fixtures and fittings, tools and equipment	5-15 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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 stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity investments in group entities and associates

Equity investments in group entities and associates are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in group entities and associates with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Net revaluation of equity investments in group entities and associates is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from group entities expected to be adopted in the group entities prior to the approval of the Company's annual report, are not tied up in the revaluation reserve.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities 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 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 and raw materials and consumables 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 or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.ⁱ

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.

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and associates in proportion to cost.

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 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

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other liabilities, which include debt for suppliers, associated firms and other debt, is measured for 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.

Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
2 Revenue				
Revenue, Denmark	238,989	275,185	152,867	180,158
Revenue, Europe	<u>256,071</u>	<u>240,738</u>	<u>213,730</u>	<u>189,635</u>
	<u>495,060</u>	<u>515,923</u>	<u>366,597</u>	<u>369,793</u>
3 Staff costs				
Wages and salaries	144,713	147,977	90,105	93,262
Pensions	10,862	11,233	6,704	7,148
Other social security costs	<u>3,441</u>	<u>3,153</u>	<u>2,571</u>	<u>2,673</u>
	<u>159,016</u>	<u>162,363</u>	<u>99,380</u>	<u>103,083</u>
Average number of full-time employees	<u>320</u>	<u>341</u>	<u>223</u>	<u>243</u>
<p>Staff costs of the Group and the Parent Company include remuneration of the Parent Company's Executive Board of DKK 5,351 thousand (2017: DKK 7,685 thousand) as well as remuneration of the Parent Company's Board of Directors of DKK 85 thousand (2017: DKK 85 thousand).</p>				
4 Financial income				
Exchange gains	<u>290</u>	<u>288</u>	<u>215</u>	<u>137</u>
	<u>290</u>	<u>280</u>	<u>215</u>	<u>137</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
5 Financial expenses				
Other financial costs	273	222	86	168
Exchange losses	398	491	193	303
Percentage surcharge, corporation tax	13	195	11	137
	<u>702</u>	<u>928</u>	<u>290</u>	<u>608</u>
6 Tax on profit/loss for the year				
Current tax for the year	0	0	-6,245	-5,986
Deferred tax for the year	-341	-3,797	-588	-3,443
Adjustment of tax concerning previous years	0	0	259	0
Adjustment of deferred tax concerning previous year	-516	0	0	0
	<u>-857</u>	<u>-3,797</u>	<u>-6,574</u>	<u>-9,429</u>
7 Proposed profit appropriation				
Reserve for net revaluation under equity method	0	0	59,155	67,906
Retained earnings	24,186	33,039	-34,969	-34,867
	<u>24,186</u>	<u>33,039</u>	<u>24,186</u>	<u>33,039</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

8 Property, plant and equipment

DKK'000	Group				Total
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	
Cost at 1 January 2018	229,699	387,313	46,764	5,570	669,346
Additions for the year	2,438	728	1,193	4,362	8,721
Disposals for the year	-8,246	-469	-10,215	0	-18,930
Transfers for the year	0	6,373	0	-6,373	0
Cost at 31 December 2018	223,891	393,945	37,742	3,559	659,137
Depreciation and impairment losses at 1 January 2018	-147,924	-281,303	-30,352	0	-459,579
Depreciation for the year	-3,743	-19,541	-3,548	0	-26,832
Reversed depreciation and impairment losses on assets sold	5,491	461	4,903	0	10,855
Depreciation and impairment losses at 31 December 2018	-146,176	-300,383	-28,997	0	-475,556
Carrying amount at 31 December 2018	77,715	93,562	8,745	3,559	183,581

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Parent Company				
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2018	229,699	387,313	10,726	5,570	633,308
Additions for the year	2,438	728	200	4,362	7,728
Disposals for the year	-8,246	-469	-886	0	-9,601
Transfers for the year	0	6,373	0	-6,373	0
Cost at 31 December 2018	223,891	393,945	10,040	3,559	631,435
Depreciation and impairment losses at 1 January 2018	-147,924	-281,303	-8,354	0	-437,581
Depreciation for the year	-3,743	-19,541	-584	0	-23,868
Reversed depreciation and impairment losses on assets sold	5,491	461	480	0	6,432
Depreciation and impairment losses at 31 December 2018	-146,176	-300,383	-8,458	0	-455,017
Carrying amount at 31 December 2018	77,715	93,562	1,582	3,559	176,418

9 Investments

DKK'000	Parent Company	
	Equity investments in group entities	Investments in associates
Cost at 1 January 2018	115,878	53,494
Cost at 31 December 2018	115,878	53,494
Revaluations at 1 January 2018	50,226	687,652
Exchange adjustment	0	2,237
Net profit for the year	22,451	36,704
Revaluations 31 December 2018	72,677	726,593
Carrying amount at 31 December 2018	188,555	780,087

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

	Group
DKK'000	
Cost at 1 January 2018	<u>Investments in associates</u>
Cost at 31 December 2018	<u>53,494</u>
Revaluations at 1 January 2018	<u>53,494</u>
Exchange adjustment	687,652
Net profit/loss for the year	2,237
Revaluations 31 December 2018	<u>36,704</u>
Carrying amount at 31 December 2018	<u>726,593</u>
	<u>780,087</u>

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit for the year
			DKK'000	DKK'000
Subsidiaries:				
Haribo Lakrids A/S	Denmark	100%	<u>188,555</u>	<u>22,451</u>
			188,555	22,451
Associates:				
S.A. Haribo-Ricqlès-Zan	France	40,43%	<u>1,929,476</u>	<u>90,957</u>
			1,929,476	90,957

10 Prepayments

DKK'000	Group		Parent Company	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
Purchased supplies	280	432	280	432
IT-Cost	625	1,381	302	649
Insurance	499	1,105	499	1,105
Rent	909	683	0	0
Other	1,420	634	172	182
	<u>3,733</u>	<u>4,235</u>	<u>1,253</u>	<u>2,368</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

11 Equity

The share capital consists of:

A-shares, 4 per unit of nominal 500 kr.

A-shares, 236 per unit of nominal 1.000 kr.

A-shares, 36 per unit of nominal 10.000 kr.

A-shares, 15 per unit of nominal 25.000 kr.

A-shares, 50 per unit of nominal 100.000 kr.

No changes has occurred in the share capital in the prior five years.

12 Deferred tax

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
Deferred tax 1. january	16,159	19,956	15,605	19,048
Regulations of deferred tax in the income statement of the year	-1,117	-3,797	-589	-3,443
	<u>15,042</u>	<u>16,159</u>	<u>15,016</u>	<u>15,605</u>

Deferred tax that is expected to fall due more than five years after the balance sheet date is not included in the Financial Statements.

13 Fees to auditor appointed at the general meeting

DKK'000	Group	
	2018	2017
Statutory audit	331	333
Tax assistance	43	42
Non-audit services	83	158
	<u>457</u>	<u>533</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

14 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 tax and royalty tax 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 14,453 thousand within 42 months (2017: DKK 9,826 thousand).

Transfer pricing case

The Company have an ongoing dispute with the Danish tax Authorities regarding Transfer pricing documentations for the years 2013-2016. Depending on the final outcome of the case, the additional tax payment could be between DKK 0 and 6 million exclusive of interest and potential fines. Management has not deemed a provision necessary for the income increase in the Financial Statements for 2018.

15 Mortgages and collateral

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
Guarantees	195	195	195	195
	195	195	195	195

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

16 Related party disclosures

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

Control

Haribo International GmbH holds the majority of the contributed capital in the Company.

Haribo Produktion A/S is part of the consolidated financial statements of Haribo International GmbH, Hans-Riegel-Strasse 1, 53129 Bonn, Germany, which is the largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Haribo International GmbH can be obtained by contacting the company at the addresses above.

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
Sale of goods to an associate	240,934	194,659	374,248	379,047
Purchase of goods from an associate	214,160	185,269	211,270	211,871

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

17 Other adjustments

DKK'000	Group	
	2018	2017
Financial income	-290	-280
Financial expenses	916	1,074
Tax on profit for the year	-857	-3,797
Depreciation and amortisation	26,832	28,573
Income from equity investments in group entities	-36,704	-49,027
	<u>-10,103</u>	<u>-23,457</u>

18 Change in working capital

Change in inventories	19,986	18,194
Change in receivables	19,990	-28,233
Change in trade and other payables	3,476	30,016
	<u>43,452</u>	<u>19,977</u>