

Haribo Produktion A/S

Præstøvej 55
4640 Faxe
Denmark

CVR no. 43 42 30 10

Annual report 2019

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

12 May 2020



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 Produktion A/S for the financial year 1 January – 31 December 2019.

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 2019 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 2019.

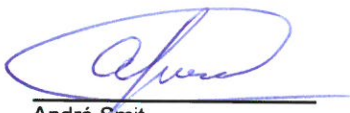
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Faxe, 12 May 2020

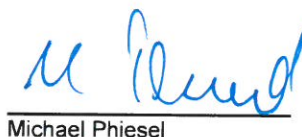
Executive Board:


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 2019 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 2019 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 2019 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.

Independent auditor's report

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. 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.



Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on 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, 12 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
mne19737

Haribo Produktion A/S
Annual report 2019
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	2019	2018	2017	2016	2015
Key figures					
Revenue	554,758	495,060	515,923	538,771	568,372
Gross profit/loss	195,478	172,885	171,937	166,806	209,576
Operating profit/loss	13,371	-12,963	-19,137	1,555	35,440
Profit/loss from financial income and expenses	5,708	412	648	360	86,660
Profit/loss for the year	48,749	24,186	33,390	55,729	113,657
Total assets	1,294,672	1,235,817	1,213,302	1,153,714	1,198,123
Equity	1,129,047	1,079,775	1,053,353	1,019,368	1,081,631
Investment in property, plant and equipment	4,629	7,728	20,047	51,611	17,606
Ratios					
Gross margin	35.2%	34.9%	33.3%	31.0%	36.9%
Operating margin	1.4%	-2.6%	-3.4%	0.0%	5.9%
Return on invested capital	0.1%	-4.1%	-6.7%	0.4%	2.9%
Current ratio	203.1%	191.8%	182.5%	212.9%	364.3%
Return on equity	4.4%	1.1%	3.2%	5.3%	10.8%
Solvency ratio	87.2%	87.4%	86.8%	88.4%	89.8%

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

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 2019 Haribo Produktion A/S has reached a net sale which were better than 2018 as well as a better EBIT result. This is a first step of a long-term strategy to make the company profitable again. The Management Board is pleased with the positive development in the 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.

2020 Outlook

Haribo Produktion A/S expects to continue producing high quality confectionary products to the Nordic market. In 2020. Focus will be to continue improving the production efficiency. Together with an increase in net sales, this is expected to lead to an improvement of EBIT. The Covid-19 outbreak is expected to challenge the business. For now it is not possible to quantify the financial effects.

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

The Covid-19 outbreak is expected to change the market landscape as we know it. Focus is foreseen to go from pick and mix to branded goods. We do expect that the branded bags can capture most of the lost sales and balance the negative effect. If governments apply further restriction, that might directly or indirectly shut down production, the financial impact can be significant. For now it is not possible to quantify the financial effects.

Management's review

Operating review

Corporate social responsibility

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

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 no change to the Supervisory Board during 2019. Due to that it has not been possible to reach the goal of an even gender composition. There are also 2 employee representatives, which are female. The aim is to have at least one female member of the Supervisory Board in 2023.

On other managerial levels there are 2 male directors, and 5 managers with a gender balance of 20% female and 80% men. Our goal of having a balanced gender composition is not obtained. I have not been possible to achieve the goal as there have been no changes in the management lever. The following steps is done to support a balanced gender composition:

- Gender as well as race neutral job advert
- Encourage that future employees called for job interviews represent an equal balance on gender and race
- Secure gender balance in team-leader level

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

Income statement

DKK'000	Note	Group		Parent Company	
		2019	2018	2019	2018
Revenue	2	554,758	495,060	421,613	366,597
Cost of sales		-252,248	-232,260	-250,682	-225,096
Other operating income		26,074	17,831	4,008	6,317
Other external costs		-133,106	-107,746	-82,979	-66,038
Gross profit		195,478	172,885	91,960	81,780
Staff costs	3	-157,546	-159,016	-98,794	-99,380
Depreciation		-24,561	-26,832	-22,336	-23,868
Ordinary operating loss		13,371	-12,963	-29,170	-41,468
Other operating costs		-5,343	0	-5,164	0
Operating loss		8,028	-12,963	-34,334	-41,468
Income from equity investments in group entities		38,997	36,704	71,801	59,155
Financial income	4	506	290	439	215
Financial expenses	5	-871	-702	-513	-290
Profit before tax		46,660	23,329	37,393	17,612
Tax on profit for the year	6	2,089	857	11,356	6,574
Profit/loss for the year	7	48,749	24,186	48,749	24,186

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

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2019	31/12 2018	31/12 2019	31/12 2018
ASSETS					
Fixed assets					
Property, plant and equipment					
	8				
Land and buildings		75,576	77,715	75,576	77,715
Property, plant and equipment in progress		3,314	3,559	3,314	3,559
Plant and machinery		78,104	93,562	78,104	93,562
Fixtures and fittings, tools and equipment		6,291	8,745	1,239	1,582
		<u>163,285</u>	<u>183,581</u>	<u>158,233</u>	<u>176,418</u>
Investments					
	9				
Equity investments in group entities		0	0	106,359	188,556
Investments in associates		819,607	780,087	819,607	780,087
Deposits		1,661	1,661	0	0
		<u>821,268</u>	<u>781,748</u>	<u>925,966</u>	<u>968,643</u>
Total fixed assets		<u>984,553</u>	<u>965,329</u>	<u>1,084,199</u>	<u>1,145,061</u>
Current assets					
Inventories					
Raw materials and consumables		16,283	23,351	16,283	23,351
Work in progress		6,073	4,091	6,073	4,091
Finished goods and goods for resale		48,226	34,217	48,120	32,220
		<u>70,582</u>	<u>61,659</u>	<u>70,476</u>	<u>59,662</u>
Receivables					
Trade receivables		102,020	78,255	910	47
Receivables from group entities		30,624	29,860	52,313	27,006
Prepayments	10	2,625	3,733	749	1,253
		<u>135,269</u>	<u>111,848</u>	<u>53,972</u>	<u>28,306</u>
Cash at bank and in hand		<u>104,268</u>	<u>96,981</u>	<u>10,344</u>	<u>43,441</u>
Total current assets		<u>310,119</u>	<u>270,488</u>	<u>134,792</u>	<u>131,409</u>
TOTAL ASSETS		<u>1,294,672</u>	<u>1,235,817</u>	<u>1,218,991</u>	<u>1,276,470</u>

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

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2019	31/12 2018	31/12 2019	31/12 2018
EQUITY AND LIABILITIES					
Equity					
Contributed capital	11	6,000	6,000	6,000	6,000
Reserve for net revaluation under equity method		0	0	766,113	798,323
Retained earnings		1,123,047	1,073,775	304,634	275,452
Proposed dividends for the financial year		0	0	52,300	0
Total equity		1,129,047	1,079,775	1,129,047	1,079,775
Provisions					
Provisions for deferred tax	12	12,953	15,042	13,048	15,016
Total provisions		12,953	15,042	13,048	15,016
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		22,057	17,640	15,565	13,025
Payables to group entities		42,985	58,297	42,698	154,821
Other payables		87,630	65,063	18,633	13,833
		152,672	141,000	76,896	181,679
Total liabilities other than provisions		152,672	141,000	76,896	181,679
TOTAL EQUITY AND LIABILITIES		1,294,672	1,235,817	1,218,991	1,276,470
Contractual obligations, contingencies, etc.	13				
Mortgages and collateral	14				
Related party disclosures	15				

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

Statement of changes in equity

DKK'000	Group		
	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	6,000	1,073,775	1,079,775
Exchange adjustment	0	523	523
Transferred over the profit appropriation	0	48,750	48,750
Equity at 31 December 2019	6,000	1,123,048	1,129,048

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 2019	6,000	798,323	275,452	0	1,079,775
Exchange adjustment	0	523	0	0	523
Transfers, reserves	0	-104,534	104,534	0	0
Transferred over the profit appropriation	0	71,801	-75,351	52,300	48,750
Equity at 31 December 2019	6,000	766,113	304,635	52,300	1,129,048

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

Cash flow statement

DKK'000	Note	Group	
		2019	2018
Profit for the year		48,749	24,186
Other adjustments of non-cash operating items	16	<u>-16,160</u>	<u>-10,103</u>
Cash flows from operations before changes in working capital		32,589	14,083
Changes in working capital	17	<u>-20,673</u>	<u>43,452</u>
Cash flows from ordinary activities		11,916	57,535
Interest income		506	290
Interest expense		<u>-871</u>	<u>-916</u>
Cash flows from operating activities		<u>11,551</u>	<u>56,909</u>
Acquisition of property, plant and equipment		-4,343	-8,721
Disposal of property, plant and equipment		<u>78</u>	<u>7,549</u>
Cash flows from investing activities		<u>-4,265</u>	<u>-1,172</u>
Cash flows for the year		7,286	55,737
Cash and cash equivalents at the beginning of the year		<u>96,981</u>	<u>41,244</u>
Cash and cash equivalents at year end		<u>104,267</u>	<u>96,981</u>

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 2019 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.

Omission of cash flow statement

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

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.

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.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

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 and gains on the disposal of property, plant and equipment.

Other external costs

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

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 operating costs

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

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.

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

Notes

1 Accounting policies (continued)

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.

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:

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

Notes

1 Accounting policies (continued)

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 (scrap value 10%)	20-40 years
Plant and machinery	5-15 years
Fixtures and fittings, tools and equipment	4 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.

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.

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1 Accounting policies (continued)

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 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.

Prepayments

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.

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Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

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

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.

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

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.

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Notes

1 Accounting policies (continued)

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.

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.

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
2 Revenue				
Revenue, Denmark	261,476	238,989	164,845	152,867
Revenue, Europe	<u>293,282</u>	<u>256,071</u>	<u>256,768</u>	<u>213,730</u>
	<u>554,758</u>	<u>495,060</u>	<u>421,613</u>	<u>366,597</u>

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DKK'000	Group		Parent Company	
	2019	2018	2019	2018
3 Staff costs				
Wages and salaries	142,544	144,713	88,903	90,105
Pensions	11,160	10,862	6,685	6,704
Other social security costs	3,279	3,441	2,643	2,571
Other staff costs	563	0	563	0
	<u>157,546</u>	<u>159,016</u>	<u>98,794</u>	<u>99,380</u>
Average number of full-time employees	<u>313</u>	<u>320</u>	<u>223</u>	<u>223</u>
Staff costs of the Group and the Parent Company include remuneration of the Parent Company's Executive Board of DKK 7,761 thousand (2018: DKK 5,351 thousand) as well as remuneration of the Parent Company's Board of Directors of DKK 85 thousand (2018: DKK 85 thousand).				
DKK'000	Group		Parent Company	
	2019	2018	2019	2018
4 Financial income				
Exchange gains	<u>506</u>	<u>290</u>	<u>439</u>	<u>215</u>
5 Financial expenses				
Other financial costs	340	273	118	86
Exchange losses	529	416	395	193
Percentage surcharge, corporation tax	2	13	0	11
	<u>871</u>	<u>702</u>	<u>513</u>	<u>290</u>
6 Tax on profit/loss for the year				
Current tax for the year	0	0	-7,309	-6,245
Deferred tax for the year	-523	-341	-402	-588
Adjustment of tax concerning previous years	0	0	-2,079	259
Adjustment of deferred tax concerning previous year	-1,566	-516	-1,566	0
	<u>-2,089</u>	<u>-857</u>	<u>-11,356</u>	<u>-6,574</u>

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DKK'000	2019	2018	2019	2018
7 Proposed profit appropriation				
Reserve for net revaluation under equity method	0	0	71,801	59,155
Proposed dividends for the year	0	0	52,300	0
Retained earnings	<u>48,749</u>	<u>24,186</u>	<u>-75,352</u>	<u>-34,969</u>
	<u>48,749</u>	<u>24,186</u>	<u>48,749</u>	<u>24,186</u>

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 2019	223,891	393,945	37,742	3,559	659,137
Additions for the year	1,878	174	167	2,124	4,343
Disposals for the year	-950	-324	-530	0	-1,804
Transfers for the year	<u>0</u>	<u>2,369</u>	<u>0</u>	<u>-2,369</u>	<u>0</u>
Cost at 31 December 2019	<u>224,819</u>	<u>396,164</u>	<u>37,379</u>	<u>3,314</u>	<u>661,676</u>
Depreciation and impairment losses at 1 January 2019	-146,176	-300,383	-28,997	0	-475,556
Depreciation for the year	-3,669	-17,905	-2,601	0	-24,175
Reversed depreciation and impairment losses on assets sold	<u>602</u>	<u>228</u>	<u>510</u>	<u>0</u>	<u>1,340</u>
Depreciation and impairment losses at 31 December 2019	<u>-149,243</u>	<u>-318,060</u>	<u>-31,088</u>	<u>0</u>	<u>-498,391</u>
Carrying amount at 31 December 2019	<u>75,576</u>	<u>78,104</u>	<u>6,291</u>	<u>3,314</u>	<u>163,285</u>

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DKK'000	Parent Company				Total
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	
Cost at 1 January 2019	223,891	393,945	10,040	3,559	631,435
Additions for the year	1,879	174	452	2,124	4,629
Disposals for the year	-950	-324	-530	0	-1,804
Transfers for the year	0	2,369	0	-2,369	0
Cost at 31 December 2019	224,820	396,164	9,962	3,314	634,260
Depreciation and impairment losses at 1 January 2019	-146,176	-300,383	-8,458	0	-455,017
Depreciation for the year	-3,669	-17,905	-775	0	-22,349
Reversed depreciation and impairment losses on assets sold	601	228	510	0	1,339
Depreciation and impairment losses at 31 December 2019	-149,244	-318,060	-8,723	0	-476,027
Carrying amount at 31 December 2019	75,576	78,104	1,239	3,314	158,233

9 Investments

DKK'000	Parent Company	
	Equity investments in group entities	Investments in associates
Cost at 1 January 2019	115,878	53,494
Cost at 31 December 2019	115,878	53,494
Revaluations at 1 January 2019	72,677	726,593
Exchange adjustment	0	523
Net profit for the year	32,804	38,997
Dividends to the Parent Company	-115,000	0
Revaluations 31 December 2019	-9,519	766,113
Carrying amount at 31 December 2019	106,359	819,607

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	<u>Group</u>
DKK'000	Investments in associates
Cost at 1 January 2019	<u>53,494</u>
Cost at 31 December 2019	<u>53,494</u>
Revaluations at 1 January 2019	726,593
Exchange adjustment	523
Net profit/loss for the year	<u>38,997</u>
Revaluations 31 December 2019	<u>766,113</u>
Carrying amount at 31 December 2019	<u><u>819,607</u></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>106,359</u>	<u>32,804</u>
			<u>106,359</u>	<u>32,804</u>
Associates:				
S.A. Haribo-Ricqlès-Zan	France	40%	<u>2,026,933</u>	<u>96,527</u>
			<u>2,026,933</u>	<u>96,527</u>

10 Prepayments

DKK'000	Group		Parent Company	
	<u>31/12 2019</u>	<u>31/12 2018</u>	<u>31/12 2019</u>	<u>31/12 2018</u>
Purchased supplies	97	280	97	280
IT-Cost	306	625	65	302
Insurance	376	499	376	499
Rent	942	909	0	0
Other	<u>904</u>	<u>1,420</u>	<u>211</u>	<u>172</u>
	<u><u>2,625</u></u>	<u><u>3,733</u></u>	<u><u>749</u></u>	<u><u>1,253</u></u>

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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	
	31/12 2019	31/12 2018	31/12 2019	31/12 2018
Deferred tax 1 January	15,042	16,159	15,016	15,605
Adjustment of deferred tax in the income statement of the year	-523	-1,117	-402	-589
Adjustment of deferred tax concerning previous years	-1,566	0	-1,566	0
	<u>12,953</u>	<u>15,042</u>	<u>13,048</u>	<u>15,016</u>

13 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 54,809 thousand within 44 months (2018: DKK 14,453 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 2019.

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14 Mortgages and collateral

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
Guarantees	0	195	0	195

15 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, Dr.-Hans-und-Paul-Riegel-Straße 1,53501 Graftschaft, 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.

Related party transactions

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
Sale of goods to an associate	277,156	240,934	445,863	374,248
Purchase of goods from an associate	249,890	214,160	261,146	211,270
Other operating income	0	0	3,754	686

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 3.

Receivables and payables to associates and subsidiaries are disclosed in the balance sheet.

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DKK'000	Group	
	2019	2018
16 Other adjustments		
Financial income	-506	-290
Financial expenses	871	916
Tax on profit for the year	-2,089	-857
Depreciation and amortisation	24,561	26,832
Income from equity investments in group entities	-38,997	-36,704
	<u>-16,160</u>	<u>-10,103</u>
17 Change in working capital		
Change in inventories	-8,923	19,986
Change in receivables	-23,421	19,990
Change in trade and other payables	11,671	3,476
	<u>-20,673</u>	<u>43,452</u>