

HARIBO Produktion A/S

Præstøvej 55
4640 Faxe
Denmark

CVR no. 43 42 30 10

Annual report 2020

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

10 May 2021

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 2020.

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 2020 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 2020.

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, 10 May 2021
Executive Board:

Stefano Paul Franzoia

André Smit

Board of Directors:

Hans-Guido Riegel
Chairman

Herwig Jean L. Vennekens

Michael Phiesel

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 2020 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 2020 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 2020 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, 10 May 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
mne19737

HARIBO Produktion A/S
Annual report 2020
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
Herwig Jean L. Vennekens
Michael Phiesel
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	2020	2019	2018	2017	2016
Key figures					
Revenue	604,979	554,758	495,060	515,923	538,771
Gross profit/loss	232,737	195,478	172,885	171,937	166,806
Operating profit/loss	54,937	13,371	-12,963	-19,137	1,555
Profit/loss from financial income and expenses	-679	-365	-412	-794	-360
Profit/loss for the year	78,467	48,749	24,186	33,390	55,729
Total assets					
Total assets	1,346,010	1,294,672	1,235,817	1,213,302	1,153,714
Equity					
Equity	1,151,622	1,129,047	1,079,775	1,053,353	1,019,368
Investment in property, plant and equipment	7,154	4,629	7,728	20,047	51,611
Ratios					
Gross margin	38.5%	35.2%	34.9%	33.3%	31.0%
Operating margin	6.9%	1.4%	-2.6%	-3.4%	0.0%
Return on invested capital	0.3%	0.1%	-4.1%	-6.7%	0.4%
Current ratio	197.2%	203.1%	191.8%	182.5%	212.9%
Return on equity	6.9%	4.4%	1.1%	3.2%	5.3%
Solvency ratio	85.6%	87.2%	87.4%	86.8%	88.4%

The financial ratios have been calculated as follows:

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

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).

Profit/loss for the year (including comparison with forecasts previously announced)

The Company's income statement for 2020 shows a profit of DKK'000 78,467 as against DKK'000 48,749 in 2019. Equity in the Company's balance sheet at 31 December 2020 stood at DKK'000 1,151,622 as against DKK'000 1,129,047 at 31 December 2019.

In 2020 HARIBO Produktion A/S has reached a net sale and EBIT, which were better than expected in the forecast and better than the result of 2019. 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.

2021 outlook

HARIBO Produktion A/S expects to continue producing high quality confectionary products to the Nordic market. In 2021, we do expect to see an overall decrease in sales in 2021, as it is expected that the COVID-19 pandemic will be under control and the sales will normalize. The focus will be to continue improving the production efficiency and thereby reducing cost and improving 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.

Management's review

Operating review

Corporate social responsibility

HARIBO Produktion A/S manufactures and sells high quality confectionary, mainly to the Nordic market. This CSR-report does also covers HARIBO Lakrids A/S, cvr. 37657654.

HARIBO Group takes its corporate responsibility very seriously. It is the belief of the company that respect for both people and the planet plays an important role in order to develop the business successfully. The company has therefore implemented several policies for the area, which are integrated in the daily work. In 2021, the company also continues the work on a group level. In the following, the main contents of the policies are described, including how the policies are transformed into action and results.

The main focus is Food Safety, as the company's consumers at any time should be able to enjoy the company's products without any risk. The HARIBO Group therefore applies high food safety, quality and ethical standards to the selection of all raw material and packaging used in the production of our beloved products. Since 2017, all the HARIBO Group manufacturing facilities (including the one in Denmark) have been certified according to FSSC 22000 (Food Safety System Certification), a GFSI (Global Food Safety Initiative) recognized standard with an excellent reputation in the food industry worldwide. Before 2017, HARIBO was certified according to the international food standard IFS.

2020 have been a special year due to the COVID-19 pandemic. In general it have been a huge focus to secure the safety of the employees both by ensuring the necessary protective equipment, providing weekly testing and if possible enabling and encouraging employees to work from home.

Ethics

The HARIBO Group makes high demand on its suppliers of raw materials. It is required that the vendors ensure that raw materials are produced with respect for international conventions and standards, with a special focus on following the current Human Rights Conventions along with avoiding any form of bribery, corruption, forced labor and child labor. All vendors of raw material need to sign a declaration to declare that these demands are met. This declaration is a HARIBO Group Standard. HARIBO Produktion A/S is following the HARIBO Group standards as described above. All raw material vendors used in 2020 have declared that they are following the declaration. HARIBO Produktion A/S is FSSC 22000 certified. This standard ensures that the consumers get a product of the highest quality and safety, which can be consumed. A copy of the certificate can be seen on the homepage under "Kvalitetssikring". Here the consumers are also able to find further information about HARIBO's products. However, there is always a risk that ethic codes are not met outside of HARIBO's control.

As food safety is a priority for the HARIBO Group, we will, as part of our policy for vendor selection, continue to have focus on the suppliers, and ensure that our suppliers confirm that they follow our Quality Assurance Agreement.

Environmental and climate responsibility

HARIBO Group is fully focused on its environmental and climate impact, and is constantly trying to optimize this area so that the company's total environmental and climate impacts remain as minimal as possible. In particular, the focus is on reducing the company's energy consumption. This is done both by investigating how to invest in more energy-efficient technology, but the company will also focus on a change of attitude among its employees so as to avoid unnecessary consumption of energy. Also handling of waste is a company focus, and waste is sorted as an integrated part of the work in order to reduce the environmental and climate effects of production. However, it is not always easy to change old habit. Therefore, the company will continue to focus on implementing good habits to the benefit of both the company and the climate.

Management's review

Operating review

In 2018, videoconference facilities were installed in all Nordic HARIBO offices. This was followed in 2020 by installing webex/Microsoft Teams on the local PC in order to fight the COVID-19 pandemic, but also to further reduce CO2 by reducing the level of travelling. The goal of reducing travel and thereby the CO2 footprint has been reached.

In 2020, HARIBO Produktion continued the work of identifying further areas for reducing the energy consumption. Especially when buying new machinery or replacing existing, energy consumption is an important parameter in decision-making. The goal of reducing energy consumption for new/replaced machinery was reached but will continue to be in our focus.

Employee responsibility

HARIBO in Denmark is a member of the Confederation of Danish Industry ("DI - Dansk Industri") and complies with the guidelines set by Confederation of Danish Industry for its member companies. This also means that the company undertakes to treat its own employees and other stakeholders in accordance with current legislation, and in general shows good morals with everything that this entails. HARIBO also participates in local board work for the Confederation of Danish Industry where education of young people and contributions to this has very high priority.

HARIBO in Denmark wants to contribute to qualified and skills employees. Therefore, in 2018, HARIBO Denmark initiated a cooperation with 5 other companies in South of Zealand in order to ensure students for the education for Industrial technicians, which at that time was not offered in South of Zealand. This cooperation led to the education in 2019 is now permanent on Business School CELF. HARIBO Denmark was awarded with the prize "Internship 2019" from Danish Industry.

HARIBO assumes responsibility for student workers and interns under the age of 25. In 2020, 6 were enrolled compared to 11 in 2018.

HARIBO has a representative in the Regional Labor Market Council (RAR – De Regionale Arbejdsmarkedsråd), selected by local companies under the Confederation of Danish Industry as representative of the Danish Employers' Confederation (DA – Dansk Arbejdsgiverforening). Regional Labor Market Council for Zealand comprises 17 municipalities and carries out a wide range of labor related tasks.

HARIBO is also represented in the committee "Arbejdets organisering og Industrioperatøruddannelsen (LLU)" where technical colleges and companies jointly work to ensure the quality of vocational education and focus on the need to attract young people into an industrial working life.

In 2020, when the Covid-19 pandemic hit the world, HARIBO Denmark immediately formed a "prevention team". The purpose was to monitor the development and the guidelines and recommendations from the government and the authorities, and to take proper actions in HARIBO in order to ensure a safe working environment for our employees. We have provided weekly COVID-19 test for the employees, who are not able to work from home, in order to secure the safety of the employees.

Management's review

Operating review

We aim at maintaining a good working environment so that our employees thrive and can perform at their best and continuously develop and take on new challenges while still keeping a good work-life balance.

Human rights

It is a high priority for the company to ensure that sick employees return to work quickly and safely. In this, the aforementioned cooperation with the local authorities is very important. In addition to this cooperation, the company pays for a private health insurance for all employees. Employees have continuously given the company the feedback that this private health insurance is a significant employee benefit. Reducing work-related accidents resulting in absence has a particularly high priority which is why follow-up interviews are carried out when an accident has occurred. In 2020 there were 12 persons (13 person in 2019), who experienced a work related accident, which caused absence. Most importantly, however, is the focus on preventing accidents. Several initiatives have been taken in 2020 and will be continued in 2021 to reduce the accidents. In order to prevent accidents, the focus have been to identify potential risk. This have been done both by making it easy to report "near-by accidents", creating awareness of safety, educating the working environment representatives, direct information to the employee after an incident and causal analysis for all incidents (big or small). The result of those initiatives have been an increase of reported "near-by accidents" or potential dangerous observations by 150%. It is expected that these initiatives will continue to reduce the number of accidents. HARIBO in Denmark will continue the work on improving the working environment and educating our employees – and thereby reducing accident related absences. One of the key risks for our business is health and safety incidents.

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 2020. 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 one male directors, and 4 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 only one changes in the management level in 2020, which was the underrepresented gender being replaced by the same gender. 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	
		2020	2019	2020	2019
Revenue	2	604,979	554,758	437,426	421,613
Cost of sales		-262,870	-252,248	-261,368	-250,682
Other operating income		34,189	26,074	2,802	4,008
Other external costs		<u>-143,561</u>	<u>-133,106</u>	<u>-81,005</u>	<u>-82,979</u>
Gross profit		232,737	195,478	97,855	91,960
Staff costs	3	-158,117	-157,546	-98,807	-98,794
Depreciation		-19,683	-24,561	-18,775	-22,336
Other operating costs		<u>-2,366</u>	<u>-5,343</u>	<u>-2,271</u>	<u>-5,164</u>
Profit/loss before financial income and expenses		52,571	8,028	-21,998	-34,334
Income from equity investments in group entities		38,214	38,997	95,958	71,801
Other financial income	4	305	506	214	439
Other financial expenses	5	<u>-984</u>	<u>-871</u>	<u>-396</u>	<u>-513</u>
Profit before tax		90,106	46,660	73,778	37,393
Tax on profit/loss for the year	6	<u>-11,639</u>	<u>2,089</u>	<u>4,689</u>	<u>11,356</u>
Share of profit for the year	7	<u><u>78,467</u></u>	<u><u>48,749</u></u>	<u><u>78,467</u></u>	<u><u>48,749</u></u>

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

Balance sheet

DKK'000	Note	Group		Parent Company	
		2020	2019	2020	2019
ASSETS					
Fixed assets					
Property, plant and equipment					
	8				
Land and buildings		71,072	75,576	71,072	75,576
Plant and machinery		64,021	78,104	64,021	78,104
Fixtures and fittings, tools and equipment		3,664	6,291	834	1,239
Property, plant and equipment in progress		8,074	3,314	8,074	3,314
		<u>146,831</u>	<u>163,285</u>	<u>144,001</u>	<u>158,233</u>
Investments					
	9				
Equity investments in group entities		0	0	119,304	106,359
Investments in associates		854,229	819,607	854,229	819,607
Deposits		1,722	1,661	0	0
		<u>855,951</u>	<u>821,268</u>	<u>973,533</u>	<u>925,966</u>
Total fixed assets		<u>1,002,782</u>	<u>984,553</u>	<u>1,117,534</u>	<u>1,084,199</u>
Current assets					
Inventories					
Raw materials and consumables		15,989	16,283	15,989	16,283
Work in progress		7,379	6,073	7,379	6,073
Finished goods and goods for resale		53,095	48,226	52,913	48,120
		<u>76,463</u>	<u>70,582</u>	<u>76,281</u>	<u>70,476</u>
Receivables					
Trade receivables		123,859	102,020	45	910
Receivables from group entities		81,863	30,624	20,989	52,313
Corporation tax		0	0	16,238	0
Prepayments	10	2,905	2,625	975	749
		<u>208,627</u>	<u>135,269</u>	<u>38,247</u>	<u>53,972</u>
Cash at bank and in hand		<u>58,138</u>	<u>104,268</u>	<u>24,767</u>	<u>10,344</u>
Total current assets		<u>343,228</u>	<u>310,119</u>	<u>139,295</u>	<u>134,792</u>
TOTAL ASSETS		<u>1,346,010</u>	<u>1,294,672</u>	<u>1,256,829</u>	<u>1,218,991</u>

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

Balance sheet

DKK'000	Note	Group		Parent Company	
		2020	2019	2020	2019
EQUITY AND LIABILITIES					
Equity					
Contributed capital	11	6,000	6,000	6,000	6,000
Reserve for net revaluation under equity method		0	0	804,161	766,113
Retained earnings		1,145,622	1,123,047	281,461	304,634
Proposed dividends for the financial year		0	0	60,000	52,300
Total equity		1,151,622	1,129,047	1,151,622	1,129,047
Provisions					
Provisions for deferred tax	12	20,359	12,953	20,364	13,048
Total provisions		20,359	12,953	20,364	13,048
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		19,464	22,057	13,203	15,565
Payables to group entities		48,735	42,985	47,140	42,698
Corporation tax		4,234	0	4,234	0
Other payables		101,596	87,630	20,266	18,633
		174,029	152,672	84,843	76,896
Total liabilities other than provisions		174,029	152,672	84,843	76,896
TOTAL EQUITY AND LIABILITIES		1,346,010	1,294,672	1,256,829	1,218,991
Fees to auditor appointed at the general meeting					
	13				
Contractual obligations, contingencies, etc.					
	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 2020	6,000	1,126,639	1,132,639
Exchange adjustment	0	-3,592	-3,592
Transferred over the profit appropriation	0	26,167	26,167
Equity at 31 December 2020	6,000	1,149,214	1,155,214

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 2020	6,000	766,113	304,634	52,300	1,129,047
Ordinary dividends paid	0	0	0	-52,300	-52,300
Exchange adjustment	0	-3,592	0	0	-3,592
Transferred over the profit appropriation	0	41,640	-23,173	60,000	78,467
Equity at 31 December 2020	6,000	804,161	281,461	60,000	1,151,622

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

Cash flow statement

DKK'000	Note	Group	
		2020	2019
Profit for the year		78,467	48,749
Other adjustments of non-cash operating items	16	-6,208	-16,160
Cash flows from operations before changes in working capital		72,259	32,589
Changes in working capital	17	-62,116	-20,673
Cash flows from ordinary activities		10,143	11,916
Interest income		305	506
Interest expense		-984	-871
Cash flows from operating activities		9,464	11,551
Acquisition of property, plant and equipment		-7,154	-4,343
Disposal of property, plant and equipment		2,022	79
Loss on disposal		1,838	0
Cash flows from investing activities		-3,294	-4,264
Shareholders:			
Distributed dividends		-52,300	0
Cash flows from financing activities		-52,300	0
Cash flows for the year		-46,130	7,287
Cash and cash equivalents at the beginning of the year		104,268	96,981
Cash and cash equivalents at year end		58,138	104,268

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 2020 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.

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 administrative 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, 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.

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 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.

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

Notes

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.

Investments

Deposits are recognised at nominal value.

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.

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.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

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Notes

1 Accounting policies (continued)

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.

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.

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

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.

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.

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

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DKK'000	Group		Parent Company	
	2020	2019	2020	2019
2 Revenue				
Revenue, Denmark	332,739	261,476	194,944	164,845
Revenue, Europe	272,240	293,282	242,482	256,768
	<u>604,979</u>	<u>554,758</u>	<u>437,426</u>	<u>421,613</u>
3 Staff costs				
Wages and salaries	142,988	142,544	88,691	88,903
Pensions	10,895	11,160	6,533	6,685
Other social security costs	3,553	3,279	2,902	2,643
Other staff costs	681	563	681	563
	<u>158,117</u>	<u>157,546</u>	<u>98,807</u>	<u>98,794</u>
Average number of full-time employees	<u>302</u>	<u>320</u>	<u>220</u>	<u>223</u>
Parent Company:				
Staff costs of the Parent Company include remuneration for the Executive Board of DKK 2,412 thousand (2019: DKK 1,828 thousand) as well as remuneration for the Board of Directors of DKK 85 thousand (2019: DKK 85 thousand).				
4 Other financial income				
Exchange gains	<u>305</u>	<u>506</u>	<u>214</u>	<u>439</u>
	<u>305</u>	<u>506</u>	<u>214</u>	<u>439</u>
5 Other financial expenses				
Other financial costs	549	340	93	118
Exchange losses	422	529	290	395
Percentage surcharge, corporation tax	13	2	13	0
	<u>984</u>	<u>871</u>	<u>396</u>	<u>513</u>

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

Notes

DKK'000	Group		Parent Company	
	2020	2019	2020	2019
6 Tax on profit/loss for the year				
Current tax for the year	4,233	0	-12,005	-7,309
Deferred tax for the year	7,186	-523	7,125	-402
Adjustment of tax concerning previous years	0	0	0	-2,079
Adjustment of deferred tax concerning previous year	220	-1,566	191	-1,566
	<u>11,639</u>	<u>-2,089</u>	<u>-4,689</u>	<u>-11,356</u>
7 Proposed profit appropriation				
Reserve for net revaluation under equity method	0	0	41,640	71,801
Proposed dividends for the year	0	0	60,000	52,300
Retained earnings	<u>78,467</u>	<u>48,749</u>	<u>-23,173</u>	<u>-75,352</u>
	<u>78,467</u>	<u>48,749</u>	<u>78,467</u>	<u>48,749</u>

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

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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 2020	224,820	396,164	37,379	3,314	661,677
Additions for the year	119	1,603	296	5,136	7,154
Disposals for the year	-3,582	-14,376	-8,918	0	-26,876
Transfers for the year	286	-5,196	-2,548	-376	-7,834
Cost at 31 December 2020	221,643	378,195	26,209	8,074	634,121
Depreciation and impairment losses at 1 January 2020	-149,244	-318,060	-31,088	0	-498,392
Depreciation for the year	-3,692	-14,746	-1,504	0	-19,942
Reversed depreciation and impairment losses on assets sold	2,444	13,042	7,635	0	23,121
Reversed impairment losses	0	0	259	0	259
Transfers for the year	-79	5,590	2,153	0	7,664
Depreciation and impairment losses at 31 December 2020	-150,571	-314,174	-22,545	0	-487,290
Carrying amount at 31 December 2020	71,072	64,021	3,664	8,074	146,831

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

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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 2020	224,820	396,164	9,962	3,314	634,260
Additions for the year	119	1,603	54	5,136	6,912
Disposals for the year	-3,582	-14,376	-752	0	-18,710
Transfers for the year	286	-5,196	-826	-376	-6,112
Cost at 31 December 2020	221,643	378,195	8,438	8,074	616,350
Depreciation and impairment losses at 1 January 2020	-149,244	-318,060	-8,723	0	-476,027
Depreciation for the year	-3,692	-14,746	-337	0	-18,775
Depreciation and impairment losses for the year on assets sold	2,444	13,042	1,024	0	16,510
Transfers for the year	-79	5,590	432	0	5,943
Depreciation and impairment losses at 31 December 2020	-150,571	-314,174	-7,604	0	-472,349
Carrying amount at 31 December 2020	71,072	64,021	834	8,074	144,001

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

Notes

9 Investments

	Parent Company	
DKK'000	Equity investments in group entities	Investments in associates
Cost at 1 January 2020	115,878	53,494
Cost at 31 December 2020	115,878	53,494
Revaluations at 1 January 2020	-9,519	766,113
Exchange adjustment	0	-3,592
Net profit for the year	57,745	38,214
Dividends to the Parent Company	-44,800	0
Revaluations 31 December 2020	3,426	800,735
Carrying amount at 31 December 2020	119,304	854,229

	Group	
DKK'000	Investments in associates	Deposits
Cost at 1 January 2020	53,494	1,661
Additions for the year	0	61
Cost at 31 December 2020	53,494	1,722
Revaluations at 1 January 2020	766,113	0
Exchange adjustment	-3,592	0
Net profit for the year	38,214	0
Revaluations 31 December 2020	800,735	0
Carrying amount at 31 December 2020	854,229	1,722

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
			DKK'000	DKK'000
Subsidiaries:				
HARIBO Lakrids A/S	Denmark	100%	119,304	57,745
			119,304	57,745
Associates:				
S.A. HARIBO-Ricqles-Zan	France	40%	2,112,858	94,519
			2,112,858	94,519

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

Notes

DKK'000	Group		Parent Company	
	2020	2019	2020	2019
10 Prepayments				
Purchased supplies	24	97	24	97
IT-Cost	454	306	65	65
Insurance	580	376	580	376
Rent	960	942	0	0
Other	887	904	306	211
	<u>2,905</u>	<u>2,625</u>	<u>975</u>	<u>749</u>
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				
Deferred tax 1 January	12,953	15,042	13,048	15,016
Adjustment of deferred tax in the income statement of the year	7,186	-523	7,125	-402
Adjustment of deferred tax concerning previous years	220	-1,566	191	-1,566
	<u>20,359</u>	<u>12,953</u>	<u>20,364</u>	<u>13,048</u>
13 Fees to auditor appointed at the general meeting				
Statutory audit	300	300	160	160
Other services	508	554	278	116
	<u>808</u>	<u>854</u>	<u>438</u>	<u>276</u>

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

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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

Parent company:

Remaining operating lease obligations at the balance sheet date fall due at DKK 1,448 thousand within 32 months (2019: DKK 47,449 thousand).

Group:

Remaining operating lease obligations for the group at the balance sheet date fall due at DKK 14,434 thousand within 46 months (2019: DKK 54,809 thousand)

Transfer pricing case

The Company has 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 10 million exclusive of interest and potential fines. Management has not deemed a provision necessary for the income increase in the Financial Statements for 2020.

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 Graftschaff, Germany, which is the smallest and 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 address above.

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Notes

Related party transactions

DKK'000	Group		Parent Company	
	2020	2019	2020	2019
Sale of goods to an associate	264,787	392,655	461,550	560,863
Purchase of goods from an associate	250,439	249,656	259,673	260,916

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.

DKK'000	Group	
	2020	2019
16 Other adjustments		
Financial income	-305	-506
Financial expenses	984	871
Tax on profit for the year	11,639	-2,089
Depreciation and amortisation	19,688	24,561
Income from equity investments in group entities	<u>-38,214</u>	<u>-38,997</u>
	<u>-6,208</u>	<u>-16,160</u>
17 Change in working capital		
Change in inventories	-5,881	-8,923
Change in receivables	-73,358	-23,421
Change in trade and other payables	<u>17,123</u>	<u>11,671</u>
	<u>-62,116</u>	<u>-20,673</u>