

Deloitte.

Nordisk Kellogg ApS

Vandtårnsvej 62A, 5. sal E

DK-2860 Søborg

Central Business Registration No

45434117

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017

Chairman of the General Meeting



Name: Jesper Jensen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	9
Balance sheet at 31.12.2016	10
Statement of changes in equity for 2016	12
Notes	13
Accounting policies	18

Entity details

Entity

Nordisk Kellogg ApS
Vandtårnsvej 62A, 5. sal E
DK-2860 Søborg

Central Business Registration No: 45434117

Registered in: Glostrup

Financial year: 01.01.2016 - 31.12.2016

Phone: +4532727557

Website: www.kelloggs.dk

Board of Directors

Jesper Jensen, Chairman

Jan Uffe Hedegaard

Armando Santacesaria

Executive Board

Jesper Jensen, Chief Executive Officer

Auditors

RSM Beierholm Statsautoriseret Revisionspartnerselskab

Ellebjergvej 52

2450 København SV

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordisk Kellogg ApS for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Glostrup, 30.05.2017

Executive Board

Jesper Jensen
Chief Executive Officer

Board of Directors

Jesper Jensen
Chairman



Jan Uffe Hedegaard



Armando Santacesaria



Independent auditor's report

To the shareholders of Nordisk Kellogg ApS

Opinion

We have audited the financial statements of Nordisk Kellogg ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Soeborg, Copenhagen, 30.05.2017

RSM Beierholm

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 32895468



Kim Larsen

State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	620.669	597.178	651.419	685.535	513.560
Gross profit/loss	76.704	93.490	101.572	109.997	89.290
Operating profit/loss	9.269	6.172	14.549	14.929	12.134
Net financials	(3.686)	(654)	(3.164)	(3.207)	(646)
Profit/loss for the year	3.165	5.196	9.870	12.139	13.432
Total assets	201.297	211.500	219.441	191.049	157.745
Investments in property, plant and equipment	425	0	0	0	116
Equity	116.637	113.472	108.276	98.406	86.268
Ratios					
Return on equity (%)	2,8	4,7	9,6	13,1	16,9
Return on assets (%)	4,6	2,7	6,6	7,8	7,7
Equity ratio (%)	57,9	54,3	49,3	51,5	54,7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Return on assets (%)	$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$	The Entity's return on the total capital in the Entity.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Management commentary

Primary activities

The Company's activities are ordinary commercial activities, including marketing, sales and distribution of ready-made breakfast cereals and salty snacks to the Nordic markets under brands like: Kellogg's Corn Flakes, Kellogg's Special K, Kellogg's All-Bran, Kellogg's Frosties, Kellogg's Coco Pops, Kellogg's Rice Krispies and Pringles.

Development in activities and finances

The revenue for 2016 has increased compared to 2015. Total revenue in 2016 increased by 4% compared to 2015. The increase was primarily driven by growth in the snacks category within Dansk Supermarked after re-listing.

Profit before tax for 2016 amounted to DKK 5,583k compared to a profit before tax of DKK 5,518k in 2015.

Management considers the results for the year to be in line with expectations.

Outlook

The Company expects the revenue of ready-made breakfast cereals as well as snacks for 2017 to grow since there will be innovations launched; and in addition further distribution gains for the snacks category within the customer Dansk Supermarked. Furthermore, the launch of Muesli products in 2016 have gained momentum and show a stable growth rate.

Particular risks

The Company's key operating risk is related to the ability to be category leader on ready-made breakfast cereals in the Nordic countries. In order to keep this position, it is essential for the Kellogg Group to continuously be at the leading edge of product development; therefore, research and development programs are carried out by specific Kellogg companies located in the US and Europe, none of which are located in the Nordic countries.

Consolidation

The Company's share capital is fully owned by Kellogg Group S.a.r.l., 560A, rue de Neudrof, L-2220 Luxembourg.

Foreign branches

The Company has branches in Norway and Finland, and since 1st January 2016, sells via a distributor in Sweden. In all three markets, the Company is category leader in cereal.

Statutory statement regarding social responsibility according to section 99a in the Danish Financial Statements Act

Management refers to Corporate social responsibility in our global annual report of Kellogg Company, Battle Creek, Michigan. Furthermore, reference is made to: www.kelloggcompany.com/corporateresponsibility.aspx, where you can always find the Kellogg Company's updated corporate Responsibility Report, which tells about our involvement in this field worldwide.

Management commentary

Statutory statement regarding social responsibility according to section 99b in the Danish Financial Statements Act

At Nordisk Kellogg ApS we believe that diversity contributes to creating better results and helps us make better decisions. That is why we strive for increased diversity in the organisation. Our objective is to improve the balance between men and women in the management of our organisation.

Target figures for the board Directors

At 1 May 2017, women in the Company's Board of Directors make up 0%, corresponding to 0 persons. Based on a specific assessment of the Company's circumstances, including in particular the industry within which we operate, and the talents which accordingly must be present in the Board of Directors, the objective for 31 December 2017 is a 33% share, or one person.

This target figure is considered both realistic and ambitious.

Policy for other management levels

Nordisk Kellogg ApS' policy with regards to gender diversity for all other management levels of the organization is to aim for a balanced proportion of male and female employees.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Revenue	1	620.669	597.178
Cost of sales		<u>(543.965)</u>	<u>(503.688)</u>
Gross profit/loss		76.704	93.490
Distribution costs	3, 4	(38.027)	(66.310)
Administrative costs	2, 4	<u>(29.408)</u>	<u>(21.008)</u>
Operating profit/loss		9.269	6.172
Other financial income		927	256
Other financial expenses		<u>(4.613)</u>	<u>(910)</u>
Profit/loss before tax		5.583	5.518
Tax on profit/loss for the year	5	<u>(2.418)</u>	<u>(322)</u>
Profit/loss for the year	6	<u>3.165</u>	<u>5.196</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Other fixtures and fittings, tools and equipment		406	29
Property, plant and equipment	7	<u>406</u>	<u>29</u>
Fixed assets		<u>406</u>	<u>29</u>
Trade receivables		79.764	64.605
Receivables from group enterprises		0	6.198
Deferred tax	11	3.317	4.438
Other receivables		3.505	6.849
Income tax receivable		18.939	19.362
Prepayments	8	<u>672</u>	<u>438</u>
Receivables		<u>106.197</u>	<u>101.890</u>
Cash	9	<u>94.694</u>	<u>109.581</u>
Current assets		<u>200.891</u>	<u>211.471</u>
Assets		<u>201.297</u>	<u>211.500</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital	10	18.000	18.000
Retained earnings		<u>98.637</u>	<u>95.472</u>
Equity		<u>116.637</u>	<u>113.472</u>
Deferred tax	11	<u>10.073</u>	<u>9.106</u>
Provisions		<u>10.073</u>	<u>9.106</u>
Trade payables		5.424	4.371
Payables to group enterprises		38.450	47.492
Other payables		<u>30.713</u>	<u>37.059</u>
Current liabilities other than provisions		<u>74.587</u>	<u>88.922</u>
Liabilities other than provisions		<u>74.587</u>	<u>88.922</u>
Equity and liabilities		<u>201.297</u>	<u>211.500</u>
Contingent liabilities	12		
Related parties with controlling interest	13		
Group relations	14		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	18.000	95.472	113.472
Profit/loss for the year	0	3.165	3.165
Equity end of year	18.000	98.637	116.637

Notes

	2016	2015
	DKK'000	DKK'000
1. Revenue		
Danmark	403.842	113.930
Finland	120.315	107.284
Norway	99.613	101.218
Sweden	(3.101)	274.746
	620.669	597.178

	2016	2015
	DKK'000	DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	377	486
	377	486

The fees to the auditors appointed by the general meeting include fees for audit and other services provided to the Company and its branches in Norway, Sweden and Finland.

	2016	2015
	DKK'000	DKK'000
3. Staff costs		
Wages and salaries	15.568	29.464
Pension costs	2.916	5.552
Other social security costs	239	3.381
	18.723	38.397
Average number of employees	32	67

	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Executive Board	1.339	1.268
	1.339	1.268

Notes

The aggregated staff costs are included in advertising, sales and distribution costs as well as administrative costs. Restricted stock units in Kellogg Company, USA are allocated to the executives. The stock is released during a period of three years.

	2016	2015
	DKK'000	DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	37	103
	37	103
	2016	2015
	DKK'000	DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	319	1.805
Change in deferred tax for the year	2.425	(990)
Adjustment concerning previous years	(326)	(493)
	2.418	322
	2016	2015
	DKK'000	DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	3.165	5.196
	3.165	5.196

Notes

	Other fixtures and fittings, tools and equipment DKK'000
7. Property, plant and equipment	
Cost beginning of year	642
Additions	425
Disposals	<u>(412)</u>
Cost end of year	<u>655</u>
Depreciation and impairment losses beginning of the year	(613)
Depreciation for the year	(37)
Reversal regarding disposals	<u>401</u>
Depreciation and impairment losses end of the year	<u>(249)</u>
Carrying amount end of year	<u>406</u>

Total depreciation and impairment losses for 2016 related to other fixtures and fittings, tools, and equipment, are included in administrative costs in the income statement.

8. Prepayments

Prepayments comprise various prepaid expenses. Prepayments are measured at cost.

9. Cash

Kellogg Europe has an uncommitted overdraft facility with a maximum of DKK 357,113 thousand, which Nordisk Kellogg ApS may share.

	Number	Par value DKK'000	Nominal value DKK'000
10. Contributed capital			
900 shares	900	2000	1.800
1 share	1	200000	200
2 shares	2	1000000	2.000
3 shares	3	2000000	6.000
1 share	<u>1</u>	<u>8000000</u>	<u>8.000</u>
	<u>907</u>		<u>18.000</u>

Notes

	2016	2015
	DKK'000	DKK'000
11. Deferred tax		
Property, plant and equipment	28	10
Provisions	(16.509)	(17.024)
Tax losses carried forward	9.725	12.346
	(6.756)	(4.668)
		Deferred tax
Opening balance		(4.668)
Adjustment of deferred tax prior years		337
Change in deferred tax		(2.425)
		(6.756)

The company's total deferred tax assets amount to DKK 9,760 thousand at 31 December 2016. Deferred tax recognised by the Company amounts to negative DKK 6,756 thousand and is allocated by DKK 3,317 thousand on deferred tax assets and negative DKK 10,073 thousand on deferred tax liability at 31 December 2016.

	2016	2015
	DKK'000	DKK'000
12. Contingent liabilities		
Recourse and non-recourse guarantee commitments	1.319	1.648
Contingent liabilities in total	1.319	1.648

Contractual obligations

The Company has entered into rental and lease agreements on cars and office facilities, etc which are non-terminable for varying periods until 2017. The total rental obligation at 31 December 2016 for the remainder of the period of non-terminability totals DKK 5,545 thousand (2015: DKK 4,943 thousand).

13. Related parties with controlling interest

Related parties with a controlling interest in Nordisk Kellogg ApS:

The Company has registered the following shareholder to hold more than 5 % of the voting share capital or of the nominal value of the share capital:

Kellogg Group S.a.r.l, 560A, rue de Neudorf, L-2220, Luxembourg – wholly owns the share capital.

Notes

Nordisk Kellogg ApS has related party transactions with a number of companies of the Kellogg Group.

14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Kellogg Company, One Kellogg Square, Battle Creek, Michigan 49016-3599, USA

The annual report of Kellogg Company may be obtained at the above address.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Kellogg Company, One Kellogg Square, Battle Creek, Michigan 49016-3599, USA

15. Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

All revenues are recognised in the income statement when earned based on delivery having been made before year-end.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Income statement items in foreign currencies are translated into Danish Kroner using average exchange rates. All exchange adjustments are recognised in the income statement.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed to achieve revenue for the year.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, vehicle maintenance, etc as well as depreciation and impairment losses relating to property, plant and equipment attached to the distribution process.

Administrative costs

Accounting policies

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income as well as realised and unrealised exchange adjustments.

Other financial expenses

Other financial expenses comprise interest expenses as well as realised and unrealised exchange adjustments.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-7 years
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Upon sale or scrapping of property, plant and equipment, cost of acquisition and accumulated depreciation are deducted from the assets, whereas profits or losses are recognised in the income statement.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provision for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivable, a general provisions is also made based on the Company's experience.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement of Nordisk Kellogg ApS is included in the annual report of Kellogg Company.