

Nordisk Kellogg ApS
Central Business Registration No
45434117
Stationsparken 24
DK-2600 Glostrup

Annual report 2015

The Annual General Meeting adopted the annual report on 30.05.2016

Chairman of the General Meeting

Name: Jesper Jensen

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Entity details

Entity

Nordisk Kellogg ApS
Stationsparken 24
DK-2600 Glostrup

Central Business Registration No: 45434117

Registered in: Glostrup

Financial year: 01.01.2015 - 31.12.2015

Phone: +4543281000

Fax: +4543433503

Internet: www.kelloggs.dk

Board of Directors

Jesper Jensen, Chairman

Jan Uffe Hedegaard

Wolfgang König

Executive Board

Jesper Jensen, Chief Executive Officer

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Nordisk Kelloggs ApS for the financial year 1 January 2015 – 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company's operations for 2015.

In our opinion, the Management Commentary includes a true and fair account of the matters addressed in the Commentary.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Glostrup, 30.05.2016

Executive Board

Jesper Jensen
Chief Executive Officer

Board of Directors

Jesper Jensen
Chairman

Jan Uffe Hedegaard

Wolfgang König

Independent auditor's reports

To the shareholder of Nordisk Kellogg ApS

Report on the financial statements

We have audited the Financial Statements of Nordisk Kellogg ApS for the financial year 01 January 2015 – 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company's operations for the financial year 01 January 2015 – 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

We have read the Management Commentary in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements.

On this basis, in our opinion, the information provided in the Management Commentary is consistent with the Financial Statements.

Hellerup, 30.05.2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Thomas P. Blohm
State Authorised Public Accountant

CVR-nr. 33771231

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Revenue	597.178	651.419	685.535	513.560	523.437
Gross profit/loss	93.490	101.572	109.997	89.290	83.432
Operating profit/loss	6.172	14.549	14.929	12.134	10.126
Net financials	(654)	(3.164)	(3.207)	(646)	(266)
Profit/loss for the year	5.196	9.870	12.139	13.432	7.531
Total assets	211.500	219.441	191.049	157.745	157.357
Investments in property, plant and equipment	0	0	0	116	42
Equity	113.472	108.276	98.406	86.268	72.836
Ratios					
Return on equity (%)	4,7	9,6	13,1	16,9	10,3
Return on assets (%)	2,7	6,6	7,8	7,7	6,4
Equity ratio (%)	54,3	49,3	51,5	54,7	46,3

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 2015 has decreased compared to 2014. Total revenue in 2015 decreased by 8% compared to 2014. The decrease was primarily driven by a top line cereal decline.

Profit before tax for 2015 amounted to DKK 5,518k compared to a profit before tax of DKK 11,385k in 2014.

Considering the market situation, Management considers the results for the year in line with expectations.

Outlook

The Company expects the revenue of ready-made breakfast cereals as well as snacks for 2016 to grow since there will be new innovations launched during 2016. In addition there should be distribution gains for the snacks category from the customer Dansk Supermarket.

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 Neudorf, L-2220 Luxembourg.

Foreign branches

The Company has branches in Norway, Sweden and Finland. In all three markets, the Company is the category leader of cereal.

Management commentary

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.

Statutory statement regarding ratio of the underrepresented gender 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 of Directors

At 1 May 2016, 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 organisation is to aim for a balanced proportion of male and female employees.

Events after the balance sheet date

The Swedish office was closed at the end of 2015 and Nordisk Kellogg ApS contracted Arvid Nordquist as distributor for the Swedish market. The reason for this decision was an ongoing decline over several years through all categories while the Swedish market in general showed growth in cereal and salty snacks categories. By bringing the business into a distributor model the company hopes to achieve better distribution levels, as well as other goals such as the optimization of trade investments. With effect from the beginning of the Kellogg's fiscal year the new set up went live and it is expected to deliver growth within the Swedish market or at least stabilize the business after years of decline.

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

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

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

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.

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 one 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 the goods consumed to achieve revenue for the year.

Accounting policies

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 expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary 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.

Income taxes

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 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.

Accounting policies

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision 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 calculated on this year's taxable income, adjusted for prepaid tax.

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.

Accounting policies

Financial highlights

Financial highlights are defined and calculated in accordance with “Recommendations & Ratios 2010” issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
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.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Revenue	1	597.178	651.419
Cost of sales		<u>(503.688)</u>	<u>(549.847)</u>
Gross profit/loss		93.490	101.572
Distribution costs	3, 4	(66.310)	(69.412)
Administrative costs	2, 3	<u>(21.008)</u>	<u>(17.611)</u>
Operating profit/loss		6.172	14.549
Other financial income		256	91
Other financial expenses		<u>(910)</u>	<u>(3.255)</u>
Profit/loss from ordinary activities before tax		5.518	11.385
Tax on profit/loss from ordinary activities	5	<u>(322)</u>	<u>(1.515)</u>
Profit/loss for the year		<u>5.196</u>	<u>9.870</u>
Proposed distribution of profit/loss			
Retained earnings		<u>5.196</u>	<u>9.870</u>
		<u>5.196</u>	<u>9.870</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other fixtures and fittings, tools and equipment		29	132
Property, plant and equipment	6	<u>29</u>	<u>132</u>
Fixed assets		<u>29</u>	<u>132</u>
Trade receivables		64.605	62.246
Receivables from group enterprises		6.198	9.163
Deferred tax assets	10	4.438	4.511
Other short-term receivables		6.849	9.327
Income tax receivable		19.362	18.523
Prepayments	7	438	5.225
Receivables		<u>101.890</u>	<u>108.995</u>
Cash	8	<u>109.581</u>	<u>110.314</u>
Current assets		<u>211.471</u>	<u>219.309</u>
Assets		<u>211.500</u>	<u>219.441</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	9	18.000	18.000
Retained earnings		<u>95.472</u>	<u>90.276</u>
Equity		<u>113.472</u>	<u>108.276</u>
Provisions for deferred tax	10	<u>9.106</u>	<u>9.876</u>
Provisions		<u>9.106</u>	<u>9.876</u>
Trade payables		4.371	8.798
Debt to group enterprises		47.492	57.991
Other payables		<u>37.059</u>	<u>34.500</u>
Current liabilities other than provisions		<u>88.922</u>	<u>101.289</u>
Liabilities other than provisions		<u>88.922</u>	<u>101.289</u>
Equity and liabilities		<u>211.500</u>	<u>219.441</u>
Contingent liabilities	11		
Related parties with control	12		
Ownership	13		
Consolidation	14		

Statement of changes in equity for 2015

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	18.000	90.276	108.276
Profit/loss for the year	0	5.196	5.196
Equity end of year	18.000	95.472	113.472

Notes

	2015	2014
	DKK'000	DKK'000
1. Revenue		
Danmark	113.930	112.089
Finland	107.284	108.974
Norway	101.218	102.149
Sweden	274.746	328.207
	597.178	651.419

	2015	2014
	DKK'000	DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	486	466
	486	466

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.

	2015	2014
	DKK'000	DKK'000
3. Staff costs		
Wages and salaries	29.464	38.031
Pension costs	5.552	5.994
Other social security costs	3.381	4.585
	38.397	48.610

Average number of employees	67	74
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	Remune- ration of manage- ment 2015	Remune- ration of manage- ment 2014
	DKK'000	DKK'000
Executive Board	1.268	2.760
	1.268	2.760

The aggregated staff costs are included in advertising, sales and distribution costs as well as administrative costs.

Notes

Restricted stock units in Kellogg Company, USA are allocated to executives. The stock is released during a period of three years.

	2015	2014
	DKK'000	DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	103	132
	103	132
	2015	2014
	DKK'000	DKK'000
5. Tax on ordinary profit/loss for the year		
Current tax	1.805	1.579
Change in deferred tax for the year	(990)	(592)
Adjustment relating to previous years	(493)	528
	322	1.515
		Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment		
Cost beginning of year		2.393
Disposals		(1.751)
Cost end of year		642
Depreciation and impairment losses beginning of the year		(2.261)
Depreciation for the year		(103)
Reversal regarding disposals		1.751
Depreciation and impairment losses end of the year		(613)
Carrying amount end of year		29

Total depreciation and impairment losses for 2015 related to other fixtures and fittings, tools and equipment, are included in administrative costs in the income statement.

7. Prepayments

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

Notes

8. Cash and cash equivalents

Kellogg Europe has an uncommitted overdraft facility with a maximum of DKK 349,828 thousand, which Nordisk Kellogg ApS may share.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK'000</u>
9. Contributed capital			
900 shares	900	2.000,00	1.800
1 share	1	200.000,00	200
2 shares	2	1.000.000,00	2.000
3 shares	3	2.000.000,00	6.000
1 share	1	8.000.000,00	8.000
	<u>907</u>		<u>18.000</u>

	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
10. Deferred tax		
Property, plant and equipment	10	4
Provisions	(17.024)	(17.471)
Tax losses carried forward	<u>12.346</u>	<u>12.102</u>
	<u>(4.668)</u>	<u>(5.365)</u>
		Deferred tax
Opening balance		(5,365)
Adjustment of deferred tax prior years		(293)
Tax on profit/loss for the year		<u>990</u>
		<u>(4,668)</u>

The Company's total deferred tax assets amount to DKK 12,356 thousand at 31 December 2015. Deferred tax recognised by the Company amounts to negative DKK 4,668 thousand and is allocated by DKK 4,438 thousand on deferred tax asset and negative DKK 9,106 thousand on deferred tax liability at 31 December 2015.

Notes

	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>
11. Contingent liabilities		
Recourse and non-recourse guarantee commitments	<u>1.648</u>	<u>1.558</u>
Contingent liabilities	<u>1.648</u>	<u>1.558</u>

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 2015 for the remainder of the period of non-terminability totals DKK 4,943 thousand (2014: DKK 7,330 thousand).

12. Related parties with control

Related parties with a controlling interest in Nordisk Kellogg ApS:

Kellogg Group S.a.r.l, 560A, rue de Neudorf, L-2220, Luxembourg

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

13. Ownership

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

14. Consolidation

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.