

Nordisk Kellogg ApS

Vandtårnsvej 62 A, 5.e.
2860 Søborg
CVR No. 45434117

Annual report 2020

The Annual General Meeting adopted the
annual report on 17.05.2021



Kenn Milton

Chairman of the General Meeting

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Entity details

Entity

Nordisk Kellogg ApS
Vandtårnsvej 62 A, 5.e.
2860 Søborg

CVR No.: 45434117

Registered office: Gladsaxe

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Kenn Milton, Chairman

Ruth Hughes

Kresten Hellberg

Søren Anders Vestbjerg

Executive Board

Kenn Milton, Chief Executive Officer

Auditors

Beierholm Statsautoriseret Revisionspartnerselskab

Knud Højgaards vej 9

2860 Søborg

CVR No.: 32895468

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordisk Kellogg ApS for the financial year 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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.

Søborg, 17.05.2021

Executive Board



Kenn Milton
Chief Executive Officer

Board of Directors

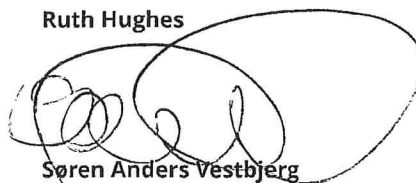


Kenn Milton
Chairman



Kresten Hellberg

Ruth Hughes



Søren Anders Vestbjerg

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 1 January 2020 - 31 December 2020, 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 (Årsregnskabsloven).

In our opinion, the accompanying financial statements present fairly, in all material respects, the company's assets, equity and liabilities and financial position as at 31 December 2020 and the company's financial performance for the financial year 1 January 2020 - 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 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 financial statements' section of the auditor's report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Danish Financial Statements Act and for such internal control as the 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, the management is responsible for assessing the 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 unless the management either intends to liquidate the company 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:

- 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

The management is responsible for the management's review.

Our opinion on the financial statements does not include the management's review, and we do not express any form of opinion on the management's review.

In connection with our audit of the financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

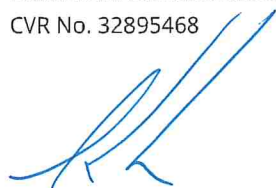
Furthermore, it is our responsibility to consider whether the management's review contains the information required under the Danish Financial Statements Act.

Based on the work performed, we believe that the management's review is in accordance with the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act.

Søborg, 17.05.2021

Beierholm Statsautoriseret Revisionspartnerselskab

CVR No. 32895468

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name Kim Larsen.

Kim Larsen

State Authorized Public Accountant

Identification No (MNE) mne32179

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	653,465	613,705	573,961	539,903	620,669
Gross profit/loss	61,607	76,749	70,074	78,395	76,704
Operating profit/loss	19,042	16,762	12,061	10,704	9,269
Net financials	(3,421)	(5,990)	1,031	(839)	(3,686)
Profit/loss for the year	12,778	7,319	1,631	8,329	3,165
Total assets	311,660	198,901	127,230	203,844	201,297
Investments in property, plant and equipment	74	1,172	1,028	192	425
Equity	44,147	31,811	26,597	124,966	116,637
Ratios					
Return on equity (%)	34.0	25.1	2.2	6.9	2.8
Equity Ratio (%)	14.2	16.0	20.9	61.3	57.9
Return on assets (%)	6.1	8.4	9.5	5.3	4.6

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Return on assets (%):

$\frac{\text{Operating Profit} * 100}{\text{Total assets}}$

Total assets

Primary activities

The Entity'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 2020 has increased by 6 % compared to 2019. The increase in 2020 was primarily driven by increased sales both in the snacks and ready to eat cereal categories.

Profit before tax for 2020 amounted to DKK 15.621 thousand compared to a profit before tax of DKK 10.772 thousand in 2019, due to product cost improvements and trade spend efficiencies during 2020.

2020 was a successful year in the business. We leveraged the growth of the snacks category through growing our Pringles business and activating in market and in store. Our campaigns and promotions have resonated very well with our consumers. Further, the cereal business continued a solid growth driven by positive category development and strong in store activities and selected innovation. We have established a firm foundation and presence in the market.

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

Outlook

The Entity expects the revenue of RTEC (ready to eat breakfast cereals) as well our Snacks business to continue sustained growth for 2021 after a satisfactory start to the year. There have been several innovations launched already across both the RTEC and Snacks category in 2021. The Danish business has responded well to these so far. Further, promotional activity and the markets demand during the COVID-19 crisis has increased consumption levels and we expect to some extent this trend to continue through the balance of the year. We will continue to monitor trends closely according to how the market responds to the uncertain global economic market situation.

Particular risks

The Entity'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.

The Company is monitoring closely the risk posed by the Corona virus (COVID-19) and has implemented effective measures to safeguard employees and operations. The Company continues to monitor closely the situation and has a response team actively and continually reviewing and implementing appropriate safeguards across its facilities to effectively address the risks posed if the virus were to cause disruption to its operations in Denmark.

Use of financial instruments

Financial risk policies are implemented by the Company's treasury department. The department has a policy and procedures manual that sets out specific guidelines to manage financial risks and circumstances where it would be appropriate to use the financial instruments to manage these. The Company's policy on mitigating the effect of currency exposure is to consider hedging the net exposure on certain transactions by entering into approved Treasury instruments.

Group relations

The Entity's share capital is fully owned by Kellogg Group S.a.r.l., 26 Boulevard de Kockelscheuer, L-1821 Luxembourg.

Foreign branches

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

Statutory report on corporate social responsibility

Management refers to Corporate social responsibility, including politics related to climate impact, social conditions and employee relations, respect for human rights as well as Anti-corruption and bribery 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 report on the underrepresented gender

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 organization. Our objective is to improve the balance between men and women in the management of our organization.

Target figures for the board of Directors

Based on a specific assessment of the Entity's circumstances, including the industry within which we operate, and the talents which accordingly must be present in the Board of Directors, the objective is a 33% share, or one person. This target figure is considered both realistic and ambitious. 4 February 2021, Mrs Ruth Hughes was appointed to the Entity's Board of Directors and the target was met.

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 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	1	653,465	613,705
Cost of sales		(591,858)	(536,956)
Gross profit/loss		61,607	76,749
Distribution costs		(18,044)	(23,730)
Administrative expenses	2	(24,521)	(36,257)
Operating profit/loss		19,042	16,762
Other financial income		6	452
Other financial expenses		(3,427)	(6,442)
Profit/loss before tax		15,621	10,772
Tax on profit/loss for the year	5	(2,843)	(3,453)
Profit/loss for the year	6	12,778	7,319

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Other fixtures and fittings, tools and equipment		902	1,497
Property, plant and equipment	7	902	1,497
Fixed assets		902	1,497
Trade receivables		82,548	66,547
Deferred tax	8	2,176	2,126
Other receivables		0	2,309
Tax receivable		0	805
Prepayments	9	7,501	5,717
Receivables		92,225	77,504
Cash	10	218,533	119,900
Current assets		310,758	197,404
Assets		311,660	198,901

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	11	18,000	18,000
Retained earnings		26,147	13,811
Equity		44,147	31,811
Deferred tax	8	15,380	15,423
Provisions		15,380	15,423
Tax payable		400	0
Non-current liabilities other than provisions		400	0
Trade payables		5,238	3,003
Payables to group enterprises		158,575	87,295
Other payables		87,920	61,369
Current liabilities other than provisions		251,733	151,667
Liabilities other than provisions		252,133	151,667
Equity and liabilities		311,660	198,901
Staff costs	3		
Amortisation, depreciation and impairment losses	4		
Financial instruments	12		
Contingent liabilities	13		
Related parties with controlling interest	14		
Group relations	15		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	18,000	13,811	31,811
Pension scheme	0	(567)	(567)
Tax of entries on equity	0	125	125
Profit/loss for the year	0	12,778	12,778
Equity end of year	18,000	26,147	44,147

Notes

1 Revenue

	2020 DKK'000	2019 DKK'000
Denmark	(395,129)	373,451
Finland	(139,736)	131,003
Norway	(118,600)	109,251
Total revenue by geographical market	(653,465)	613,705

All of the Entity's business and profit before taxation arose from its principal activity of marketing, sales and distribution of ready-made breakfast cereals and salty snacks to the Nordics markets. A geographical analysis of turnover by origin is as shown above.

2 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	270	270
	270	270

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

3 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	14,943	12,250
Pension costs	2,266	2,182
Other social security costs	713	146
	17,922	14,578
Average number of full-time employees	26	26

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Executive Board	793	900
	793	900

Special incentive programmes

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.

4 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Depreciation of property, plant and equipment	637	680
	637	680

5 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	3,051	1,948
Change in deferred tax	(499)	1,319
Adjustment concerning previous years	291	186
	2,843	3,453

6 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	12,778	7,319
	12,778	7,319

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	3,009
Exchange rate adjustments	(51)
Additions	74
Cost end of year	3,032
Depreciation and impairment losses beginning of year	(1,512)
Exchange rate adjustments	19
Depreciation for the year	(637)
Depreciation and impairment losses end of year	(2,130)
Carrying amount end of year	902

8 Deferred tax

	2020 DKK'000	2019 DKK'000
Property, plant and equipment	(87)	(59)
Other investments	(673)	(562)
Provisions	15,380	15,423
Tax losses carried forward	(1,416)	(1,504)
Deferred tax	13,204	13,298

	2020 DKK'000
Changes during the year	
Beginning of year	13,298
Adjustment of deferred tax prior years	169
Change in deferred tax	(263)
End of year	13,204

The Entity has per December 31, 2020 recognized a tax asset of DKK 2.176 thousand. The tax asset to tax losses carried forward and property, plant and equipment.

The management has estimated based on budgets that there will be a future taxable income available in which unutilized tax losses can be utilized.

9 Prepayments

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

10 Cash

Kellogg Europe has an uncommitted overdraft facility with a maximum of DKK 182.760 thousand (2019: DKK 200.430 thousand), which Nordisk Kellogg ApS may share.

11 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
900 shares	900	2	1,800
1 share	1	200	200
2 shares	2	1000	2,000
3 shares	3	2000	6,000
1 share	1	8000	8,000
	907		18,000

12 Financial instruments

The Entity has a number of foreign currency forward contracts outstanding at the balance sheet date to hedge the foreign exchange exposure on future expected cash flows denominated in foreign currency. During the year, the Entity entered into an intra-group hedging programme for all contracts maturing post January 2019.

In addition the Entity has elected not to apply hedge accounting to these contracts with the changes in fair value being recorded directly in the Profit and Loss Account.

The aggregate principle amount on contracts to buy and sell foreign currency outstanding at the year-end is DKK 218.514 thousand (2019: DKK 148.689 thousand). The principle amount outstanding at the year-end is excluding contracts with maturity dates pre-dating the annual close. The fair value of contracts held with an intra-group counterparty is a liability of DKK 7.771 thousand (2019: Liability of DKK 3.354 thousand) and has been recognised as an amount owed to a fellow group undertaking.

The foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for SEK:DKK.

13 Contingent liabilities

	2020 DKK'000	2019 DKK'000
Recourse and non-recourse guarantee commitments	1,258	1,322
Contingent liabilities	1,258	1,322

Contractual obligations

The Entity has entered into rental and lease agreements on cars and office facilities, etc. which are non-terminable for varying periods until 2020. The total rental obligation at 31 December 2020 for the remainder of the period of non-terminability totals DKK 3.680 thousand (2019: DKK 5.075 thousand).

14 Related parties with controlling interest

Related parties with a controlling interest in Nordisk Kellogg ApS:

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

Other related parties:

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

Transactions:

During the financial year, related party transactions have been conducted on arm's length basis.

15 Group relations

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.

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

Accounting policies

Reporting class

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

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 expenses

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
--------------------------------------------------	-----------

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 Entity's experience.

Deferred tax

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

Income tax payable or receivable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed 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.

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.