
Mars Danmark A/S

Ørestads Boulevard 67, DK-2300 København S

Annual Report for 1 January - 31 December 2019

CVR No 63 20 32 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/5 2020

Adrian Comaneci
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mars Danmark A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations and cash flows for 2019.

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

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

Copenhagen, 26 May 2020

Executive Board

Annette Zeipel
CEO

Board of Directors

Adrian Comaneci
Chairman

Annette Zeipel

Kim Devald

Independent Auditor's Report

To the Shareholder of Mars Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Mars Danmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our 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) 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

Independent Auditor's Report

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 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 Financial Statements unless 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 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 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 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

Independent Auditor's Report

obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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.

Hellerup, 26 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Boje Andreassen
statsautoriseret revisor
mne2338

Gösta Gauffin
statsautoriseret revisor
mne45821

Company Information

The Company

Mars Danmark A/S
Ørestads Boulevard 67
DK-2300 København S

Telephone: + 45 43 24 51 00
Facsimile: + 45 43 24 52 00
Website: www.mars.com/denmark

CVR No: 63 20 32 11
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Adrian Comaneci, Chairman
Annette Zeipel
Kim Devald

Executive Board

Annette Zeipel

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Bech-Bruun Advokatfirma
Langelinie Allé 35
DK-2100 København Ø

Bankers

Handelsbanken
Park Allé 290
DK-2605 Brøndby

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Revenue	468,589	483,240	476,768	460,225	452,683
Gross profit/loss	197,273	198,601	187,306	191,638	185,543
Profit/loss before financial income and expenses	82,614	88,225	82,414	89,286	92,769
Net financials	-1,019	-468	-3,577	-1,212	-449
Net profit/loss for the year	63,061	68,574	60,491	69,007	70,446
Balance sheet					
Balance sheet total	237,003	205,936	206,992	216,420	227,337
Equity	114,614	96,553	92,979	107,488	90,481
Cash flows					
Cash flows from:					
including investment in property, plant and equipment	-468	-325	-200	-991	-230
Number of employees	138	132	128	120	112
Ratios					
Profit margin	17.6%	18.3%	17.3%	19.4%	20.5%
Return on assets	34.9%	42.8%	39.8%	41.3%	40.8%
Solvency ratio	48.4%	46.9%	44.9%	49.7%	39.8%
Return on equity	59.7%	72.4%	60.4%	69.7%	96.8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

The annual Report of Mars Danmark A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company sells the Group's products, which are chocolate, ice-cream, gum, candy, pet food and human food in Denmark.

For the Mars companies in Denmark, Norway, Sweden and Finland, a shared service centre has been established at the Company's office at Ørestaden.

In 2016 Wrigley Scandinavia AB sublicensed rights to utilize and exploit Wrigley intellectual property in Denmark to Mars Danmark A/S. Under this arrangement, Mars Danmark A/S performs sales, marketing and distribution activities as well as provides certain administrative services, and in exchange Wrigley Scandinavia AB receives a licensing fee.

Development in the year

2019 was a challenging year for the company as we saw declines on all segments compared to 2018. Although we managed to increase our gross sales by 1.3% this was not enough to increase net sales mainly due to market challenges in the Petcare segment.

This was partly compensated by spending less on advertising in order to mitigate the effect this would have on earnings leading to a profit margin of 17.6% which landed 0.7 percentage points below 2018.

Intellectual capital resources

The employees constitute a very important asset for the Company.

The Company operates in a very competitive market and great emphasis is placed on recruiting and retaining the best employees. Focus is on the continued development and training of the employees via ongoing feedback on performance and by offering relevant courses to the associate. Employee engagement is measured in cooperation with Gallup and the employees take an active part in the development of action plans.

Management's Review

The expected development

Focus for 2020 will be on product mix and adding new customers. We've had a good Q1 start of the year delivering a solid net sales growth, but this is however not expected to continue as the market is rapidly changing given the COVID-19 situation, see also subsequent events disclosures in note 1. We expect this will affect sale of our most Chocolate & Gum products and that we will see a decline in convenience leading to end the year with revenue and net profit in line with 2019.

Statutory Statement of Social Responsibility - Business model

In 1947, Forrest E. Mars, Sr. documented his objective to build a business that manufactures and distributes food products in a manner that creates "mutuality of benefits" for all stakeholders. Still owned by the Mars family, we remain committed to this objective at every level of the company.

Our policies and standards cover diverse areas, with examples including the Mars Marketing Code, Quality and Food Safety Standards, Improper Payments Policy, Competition Law Compliance Program and our Supplier Code of Conduct which among other things contain policies around human rights and climate impact. Mars Danmark A/S is compliant with all Mars global policies.

Mars Danmark A/S is a sales and marketing organization whose key activity is to sell the products of Mars Incorporated in the Danish market. The products are Confectionery, Ice cream, pet food and human food. Furthermore, Mars Danmark A/S owns the Wrigley Scandinavia sublicensed rights to utilize and exploit Wrigley intellectual property in Denmark.

Mars Danmark is a part of Mars Nordics, and is based out of its headquarters in Ørestaden, Copenhagen. The Company has 117 employees located in its Copenhagen office who perform work within marketing, finance, logistics, HR, and corporate affairs. The Company bases its operations on five guiding principles; Quality, Responsibility, Mutuality, Efficiency, and Freedom. These principles aim to guide and unite business units across geography, language and culture.

Risk analysis

The risk of Mars Danmark influencing the environment, social and employee relationships, human rights and anti-corruption by its actions is estimated to be limited. Mars Danmark complies with all relevant legislation in the mentioned areas. However, Mars Danmark is particularly aware of the risks related to transport associated emissions, corruption, employee retention and the right to equality in the workplace.

As part of Mars Incorporated, Mars Danmark adheres to several global policies, which seek to solve and manage issues and risks of the Mars Group's operations worldwide. Insofar as there is a difference between the perception of risks of each of the aforementioned areas between the Mars Group and Mars Danmark, this is described for the individual area.

Management's Review

Environment

Mars Incorporated aims to grow in ways that are good for people, good for the planet and good for our business. Guiding Mars is the Sustainable in a Generation Plan launched in September 2017 that focuses on three interconnected drivers of purposeful growth: Healthy Planet, Thriving People and Nourishing Wellbeing. Mars have set ambitious goals for continuous improvement, striving to deepen their impacts and expand their collaborations. While Mars continue to focus progress on set goals, their work moving forward will also include efforts across plastic packaging, renewable thermal and their Next Generation Supplier program.

For Mars Danmark, the way to deal with environmental risks is via the impact that the Company has through its facilities and transportation as outlined in Mars Danmark's environmental policies.

For Mars Danmark, environmental concerns are related to the efforts that can be made from the Copenhagen Office in order to reduce the environmental impact of the Mars Group. It is the ambition of Mars Danmark to further minimize the emissions linked to international collaborations, by reducing the need for and use of flight transportation.

Mars Danmark is aware how advertisement campaigns and the materials involved impact the environment or have the potential to do so. Mars Danmark wishes to continuously improve the effectiveness of both materials and ways of advertising products in Denmark.

Efforts and results concerning environmental issues

Throughout 2019, Mars Danmark continued to monitor travel related emission by using travel cost as a proxy for environmental impact. This is done in order to minimize travel related emissions. Besides, Mars Danmark made efforts to promote the use of digital solutions in order to eliminate the requirement of travel.

Since January 2019, Mars Danmark met the requirements to obtain a WWF Green Office certification, demonstrating the official commitment to a CO₂ footprint reduction, which is in line with the goals outlined in the Mars Sustainable in a Generation Plan.

Management's Review

Social and employee relationships

As a family-owned business driven by The Five Principles, Mars believe the global economy — and global businesses like theirs — need to do much more to ensure that work empowers people. Mars Incorporated is aware of the risks related to issues within the communities in which Mars Incorporated operates, that's why a cornerstone of the Sustainable in a Generation Plan is Mars' Thriving People ambition to meaningfully improve the lives of 1 million people across their value chain to enable them to thrive. To do this, Mars are engaging a network of partners from NGOs to governments and focusing on three areas where they believe they can drive meaningful change — increasing income, respecting human rights and unlocking opportunities for women.

For Mars Danmark, the primary risk is related to that of potential issues within employee retention. Mars Danmark deals with this risk via efforts to create an attractive workspace, as outlined and exemplified in the Mars Nordics Associate Handbook.

In order to run a profitable and efficient business, Mars Danmark is dependent on qualified and competent employees. However, the Company is mindful of the personal characteristics needed to succeed in the Mars workplace. Mars gives all employees the freedom to act with full responsibility for doing their assigned jobs. In return for accepting responsibility and delivering superior results, the Company is aware of its responsibility to create the ideal circumstances to do so, by providing respect and support as well as appropriate awards.

Mars Danmark believes that a diverse staff creates better results. It is the ambition of the Company to always hire the person most suited for the position and it is a goal of the Company to create a workplace in which the gender distribution reflects that of Danish society.

Mars Danmark endeavors to create a meaningful and evolving job to which the employees themselves contribute. It is an ambition of Mars Danmark to ensure that all employees maintain a healthy work-life balance. The Company encourages all employees to use all vacation days as well as keeping overtime to a minimum. Free time and vacation are perceived as a necessary means to recovery. Mars believes it should be possible to unite work and family life without aggravating opportunities in the workplace.

Mars policies regarding social and employee relationships are further elaborated in the Mars employee handbook.

Management's Review

Efforts and results concerning social and employee relationships

Mars Danmark continued in 2019 to distribute the employee handbook to all new employees. Besides, all new employees participate in a heavy on-boarding process in order to ensure that they are provided the best conditions to thrive and prosper in the Mars workplace.

Throughout 2019, Mars Danmark maintained efforts to promote a gender equal organization via endeavors in the recruitment practice, by maintaining focus on hiring the candidate most suited for the position.

In 2019, this led to a highly satisfactory level of employee turnover, as well as an on-target gender diversity throughout the whole organization. Furthermore, the Company reached a top 20 ranking in the Great Place to Work ranking.

Human rights

Respecting human rights is the foundation for any successful and sustainable business. Mars acknowledges that challenges to human rights are widespread across the global economy and can be particularly complex at the farthest ends of global supply chains. Mars Incorporated believes it's critically important to for everyone touched by our business to be treated with fairness, dignity and respect from factory workers in Chicago to farmers in Cote d'Ivoire.

Mars Incorporated is committed to respecting human rights and aims to do so by following the Mars Human Rights Policy, launched in 2014. For Mars Danmark, human rights risks are managed by creating a responsible workplace, which is exemplified in Mars Danmark's employee onboarding and outplacement efforts.

Mars Danmark adheres to the commitments to human rights of the Mars Group. The Company supports and acts in accordance with the UN guiding principles on Business and Human Rights. Furthermore, Mars Danmark acknowledge that it is the duty of government to protect and fulfill human rights, and the duty of Mars Danmark to respect and promote these rights throughout the Company's value chain.

Mars Danmark perceives human rights to also concern the right for individuals to have a job, which offers both professional and personal satisfaction, joy and meaning. Mars Danmark acknowledges that employees may choose work styles or career options that represent their own most appropriate balance of work within life, and it is the Company's ambition to support the employee in doing so.

Efforts and results concerning human rights

Mars Danmark continued to provide support to employees who wish to pursue career opportunities which better reflect personal preferences and needs. Via an outplacement program, Mars Danmark continued in 2019 to provide professional support via external suppliers, in order to ensure that employees are given the optimal conditions to achieve a job that provides both personal and professional satisfaction.

Management's Review

Gender diversity

The Board of Directors currently consists of one female and two male members, which is considered as equal distribution according to the guidelines from the Danish Business Authority.

Mars Inc. policy is to recruit, and reward Associates based on capability and performance regardless of age, gender, sexuality, ethnicity, religion, or physical ability. Each of our country operations has the freedom to respond to local needs and shape practices that are culturally sensitive and consistent with our commitment to show respect for all and to open collaboration and communication.

Women are underrepresented in many workplaces around the world, especially in senior positions. We are proud that we gradually at a global level increased the proportion of women in management roles, and we work hard to maintain that level. For 2019, the global result was 43%.

Diversity in management teams is globally tracked in talent metrics (Female Headcount Percent) and is evaluated quarterly for all countries (incl. Denmark) in structured reviews with the regional management team.

Denmark leads the way with 58% of Danish managers who are female (excluding management team) and 60% of the Management team members are female. Mars Danmark A/S will continue having gender diversity as a key focus area, as well as any discrimination in general.

Targeted programs, mentoring and support for female Associates play an important part in improving gender diversity. In addition to our Women in Leadership program, we offer a specific global program for Women in Sales Leadership.

Anti-corruption

The Mars Group strives to conduct business around the world with the highest standards of ethics and in compliance with the law. The Mars Group is aware of the risks of corruptive behavior both within the organization and throughout the value chain. The Mars Group's efforts to combat corruptive behavior are embodied in the Mars Group Anti-Corruption Principle and the Mars Supplier Code of Conduct.

Mars Danmark follows and applies the supplier code of conduct developed by the Mars Group. The content is aligned with the U.K. Bribery Act, the U.S. Foreign Corrupt Practices Act and the California Supply Chain Transparency Act. Furthermore, it prohibits the use of child labor in accordance with the ILO Minimum Age convention No. 138, and in the areas of health and safety, the environment and ethical business practices.

Mars Danmark does not allow employees to either give or receive gifts from external parties, such as, but not limited to, suppliers and customers. Gifts include dinner, entertainment activities or similar activities which are not directly related to the business of Mars Danmark, as outlined in the Mars Nordic Associates Handbook.

Management's Review

Efforts and results concerning anti-corruption

Throughout 2019, Mars Danmark continued to enforce its supplier code of conduct in order to combat corruptive behavior. Furthermore, the Company continued to introduce all new employees to company policies on anti-corruption, via the employee handbook which is distributed to all new employees.

In 2019, there were no incidents at Mars Danmark which led to the termination of employees.

Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

COVID-19 had no immediate impact for Mars Danmark A/S in the first quarter of 2020. At this time, it is not possible to provide a reliable estimate of the impact for the remainder of 2020. However, Management considers that the COVID-19 outbreak will have limited impact on the Company's operations for 2020 and assesses that the financial resources available are adequate.

Income Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Revenue	2	468,589	483,240
Other operating income	3	97,921	96,837
Cost of sales		-273,849	-276,215
Other external expenses		-95,388	-105,261
Gross profit/loss		197,273	198,601
Staff expenses	4	-114,126	-109,759
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5	-533	-617
Profit/loss before financial income and expenses		82,614	88,225
Financial expenses	6	-1,019	-468
Profit/loss before tax		81,595	87,757
Tax on profit/loss for the year	7	-18,534	-19,183
Net profit/loss for the year		63,061	68,574

Balance Sheet 31 December

Assets

	Note	2019 TDKK	2018 TDKK
Other fixtures and fittings, tools and equipment		1,114	1,179
Property, plant and equipment	8	1,114	1,179
Deposits		2,179	2,126
Fixed asset investments	9	2,179	2,126
Fixed assets		3,293	3,305
Inventories		32,766	20,580
Trade receivables		24,871	35,423
Receivables from group enterprises		171,375	132,004
Other receivables		0	114
Deferred tax asset	11	1,686	779
Corporation tax		0	476
Prepayments	12	339	70
Receivables		198,271	168,866
Cash at bank and in hand		2,673	13,185
Currents assets		233,710	202,631
Assets		237,003	205,936

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		5,400	5,400
Retained earnings		54,214	46,153
Proposed dividend for the year		55,000	45,000
Equity		114,614	96,553
Provisions for pensions and similar obligations		7,387	4,832
Provisions		7,387	4,832
Other payables		3,040	0
Long-term debt	14	3,040	0
Trade payables		22,586	26,364
Payables to group enterprises		27,019	27,321
Corporation tax		8,345	0
Other payables	14	54,012	50,866
Short-term debt		111,962	104,551
Debt		115,002	104,551
Liabilities and equity		237,003	205,936
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	5,400	46,153	45,000	96,553
Ordinary dividend paid	0	0	-45,000	-45,000
Net profit/loss for the year	0	8,061	55,000	63,061
Equity at 31 December	5,400	54,214	55,000	114,614

Cash Flow Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Net profit/loss for the year		63,061	68,574
Adjustments	18	20,086	20,268
Change in working capital	19	12,664	-4,743
Cash flows from operating activities before financial income and expenses		95,811	84,099
Financial expenses		-1,019	-468
Cash flows from ordinary activities		94,792	83,631
Corporation tax paid		-10,619	-17,325
Cash flows from operating activities		84,173	66,306
Purchase of property, plant and equipment		-468	-325
Fixed asset investments made etc		-53	-52
Cash flows from investing activities		-521	-377
Dividend paid		-45,000	-65,000
Change in group cash pool		-49,164	11,281
Cash flows from financing activities		-94,164	-53,719
Change in cash and cash equivalents		-10,512	12,210
Cash and cash equivalents at 1 January		13,185	975
Cash and cash equivalents at 31 December		2,673	13,185
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2,673	13,185
Cash and cash equivalents at 31 December		2,673	13,185

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

COVID-19 had no immediate impact for Mars Danmark A/S in the first quarter of 2020. At this this time, it is not possible to provide a reliable estimate of the impact for the remainder of 2020. However, Management considers that the COVID-19 outbreak will have limited impact on the Company's operations for 2020 and assesses that the financial resources available are adequate.

	<u>2019</u> TDKK	<u>2018</u> TDKK
2 Revenue		
Business segments		
Confectionery	269,988	271,107
Petcare and food	198,601	212,133
	<u>468,589</u>	<u>483,240</u>

3 Other operating income

Other operating income consists of services sold to group companies.

4 Staff expenses

Wages and salaries	103,725	99,565
Pensions	9,030	8,775
Other staff expenses	1,371	1,419
	<u>114,126</u>	<u>109,759</u>
Average number of employees	<u>138</u>	<u>132</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2019 TDKK	2018 TDKK
5 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	533	617
	533	617
6 Financial expenses		
Interest paid to group enterprises	899	259
Other financial expenses	84	90
Exchange loss	36	119
	1,019	468
7 Tax on profit/loss for the year		
Current tax for the year	18,929	19,196
Deferred tax for the year	-906	23
Adjustment of tax concerning previous years	511	-36
	18,534	19,183
8 Property, plant and equipment		Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January		5,170
Additions for the year		468
Cost at 31 December		5,638
Impairment losses and depreciation at 1 January		3,991
Depreciation for the year		533
Impairment losses and depreciation at 31 December		4,524
Carrying amount at 31 December		1,114

Notes to the Financial Statements

9 Fixed asset investments

	Deposits TDKK
Cost at 1 January	2,126
Additions for the year	53
Cost at 31 December	2,179
Carrying amount at 31 December	2,179

10 Receivables from group enterprises

Of the Company's receivables from group enterprises, DKK 161.484k (2018: DKK 112,320k) are encompassed by group Cash Pools.

	2019 TDKK	2018 TDKK
11 Deferred tax asset		
Property, plant and equipment	-61	-45
Provisions	-1,625	-734
Transferred to deferred tax asset	1,686	779
	0	0
Deferred tax asset		
Calculated tax asset	1,686	779
Carrying amount	1,686	779

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
13 Distribution of profit		
Proposed dividend for the year	55,000	45,000
Retained earnings	8,061	23,574
	63,061	68,574

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	3,040	0
Long-term part	3,040	0
Other short-term payables	54,012	50,866
	57,052	50,866

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	10,040	9,598
Between 1 and 5 years	2,499	9,090
	12,539	18,688

Operating lease obligation	4,675	3,115
Rental obligation	7,864	15,573

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

Notes to the Financial Statements

16 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

<u>Name</u>	<u>Place of registered office</u>
Mars Incorporated	McLean, Virginia, USA

The Company's nearest and ultimate Parent Company is Mars Incorporated, 6885 Elm Street, McLean, Virginia 22101, USA. The consolidated financial statements are not published, as Mars Inc. is privately owned.

17 Fee to auditors appointed at the general meeting

	<u>2019</u> TDKK	<u>2018</u> TDKK
Audit fee to PricewaterhouseCoopers	261	267
Tax advisory services	254	205
Non-audit services	133	135
	<u>648</u>	<u>607</u>

Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
18 Cash flow statement - adjustments		
Financial expenses	1,019	468
Depreciation, amortisation and impairment losses, including losses and gains on sales	533	617
Tax on profit/loss for the year	<u>18,534</u>	<u>19,183</u>
	<u>20,086</u>	<u>20,268</u>
19 Cash flow statement - change in working capital		
Change in inventories	-12,186	2,557
Change in receivables	20,189	-2,671
Change in other provisions	2,555	862
Change in trade payables, etc	<u>2,106</u>	<u>-5,491</u>
	<u>12,664</u>	<u>-4,743</u>

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Mars Danmark A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

20 Accounting Policies (continued)

Translation policies - continued

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Segment reporting

Segment information is presented in respect of business segments based on the Company's risks and returns and its internal financial reporting system.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise costs of finished goods and goods for resale to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment, as well as profit and loss from disposals.

Notes to the Financial Statements

20 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish sister companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Notes to the Financial Statements

20 Accounting Policies (continued)

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

20 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

20 Accounting Policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$