Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Phone +4536102030
Fax +4536102040
www.deloitte.dk

Hans Lautrup Holding A/S

Slotsalléen 3
2930 Klampenborg
Central Business Registration No 10505194

Annual report 2016

The Annual General Meeting adopted the annual report on 16.05.2017

Chairman of the General Meeting

Name: Kjeld Kornum

Contents

Entity details

Entity
Hans Lautrup Holding A/S
Slotsalléen 3
2930 Klampenborg

Central Business Registration No: 10505194
Registered in: Gentofte
Financial year: 01.01.2016 - 31.12.2016

Phone: +4533367000
Fax: +4533367001
Website: www.lautrup.com
E-mail: lautrup@lautrup.com

Committee of Representatives
Kjeld Kornum, Chairman
Hans Erik Lautrup
Joachim Lautrup

Executive Board
Hans Erik Lautrup, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hans Lautrup Holding A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016 and of the results of their operations and the consolidated cash flow for the financial year 01.01.2016 - 31.12.2016.

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

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

Klampenborg, 16.05.2017

Executive Board

Hans Erik Lautrup
Chief Executive Officer

Committee of Representatives

Kjeld Kornum Chairman	Hans Erik Lautrup	Joachim Lautrup

Independent auditor's report

To the shareholder of Hans Lautrup Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Hans Lautrup Holding A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 16.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Claus Jorch Andersen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Gross profit	27.193	26.842	17.266	14.474	21.940
Operating profit/loss	14.393	15.646	7.014	4.313	11.331
Net financials	(1.893)	663	547	831	1.143
Profit/loss for the year	9.400	12.298	3.677	2.370	5.749
Total assets	120.131	113.807	107.307	117.170	134.798
Investments in property, plant and equipment	0	31.579	193	0	244
Equity	41.945	36.121	29.204	27.876	30.506
Ratios					
Return on equity (%)	24,1	37,7	12,9	8,1	20,8
Equity ratio (%)	34,9	31,7	27,2	23,8	22,6
Return on capital employed (%)	12,0	13,7	6,2	3,7	8,4

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

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	Profit/loss for the year x 100 / Average equity incl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity x 100 / Total assets	The financial strength of the Entity
Return on capital employed (%)	Operating profit/loss x 100 / Balance sheet total	The Entity's ability to generate profits, compared to how much money is invested in total assets.

Management commentary

Primary activities

The Company is a holding company and its object is to generate income from return on investments and securities.

Development in activities and finances

Profit for the year amounts to DKK 9,400 thousand.

It is Management's overall assessment that the performance for 2016 has been satisfactory.

Outlook

Management expects to realise an earnings improvement for 2017 because of expected improvements of earnings in the Company's group enterprises.

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.

Consolidated income statement for 2016

	Notes	2016 DKK	2015 DKK'000
Gross profit		**27.193.293**	**26.842**
Staff costs	1	(11.654.302)	(10.565)
Depreciation, amortisation and impairment losses	2	(1.146.480)	(631)
Operating profit/loss		**14.392.511**	**15.646**
Other financial income	3	346.171	2.029
Other financial expenses	4	(2.239.083)	(1.366)
Profit/loss before tax		**12.499.599**	**16.309**
Tax on profit/loss for the year	5	(3.099.330)	(4.011)
Profit/loss for the year	6	**9.400.269**	**12.298**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Goodwill		3.628.978	4.047
Intangible assets	7	**3.628.978**	**4.047**
Land and buildings		30.124.614	30.947
Other fixtures and fittings, tools and equipment		1.962.844	2.158
Leasehold improvements		32.612	45
Property, plant and equipment	8	**32.120.070**	**33.150**
Fixed assets		**35.749.048**	**37.197**
Manufactured goods and goods for resale		26.792.096	15.802
Inventories		**26.792.096**	**15.802**
Trade receivables		44.050.623	55.399
Receivables from group enterprises		5.078.507	3.086
Deferred tax		0	123
Other receivables		427.882	1.028
Prepayments		114.793	108
Receivables		**49.671.805**	**59.744**
Other investments		15.460	16
Other investments		**15.460**	**16**
Cash		**7.903.065**	**1.048**
Current assets		**84.382.426**	**76.610**
Assets		**120.131.474**	**113.807**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital		1.000.000	1.000
Retained earnings		36.445.284	31.621
Proposed dividend		4.500.000	3.500
Equity		**41.945.284**	**36.121**
Deferred tax		138.000	0
Provisions		**138.000**	**0**
Mortgage debts		11.402.679	11.555
Bank loans		8.432.618	10.214
Other payables		5.475.994	5.314
Non-current liabilities other than provisions	9	**25.311.291**	**27.083**
Current portion of long-term liabilities other than provisions	9	1.940.250	1.946
Bank loans		8.171.406	6.161
Trade payables		32.295.656	29.435
Payables to group enterprises		130.650	1.614
Income tax payable		2.791.931	4.327
Other payables		7.407.006	7.120
Current liabilities other than provisions		**52.736.899**	**50.603**
Liabilities other than provisions		**78.048.190**	**77.686**
Equity and liabilities		**120.131.474**	**113.807**
Financial instruments	11		
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Mortgages and securities	14		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1.000.000	31.620.611	3.500.000	36.120.611
Ordinary dividend paid	0	0	(3.500.000)	(3.500.000)
Other equity postings	0	(96.918)	0	(96.918)
Tax of equity postings	0	21.322	0	21.322
Profit/loss for the year	0	4.900.269	4.500.000	9.400.269
Equity end of year	**1.000.000**	**36.445.284**	**4.500.000**	**41.945.284**

Consolidated cash flow statement for 2016

	Notes	2016 DKK	2015 DKK'000
Operating profit/loss		14.392.511	15.645
Amortisation, depreciation and impairment losses		1.146.480	631
Working capital changes	10	4.099.904	4.082
Cash flow from ordinary operating activities		**19.638.895**	**20.358**
Financial income received		346.171	2.029
Financial income paid		(2.239.083)	(1.366)
Income taxes refunded/(paid)		(4.351.824)	(1.509)
Other cash flows from operating activities		(96.918)	(145)
Cash flows from operating activities		**13.297.241**	**19.367**
Acquisition etc of property, plant and equipment		0	(31.544)
Sale of property, plant and equipment		301.502	2
Sale of fixed asset investments		0	450
Acquisition of enterprises		0	(21.457)
Other cash flows from investing activities		(3.476.022)	33.655
Cash flows from investing activities		**(3.174.520)**	**(18.894)**
Loans raised		(1.778.423)	15.254
Dividend paid		(3.500.000)	(2.500)
Other cash flows from financing activities		0	(2.000)
Cash flows from financing activities		**(5.278.423)**	**10.754**
Increase/decrease in cash and cash equivalents		**4.844.298**	**11.227**
Cash and cash equivalents beginning of year		(5.112.639)	(16.340)
Cash and cash equivalents end of year		**(268.341)**	**(5.113)**
Cash and cash equivalents at year-end are composed of:			
Cash		7.903.065	1.048
Short-term debt to banks		(8.171.406)	(6.161)
Cash and cash equivalents end of year		**(268.341)**	**(5.113)**

Notes to consolidated financial statements

	2016 DKK	2015 DKK'000
1. Staff costs		
Wages and salaries	11.323.266	10.138
Other social security costs	75.784	75
Other staff costs	255.252	352
	11.654.302	**10.565**
Average number of employees	**10**	**10**

Referring to section 98b of the Danish Financial Statements Act, remuneration to Management has not been disclosed.

	2016 DKK	2015 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	418.007	96
Depreciation of property, plant and equipment	926.509	477
Profit/loss from sale of intangible assets and property, plant and equipment	(198.036)	58
	1.146.480	**631**

	2016 DKK	2015 DKK'000
3. Other financial income		
Financial income arising from group enterprises	345.727	1.750
Exchange rate adjustments	0	271
Fair value adjustments	0	3
Other financial income	444	5
	346.171	**2.029**

	2016 DKK	2015 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	109.478	0
Exchange rate adjustments	140.164	0
Fair value adjustments	130	0
Other financial expenses	1.989.311	1.366
	2.239.083	**1.366**

Notes to consolidated financial statements

5. Tax on profit/loss for the year	2016 DKK	2015 DKK'000
Tax on current year taxable income	2.813.253	4.271
Change in deferred tax for the year	261.000	(256)
Adjustment concerning previous years	25.077	(4)
	3.099.330	**4.011**

6. Proposed distribution of profit/loss	2016 DKK	2015 DKK'000
Ordinary dividend for the financial year	4.500.000	3.500
Retained earnings	4.900.269	6.028
Minority interests' share of profit/loss	0	2.770
	9.400.269	**12.298**

7. Intangible assets	Goodwill DKK
Cost beginning of year	4.143.401
Cost end of year	**4.143.401**
Amortisation and impairment losses beginning of year	(96.416)
Amortisation for the year	(418.007)
Amortisation and impairment losses end of year	**(514.423)**
Carrying amount end of year	**3.628.978**

Notes to consolidated financial statements

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
8. Property, plant and equipment			
Cost beginning of year	31.220.530	3.799.202	1.527.941
Disposals	0	(710.000)	0
Cost end of year	**31.220.530**	**3.089.202**	**1.527.941**
Depreciation and impairment losses beginning of the year	(273.979)	(1.640.581)	(1.483.068)
Depreciation for the year	(821.937)	(92.311)	(12.261)
Reversal regarding disposals	0	606.534	0
Depreciation and impairment losses end of the year	**(1.095.916)**	**(1.126.358)**	**(1.495.329)**
Carrying amount end of year	**30.124.614**	**1.962.844**	**32.612**

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
9. Liabilities other than provisions				
Mortgage debts	159.000	165	11.402.679	10.767.000
Bank loans	1.781.250	1.781	8.432.618	1.336.000
Other payables	0	0	5.475.994	0
	1.940.250	**1.946**	**25.311.291**	**12.103.000**

	2016 DKK	2015 DKK'000
10. Change in working capital		
Increase/decrease in inventories	(10.990.211)	4.623
Increase/decrease in receivables	11.941.887	(7.970)
Increase/decrease in trade payables etc	3.148.228	7.429
	4.099.904	**4.082**

11. Financial instruments

The Group has entered into an interest rate swap agreement of DKK 20,000 thousand with expiry at 31.12.2023. At the balance sheet date, the interest rate swap is negative by approx. DKK 5,476 thousand. The hedge adjustment of the interest rate swap is recognised in equity.

Notes to consolidated financial statements

12. Unrecognised rental and lease commitments

The Group has entered into a mutual interminable rental agreement for the years 2016 to 2019. Rent for this year amounts to DKK 1,910 thousand.

13. Contingent liabilities

The Company participates in joint taxation with other Danish consolidated companies and, consequently, according to the Danish Corporation Tax Act, is liable as of the financial year 2013 for any income taxes etc for the jointly taxed companies, and as of 01.07.2012 for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Hans Lautrup Holding A/S has provided suretyship for the bank debt of group enterprises.

14. Mortgages and securities

The Company has pledged a company charge of DKK 20 million to unsecured claims, operating equipment, fixtures and fittings as security for bank debt and bank guarantees submitted. The book value of the company charge was DKK 72 million on balance sheet date.

Parent income statement for 2016

	Notes	2016 DKK	2015 DKK'000
Gross loss		**(155.315)**	**(153)**
Income from investments in group enterprises		10.485.587	10.147
Other financial income	1	674.462	1.722
Other financial expenses	2	(1.878.430)	(2.384)
Profit/loss before tax		**9.126.304**	**9.332**
Tax on profit/loss for the year	3	273.965	195
Profit/loss for the year	4	**9.400.269**	**9.527**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Other fixtures and fittings, tools and equipment		780.738	781
Property, plant and equipment	5	**780.738**	**781**
Investments in group enterprises		60.837.957	62.928
Receivables from group enterprises		12.570.804	11.859
Fixed asset investments	6	**73.408.761**	**74.787**
Fixed assets		**74.189.499**	**75.568**
Receivables from group enterprises		5.078.507	3.086
Income tax receivable		299.042	191
Receivables		**5.377.549**	**3.277**
Other investments		4.500	5
Other investments		**4.500**	**5**
Current assets		**5.382.049**	**3.282**
Assets		**79.571.548**	**78.850**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital	7	1.000.000	1.000
Reserve for net revaluation according to the equity method		26.951.289	29.041
Retained earnings		9.493.995	2.579
Proposed dividend		4.500.000	3.500
Equity		**41.945.284**	**36.120**
Bank loans		8.432.618	10.214
Non-current liabilities other than provisions	8	**8.432.618**	**10.214**
Current portion of long-term liabilities other than provisions	8	1.781.250	1.781
Payables to group enterprises		24.129.634	28.993
Other payables		3.282.762	1.742
Current liabilities other than provisions		**29.193.646**	**32.516**
Liabilities other than provisions		**37.626.264**	**42.730**
Equity and liabilities		**79.571.548**	**78.850**
Contingent liabilities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	1.000.000	29.041.298	2.579.313	3.500.000
Ordinary dividend paid	0	0	0	(3.500.000)
Other equity postings	0	(96.918)	0	0
Tax of equity postings	0	21.322	0	0
Profit/loss for the year	0	(2.014.413)	6.914.682	4.500.000
Equity end of year	**1.000.000**	**26.951.289**	**9.493.995**	**4.500.000**

	Total DKK
Equity beginning of year	36.120.611
Ordinary dividend paid	(3.500.000)
Other equity postings	(96.918)
Tax of equity postings	21.322
Profit/loss for the year	9.400.269
Equity end of year	**41.945.284**

Notes to parent financial statements

	2016 DKK	2015 DKK'000
1. Other financial income		
Financial income arising from group enterprises	674.462	1.722
	674.462	**1.722**

	2016 DKK	2015 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	1.237.334	1.591
Other financial expenses	641.096	793
	1.878.430	**2.384**

	2016 DKK	2015 DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	(299.042)	(191)
Adjustment concerning previous years	25.077	(4)
	(273.965)	**(195)**

	2016 DKK	2015 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	4.500.000	3.500
Transferred to reserve for net revaluation according to the equity method	(2.014.413)	6.146
Retained earnings	6.914.682	(119)
	9.400.269	**9.527**

	Other fixtures and fittings, tools and equipment DKK
5. Property, plant and equipment	
Cost beginning of year	780.738
Cost end of year	**780.738**
Carrying amount end of year	**780.738**

Notes to parent financial statements

	Investments in group enterprises DKK	Receivables from group enterprises DKK
6. Fixed asset investments		
Cost beginning of year	33.886.668	11.859.249
Additions	0	711.555
Cost end of year	**33.886.668**	**12.570.804**
Revaluations beginning of year	29.041.298	0
Amortisation of goodwill	(418.010)	0
Share of profit/loss for the year	10.903.597	0
Dividend	(12.500.000)	0
Other adjustments	(75.596)	0
Revaluations end of year	**26.951.289**	**0**
Carrying amount end of year	**60.837.957**	**12.570.804**

	Registered in	Corpo-rate form	Equity inte-rest %
Investments in associates comprise:			
HLC-Hans Lautrup Chemicals A/S, CVR no. 11562531	Gentofte	A/S	100,0
Enzo Holding ApS, CVR no. 27085660	Gentofte	ApS	100,0
HLC-Hans Lautrup Real Estate A/S, CVR no. 26361192	Gentofte	A/S	100,0
Hans Lautrup Chemicals Germany GmbH	Germany	GmbH	100,0

	Number	Par value DKK	Nominal value DKK
7. Contributed capital			
A shares	330	1000	330.000
B shares	670	1000	670.000
	1.000		**1.000.000**

There have been no changes in the share capital in the past five financial years.

Notes to parent financial statements

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
8. Liabilities other than provisions				
Bank loans	1.781.250	1.781	8.432.618	1.336.000
	1.781.250	**1.781**	**8.432.618**	**1.336.000**

9. Contingent liabilities

The Company participates in joint taxation with other Danish consolidated companies and, consequently, according to the Danish Corporation Tax Act, is liable as of the financial year 2013 for any income taxes etc for the jointly taxed companies, and as of 01.07.2012 for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Hans Lautrup Holding A/S has provided suretyship for the bank debt of group enterprises.

10. Related parties with controlling interest

Related parties with a controlling interest in the Hans Lautrup Holding A/S Group:

- Lautrup Swiss SA, Rue de Hesse 16, 1204 Geneva, Switzerland

Other related parties with whom the Hans Lautrup Holding A/S Group has had transactions in 2016:

- Enterprises in which Lautrup Swiss SA has controlling interest as well as the Company's Executive Board and Board of Directors.

Transactions between related parties and the Hans Lautrup Holding A/S Group in 2016:

- The Group has balances with Lautrup Swiss SA and enterprises in which Lautrup Swiss SA has controlling interest. Balances carry interest equal to the market rate.

Transactions with related parties have been carried out at arm's length.

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 (medium).

The accounting policies applied to these consolidated financial statements and parent 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.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the takeover date, with net assets having been calculated at fair value.

Accounting policies

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

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. Assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Accounting policies

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales and other external expenses.

Revenue

Revenue 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.

Pursuant to section 32 of the Danish Financial Statements Act, the Group has opted to aggregate the financial statement items revenue, other operating income, cost of sales and other external expenses for competitive reason.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Other financial income
Other financial income comprises interest income, realised and unrealised capital gains on securities and transactions in foreign currencies as well as amortisation premium or allowance on mortgage debt, cash discounts etc.

Other financial expenses
Other financial expenses comprise interest expenses, the interest portion of finance lease payments, realised and unrealised capital losses on securities, payables and transactions in foreign currencies as well as amortisation premium or allowance on mortgage debt, cash discounts etc.

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. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

The Parent is jointly taxed with some of its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Goodwill
Goodwill and acquired intellectual property rights are measured at cost less accumulated amortisation and impairment losses.

The carrying amount of goodwill is evaluated on an ongoing basis and written down to recoverable amount should the carrying amount exceed expected future net income from the operations or the activities that the goodwill is related to.

Property, plant and equipment
Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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:

Land and buildings	10-50 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

Accounting policies

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

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement with depreciation and impairment losses.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised intra-group profits or losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and plus or minus amortisation of positive, or negative, goodwill is recognised in the income statement.

Group enterprises with a negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method under equity.

The purchase method is applied to the acquisition of investments in group enterprises; see above description under consolidated financial statements.

Inventories
Inventories are measured at the lower of cost using weighted average prices and net realisable value.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

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

Other investments
Securities recognised under current assets comprise listed shares measured at fair value (quoted price) at the balance sheet date.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

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.

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

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.

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning

Accounting policies

and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and activities as well as purchase and sale of intangible assets, property, plant and equipment and fixed asset investments.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.