

Hans Laurup Holding A/S

Slotsalléen 3
2930 Klampenborg
Central Business Registration
No 10505194

Annual report 2019

The Annual General Meeting adopted the annual report on 28.05.2020

Chairman of the General Meeting

Name: Kjeld Kornum

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Entity details

Entity

Hans Lautrup Holding A/S
Slotsalléen 3
2930 Klampenborg

Central Business Registration No: 10505194
Registered in: Gentofte
Financial year: 01.01.2019 - 31.12.2019

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

Board of Directors

Kjeld Kornum, Chairman
Hans Erik Lautrup
Joachim Lautrup

Executive Board

Hans Erik Lautrup, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
PO 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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of their operations and the consolidated cash flow for the financial year 01.01.2019 - 31.12.2019.

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, 28.05.2020

Executive Board

Hans Erik Lautrup
Chief Executive Officer

Board of Directors

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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, 28.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Claus Jorch Andersen
State Authorised Public Accountant
Identification number (MNE) mne33712

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Gross profit	27.099	28.127	55.225	27.192	26.842
Operating profit/loss	13.023	13.757	14.629	14.391	15.646
Net financials	(1.011)	(660)	(1.259)	(1.892)	663
Profit/loss for the year	9.114	9.891	10.120	9.400	12.298
Total assets	112.422	117.066	120.646	120.133	113.807
Investments in property, plant and equipment	18	0	0	0	31.579
Equity incl minority interests	55.334	51.980	47.798	41.945	36.121
Ratios					
Return on equity (%)	17,0	19,8	22,6	24,1	37,7
Equity ratio (%)	49,1	44,4	39,7	34,9	31,7
Return on capital employed (%)	11,5	11,8	12,1	12,0	13,7

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

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity
Return on capital employed (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Balance sheet total}}$	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 9,114 thousand.

It is Management's overall assessment that the performance for 2019 has been satisfactory.

Outlook

In 2020, Management expects to realise an earnings improvement due to expected improvements in 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 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Gross profit		27.098.819	28.127
Staff costs	1	(13.025.685)	(13.052)
Depreciation, amortisation and impairment losses	2	(1.050.404)	(1.318)
Operating profit/loss		13.022.730	13.757
Other financial income	3	420.547	817
Other financial expenses	4	(1.431.634)	(1.477)
Profit/loss before tax		12.011.643	13.097
Tax on profit/loss for the year	5	(2.897.977)	(3.206)
Profit/loss for the year	6	9.113.666	9.891

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Goodwill		2.374.945	2.793
Intangible assets	7	2.374.945	2.793
Land and buildings		27.908.803	28.480
Other fixtures and fittings, tools and equipment		1.795.718	1.832
Leasehold improvements		1.475	8
Property, plant and equipment	8	29.705.996	30.320
Fixed assets		32.080.941	33.113
Manufactured goods and goods for resale		20.850.487	20.901
Inventories		20.850.487	20.901
Trade receivables		52.204.148	53.779
Receivables from group enterprises		2.937.791	3.326
Other receivables		1.491.947	122
Prepayments		122.345	124
Receivables		56.756.231	57.351
Other investments		8.440	10
Other investments		8.440	10
Cash		2.725.511	5.691
Current assets		80.340.669	83.953
Assets		112.421.610	117.066

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Contributed capital		1.000.000	1.000
Retained earnings		48.333.575	44.980
Proposed dividend		6.000.000	6.000
Equity		55.333.575	51.980
Deferred tax		113.000	123
Provisions		113.000	123
Mortgage debts		10.890.025	11.060
Other payables		3.844.070	4.356
Non-current liabilities other than provisions	9	14.734.095	15.416
Current portion of long-term liabilities other than provisions	9	169.000	168
Bank loans		10.069.209	15.538
Trade payables		23.758.048	27.323
Payables to group enterprises		205.117	0
Income tax payable		2.975.482	3.285
Other payables		5.064.084	3.233
Current liabilities other than provisions		42.240.940	49.547
Liabilities other than provisions		56.975.035	64.963
Equity and liabilities		112.421.610	117.066
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Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1.000.000	44.980.209	6.000.000	51.980.209
Ordinary dividend paid	0	0	(6.000.000)	(6.000.000)
Other equity postings	0	307.308	0	307.308
Tax of equity postings	0	(67.608)	0	(67.608)
Profit/loss for the year	0	3.113.666	6.000.000	9.113.666
Equity end of year	1.000.000	48.333.575	6.000.000	55.333.575

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Operating profit/loss		13.022.730	13.757
Amortisation, depreciation and impairment losses		1.050.404	1.318
Working capital changes	10	(1.478.558)	(1.985)
Cash flow from ordinary operating activities		12.594.576	13.090
Financial income received		420.547	817
Financial income paid		(1.431.634)	(1.477)
Income taxes refunded/(paid)		(3.285.287)	(3.334)
Other cash flows from operating activities		307.308	373
Cash flows from operating activities		8.605.510	9.469
Acquisition etc of property, plant and equipment		(18.000)	0
Other cash flows from investing activities		594.723	3.732
Cash flows from investing activities		576.723	3.732
Instalments on loans etc		(680.689)	(790)
Dividend paid		(6.000.000)	(6.000)
Cash flows from financing activities		(6.680.689)	(6.790)
Increase/decrease in cash and cash equivalents		2.501.544	6.411
Cash and cash equivalents beginning of year		(9.836.802)	(16.248)
Cash and cash equivalents end of year		(7.335.258)	(9.837)
Cash and cash equivalents at year-end are composed of:			
Cash		2.725.511	5.691
Securities		8.440	10
Short-term debt to banks		(10.069.209)	(15.538)
Cash and cash equivalents end of year		(7.335.258)	(9.837)

Notes to consolidated financial statements

	2019 DKK	2018 DKK'000
1. Staff costs		
Wages and salaries	12.682.006	12.613
Other social security costs	81.387	73
Other staff costs	262.292	366
	13.025.685	13.052
Average number of employees	11	11

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

	2019 DKK	2018 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	418.010	418
Depreciation of property, plant and equipment	632.394	900
	1.050.404	1.318

	2019 DKK	2018 DKK'000
3. Other financial income		
Financial income arising from group enterprises	229.820	160
Exchange rate adjustments	190.259	473
Other financial income	468	184
	420.547	817

	2019 DKK	2018 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	30.771	116
Fair value adjustments	765	5
Other financial expenses	1.400.098	1.356
	1.431.634	1.477

	2019 DKK	2018 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	2.907.977	3.202
Change in deferred tax for the year	(10.000)	4
	2.897.977	3.206

Notes to consolidated financial statements

	2019	2018	
	DKK	DKK'000	
6. Proposed distribution of profit/loss			
Ordinary dividend for the financial year	6.000.000	6.000	
Retained earnings	3.113.666	3.891	
	9.113.666	9.891	
		Goodwill	
		DKK	
7. Intangible assets			
Cost beginning of year		4.143.398	
Cost end of year		4.143.398	
Amortisation and impairment losses beginning of year		(1.350.443)	
Amortisation for the year		(418.010)	
Amortisation and impairment losses end of year		(1.768.453)	
Carrying amount end of year		2.374.945	
	Land and	Other	
	buildings	fixtures and	
	DKK	fittings, tools	
		and	
		equipment	
		DKK	
		Leasehold	
		improve-	
		ments	
		DKK	
8. Property, plant and equipment			
Cost beginning of year	37.216.294	2.804.621	1.527.942
Additions	0	18.000	0
Cost end of year	37.216.294	2.822.621	1.527.942
Depreciation and impairment losses beginning of the year	(8.735.554)	(973.063)	(1.519.850)
Depreciation for the year	(571.937)	(53.840)	(6.617)
Depreciation and impairment losses end of the year	(9.307.491)	(1.026.903)	(1.526.467)
Carrying amount end of year	27.908.803	1.795.718	1.475

Notes to consolidated financial statements

	Instalments within 12 months 2019 DKK	Instalments within 12 months 2018 DKK'000	Instalments beyond 12 months 2019 DKK	Outstanding after 5 years DKK
9. Liabilities other than provisions				
Mortgage debts	169.000	168	10.890.025	10.388.000
Bank loans	0	0	0	0
Other payables	0	0	3.844.070	0
	169.000	168	14.734.095	10.388.000

	2019 DKK	2018 DKK'000
10. Change in working capital		
Increase/decrease in inventories	50.996	(1.507)
Increase/decrease in receivables	206.001	2.059
Increase/decrease in trade payables etc	(1.735.555)	(2.537)
	(1.478.558)	(1.985)

11. Financial instruments

The Group has entered into an interest rate swap agreement of DKK 20,000 thousand with expiry at 29.12.2023. At the balance sheet date, the interest rate swap is negative by approx. DKK 3,844 thousand. The hedge adjustment of the interest rate swap is recognised in equity.

12. Unrecognised rental and lease commitments

The Group has entered into a rental agreement which may be terminated at three months' notice. The rent for this year amounts to DKK 2,037 thousand.

The Group has entered into lease agreements concerning a number of cars. The lease agreements run for 1-2 years. The total liability for the period from the balance date and until the lease agreements expire amounts to DKK 134 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 for any income taxes etc for the jointly taxed companies, and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

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

Notes to consolidated financial statements

14. Mortgages and securities

The Group has pledged a company charge of DKK 20 million on unsecured claims, inventories, operating equipment, fixtures and fittings as security for bank debt and bank guarantees submitted. The book value of the company charge was DKK 74 million on balance sheet date.

15. Group relations

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

- Hans Lautrup Holding A/S, Gentofte, Denmark

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

- Hans Lautrup Holding A/S, Gentofte, Denmark

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
16. Subsidiaries			
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

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Gross loss		(169.925)	(171)
Income from investments in group enterprises		9.531.189	10.505
Other financial income	1	921.291	984
Other financial expenses	2	(1.286.652)	(1.600)
Profit/loss before tax		8.995.903	9.718
Tax on profit/loss for the year	3	117.763	173
Profit/loss for the year	4	9.113.666	9.891

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Other fixtures and fittings, tools and equipment		780.738	781
Property, plant and equipment	5	780.738	781
Investments in group enterprises		59.687.483	60.917
Receivables from group enterprises		14.972.028	14.125
Fixed asset investments	6	74.659.511	75.042
Fixed assets		75.440.249	75.823
Receivables from group enterprises		2.762.282	2.799
Joint taxation contribution receivable		117.763	173
Receivables		2.880.045	2.972
Other investments		1.450	2
Other investments		1.450	2
Cash		73	0
Current assets		2.881.568	2.974
Assets		78.321.817	78.797

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Contributed capital	7	1.000.000	1.000
Reserve for net revaluation according to the equity method		25.800.815	27.030
Retained earnings		22.532.760	17.950
Proposed dividend		6.000.000	6.000
Equity		<u>55.333.575</u>	<u>51.980</u>
Trade payables		62.500	63
Payables to group enterprises		22.197.282	26.550
Other payables		728.460	204
Current liabilities other than provisions		<u>22.988.242</u>	<u>26.817</u>
Liabilities other than provisions		<u>22.988.242</u>	<u>26.817</u>
Equity and liabilities		<u>78.321.817</u>	<u>78.797</u>
Contingent liabilities	8		
Related parties with controlling interest	9		

Parent statement of changes in equity for 2019

	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	27.029.926	17.950.283	6.000.000
Ordinary dividend paid	0	0	0	(6.000.000)
Other equity postings	0	307.308	0	0
Tax of equity postings	0	(67.608)	0	0
Profit/loss for the year	0	(1.468.811)	4.582.477	6.000.000
Equity end of year	1.000.000	25.800.815	22.532.760	6.000.000
				Total DKK
Equity beginning of year				51.980.209
Ordinary dividend paid				(6.000.000)
Other equity postings				307.308
Tax of equity postings				(67.608)
Profit/loss for the year				9.113.666
Equity end of year				55.333.575

Notes to parent financial statements

	2019 DKK	2018 DKK'000
1. Other financial income		
Financial income arising from group enterprises	921.291	801
Other financial income	0	183
	921.291	984
	2019 DKK	2018 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	1.190.961	1.528
Other financial expenses	95.691	72
	1.286.652	1.600
	2019 DKK	2018 DKK'000
3. Tax on profit/loss for the year		
Refund in joint taxation arrangement	(117.763)	(173)
	(117.763)	(173)
	2019 DKK	2018 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	6.000.000	6.000
Transferred to reserve for net revaluation according to the equity method	(1.468.811)	(495)
Retained earnings	4.582.477	4.386
	9.113.666	9.891
		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	14.124.555
Additions	0	847.473
Cost end of year	33.886.668	14.972.028
Revaluations beginning of year	27.029.926	0
Amortisation of goodwill	(418.010)	0
Share of profit/loss for the year	9.949.199	0
Dividend	(11.000.000)	0
Other adjustments	239.700	0
Revaluations end of year	25.800.815	0
Carrying amount end of year	59.687.483	14.972.028

The item Investments in group enterprises includes goodwill of DKK 2,188 thousand at 31.12.2019.

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

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

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

8. Contingent liabilities

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

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

Notes to parent financial statements

9. 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 2019:

- 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 2019:

- 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 parent financial statements 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

Estimated useful lives and residual values are reassessed annually.

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.

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 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.

Accounting policies

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.