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BDO Statsautoriseret revisionsaktieselskab
Spliidsvej 25 A, Box 170
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CVR no. 20 22 26 70

RUTHS HOTEL A/S

HANS RUTHS VEJ 1, 9990 SKAGEN

ANNUAL REPORT

1. JANUAR - 31. DECEMBER 2016

29th FINANCIAL YEAR

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 23 May 2017

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Jens Kofoed Stadum

CVR NO. 11 81 09 85

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COMPANY DETAILS

Company	Ruths Hotel A/S Hans Ruths Vej 1 9990 Skagen
	CVR no.: 11 81 09 85 Established: 1 January 1988 Registered Office: Frederikshavn Kommune Financial Year: 1 January - 31 December
Board of Directors	Jens Kofoed Stadum, Chairman M.A.A Alfred Hansen Ingrid Baltzer Sørensen Mark Philip Sørensen Jonathon Bond Dorte Krak
Board of Executives	Peter Christian Jensen
Auditor	BDO Statsautoriseret revisionsaktieselskab Spliidsvej 25 A, Box 170 9990 Skagen
Bank	Spar Nord Bank A/S Sct. Laurentii Vej 36 9990 Skagen
Law Firm	HjulmandKaptain Frederikshavnsvej 215 9800 Hjørring

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Ruths Hotel A/S for the year 1 January - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Skagen, 23 May 2017

Board of Executives

Peter Christian Jensen

Board of Directors

Jens Kofoed Stadum Chairman	M.A.A Alfred Hansen	Ingrid Baltzer Sørensen
Mark Philip Sørensen	Jonathon Bond	Dorte Krak

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Ruths Hotel A/S

AUDITORS OPINION ON THE FINANCIAL STATEMENTS

Opinion

We have audited the Financial Statements of Ruths Hotel A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, cash flows, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 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 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.

Management's Responsibility for the Financial Statements

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

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 Responsibility for 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 judgment and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT

- 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 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.

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, we conclude that 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 of Management's Review.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Matter
Contrary to section 210 of the Danish Companies Act, a loan has been granted to a Board of Directors member in 2015. The loans have been paid in 2016. Management may incur liability.

Skagen, 23 May 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-nr. 20 22 26 70

Allan Andersen
State Authorised Public Accountant

FINANCIAL HIGHLIGHTS

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
Income statement					
Gross profit/loss	22.903	20.069	19.237	18.185	17.088
Operating profit/loss before depreciation/EBITDA	4.496	2.930	2.263	2.046	747
Operating profit/loss	1.934	844	501	414	-797
Financial income and expenses, net	32	63	92	95	115
Profit/loss for the year before tax	1.966	906	593	513	-680
Profit/loss for the year	1.966	906	593	513	-245
Balance sheet					
Balance sheet total	122.997	99.431	98.760	96.941	95.654
Equity	115.868	93.650	92.743	92.150	91.637
Cash flows					
Cash flows from operating activities	6.613	1.829	2.943	3.529	-1.014
Cash flows from investment-related activities	-1.815	-2.541	-2.099	-1.934	-660
Cash flows from financing activities	0	0	0	0	0
Total cash flows	4.798	-712	844	1.595	-1.674
Investment in tangible fixed assets	-1.877	-2.541	-2.099	-2.060	-1.492
Ratios					
Rate of return	2,1	1,0	0,6	0,5	-1,0
Solvency ratio	94,2	94,2	93,9	95,1	95,8
Return on equity	1,9	1,0	0,6	0,6	Neg.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Rate of return:

$$\frac{\textit{Profit / loss on ordinary activities} \times 100}{\textit{Average invested capital}}$$

Invested capital:

Intangible fixed assets (ex goodwill) + tan gible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities

Solvency ratio:

$$\frac{\textit{Equity, at year end} \times 100}{\textit{Total equity and liabilities, at year end}}$$

Return on equity:

$$\frac{\textit{Profit/loss after tax} \times 100}{\textit{Average equity}}$$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities
The principal activities comprise hotel operations and food service, administration of real estate as well as other business' related hereto in the opinion of the Board of Directors.

Development in activities and financial position
In the financial year 2016, Ruths Hotel A/S and AHK Nr. 206 ApS merged on 1 January and the operations in AHK Nr. 206 ApS are continued in the financial statements of Ruths Hotel A/S. The companies have chosen to use the acquisition method.

The income statement for 2016 shows a profit of DKK 1,966,477 and the balance sheet shows equity of DKK 115,867,540.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2016 DKK	2015 DKK
GROSS PROFIT		**22.902.832**	**20.068.682**
Staff costs	1	-18.406.375	-17.132.470
Depreciation, amortisation and impairment		-2.561.965	-2.086.170
Other operating expenses		0	-6.372
OPERATING PROFIT		**1.934.492**	**843.670**
Other financial income		35.280	70.260
Other financial expenses		-3.295	-7.555
PROFIT BEFORE TAX		**1.966.477**	**906.375**
Tax on profit/loss for the year		0	0
PROFIT FOR THE YEAR		**1.966.477**	**906.375**

PROPOSED DISTRIBUTION OF PROFIT

Proposed dividend for the year		250.000	0
Retained earnings		1.716.477	906.375
TOTAL		**1.966.477**	**906.375**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2016 DKK	2015 DKK
Land and buildings		101.064.936	82.205.183
Other plant, tools and equipment		3.626.208	3.559.999
Tangible fixed assets	2	**104.691.144**	**85.765.182**
FIXED ASSETS		**104.691.144**	**85.765.182**
Raw materials and consumables		943.004	899.159
Finished goods and goods for resale		36.932	9.580
Inventories		**979.936**	**908.739**
Trade receivables		1.752.277	1.088.199
Receivables from owners and management	3	0	163.346
Other receivables		1.269.656	2.370.107
Prepayments and accrued income		6.867	110.551
Receivables		**3.028.800**	**3.732.203**
Cash and cash equivalents		**14.297.448**	**9.024.683**
CURRENT ASSETS		**18.306.184**	**13.665.625**
ASSETS		**122.997.328**	**99.430.807**

EQUITY AND LIABILITIES	Note	2016	2015
Share capital		16.600.000	16.500.000
Retained earnings		99.017.540	77.149.589
Proposed dividend		250.000	0
EQUITY	4	**115.867.540**	**93.649.589**
Bank debt		47.276	28.192
Prepayments received from customers		300.028	243.250
Trade payables		362.463	192.556
Payables to owners and management		40.272	0
Other liabilities		3.183.717	2.521.307
Accruals and deferred income		3.196.032	2.795.913
Current liabilities		**7.129.788**	**5.781.218**
LIABILITIES		**7.129.788**	**5.781.218**
EQUITY AND LIABILITIES		**122.997.328**	**99.430.807**

	Note
Contingencies etc.	5
Charges and securities	6

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2016 DKK	2015 DKK
Profit/loss for the year	1.966.477	906.375
Reversed depreciation of the year	2.561.965	2.086.170
Reversed realisation profits/loss	-37.758	6.372
Change in inventory	-71.197	33.829
Change in receivables	998.398	-799.018
Change in current liabilities (ex bank, tax and dividend)	1.194.998	-404.375
CASH FLOWS FROM OPERATING ACTIVITIES	**6.612.883**	**1.829.353**
Purchase of tangible fixed assets	-1.876.998	-2.540.795
Sale of tangible fixed assets	62.000	0
CASH FLOWS FROM INVESTING ACTIVITIES	**-1.814.998**	**-2.540.795**
CHANGE IN CASH AND CASH EQUIVALENTS	**4.797.885**	**-711.442**
Cash and cash equivalents at 1 January	8.996.491	9.707.933
Additions from mergers and acquisition of company	455.796	0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**14.250.172**	**8.996.491**
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents	14.297.448	9.024.683
Bank debt	-47.276	-28.192
CASH AND CASH EQUIVALENTS, NET DEBT	**14.250.172**	**8.996.491**

NOTES

	2016 DKK	2015 DKK	Note
Staff costs			1
Average number of employees 47 (2015: 42)			
Wages and salaries	16.686.404	15.411.138	
Pensions	738.430	778.923	
Social security costs	416.743	403.450	
Other staff costs	564.798	538.959	
	18.406.375	**17.132.470**	

Tangible fixed assets 2

	Land and buildings	Other plant, tools and equipment
Cost at 1 January 2016	111.698.041	22.673.560
Additions	568.995	1.308.003
Additions from mergers and acquisition of company	19.621.024	14.147
Disposals	0	-1.596.205
Cost at 31 December 2016	**131.888.060**	**22.399.505**
Depreciation and write-down at 1 January 2016	29.492.856	19.113.564
Reversal of depreciation of assets disposed of	0	-1.571.963
Depreciation for the year	1.330.268	1.231.696
Depreciation and write-down at 31 December 2016	**30.823.124**	**18.773.297**
Carrying amount at 31 December 2016	**101.064.936**	**3.626.208**

Receivables from owners and management 3

Receivables from owners and management total DKK 0. Over the year, the owners and management have repaid DKK 163,346.

Equity 4

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	16.500.000	76.243.214	0	92.743.214
Additions/disposals relating to equity by mergers and acquisitions	100.000	21.057.849		21.157.849
Proposed distribution of profit		1.716.477	250.000	1.966.477
Equity at 31 December 2016	**16.600.000**	**99.017.540**	**250.000**	**115.867.540**

NOTES

Note

Contingencies etc. **5**

Contingent assets
The company has at 31 December 2016 an unrecognised deferred tax asset of DKK ('000) 25,642.

Operating lease
The company has entered into an operating lease contract with an average annual lease payment of DKK ('000) 31.

The lease contract has a residual term of 28 months with a total residual lease payment of DKK ('000) 73.

Charges and securities **6**
The company has issued mortgage deeds of af total of DKK ('000) 5,000. The amount has been provided as security for bank balances.

ACCOUNTING POLICIES

The annual report of Ruths Hotel A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B with the adoption of individual rules from reporting class C.

The annual report is prepared consistently with the accounting principles used last year.

Business combination
New acquired or established enterprises are recognised in the financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor’s opinion, built on an overall assessment of the production equipment.

INCOME STATEMENT

Net revenue
Net revenue from sale is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Other operating expenses
Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company’s employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses in general
Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from transactions in foreign currencies. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Tangible fixed assets
Land and buildings, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings...	20-50 years	40 %
Other plant, fixtures and equipment..	5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated at the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets
The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the amount is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the amount is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is impaired to meet expected losses.

ACCOUNTING POLICIES

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

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

Accruals, liabilities
Accruals recognised as liabilities include payments received regarding income in subsequent years.

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.