Lauritz.com A/S

CVR no. 24 99 45 70

Annual Report

January – December 2016

Generalforsamling: 26.04.2017
Dirigent: Claus Clemen Boysen

Contents

Company details

The company	Lauritz.com A/S Dynamovej 11 2860 Søborg Denmark	
	Phone:	+ 45 44 50 98 00
	CVR no.:	24 99 45 70
	Incorporated:	1 October 1999, founded 1885
	Municipality:	Søborg
	Financial year:	1 January - 31 December
	Web site:	www.lauritz.com
Contact	Claus Clemen Boysen, CFO e-mail: claus@lauritz.com	
Board of Directors	Bengt Olof Tony Sundström, Chairman John Tyrrestrup Thomas Skovlund Schnegelsberg Josephine Eva Salenstedt Petra Birgitta von Rohr Henrik Gustaf Knutsson Blomquist	
Executive Management	Mette Margrethe Rode Sundstrøm, CEO Henrik Engmark, COO Claus Clemen Boysen, CFO	
Independent Auditor	Deloitte Statsautoriseret Revisionspartnerselskab	

Primary activities

Lauritz.com's vision is to revolutionize the auction world by democratizing the perception of auctions and inspire modern consumers to sell and buy on online auctions. We are eager to take advantage of our first mover position and continuing to drive the paradigm shift of the international industry, by migrating traditional physical auctions to online auctions, and by presenting a great diversity of objects within art, design and antiquities to a great diversity of customers. The strategy is straightforward: more auction houses, more customers and more lots on auction at Lauritz.com, in more countries – in order to be accessible for our local sellers and global buyers.

Lauritz.com is the Nordics' biggest auction house. Since the hammer fell in the first online auction in 1999, turnover on auctions has grown from DKK 20m in 2000 to DKK 1,073m in 2016. The Lauritz.com Group employs approx. 350 employees around half of whom are valuation specialists, distributed in 27 auction houses in Denmark, Sweden, Norway, Germany and Belgium.

Lauritz.com A/S, which is 100 % owned by Lauritz.com Group A/S, is the concept owner. The auction houses are owned either by Lauritz.com A/S or by partners who have a partnership agreement with Lauritz.com A/S. Earnings in the auction houses consist of commission based on the fee income.

Lauritz.com Group offers online auctions on www.lauritz.com and on Stockholms Auktionsverk's, Helsingborgs Auktionsverk's and Karlstad-Hammarö Auktionsverk's digital platforms. Sellers can consign daily to specialists in their nearest Lauritz.com Group auction house, where buyers can also view the items at auction. A wide assortment of art, design, antiques and items of home luxury are offered for sale at auction. In addition to online auctions, Stockholms Auktionsverk and Helsingborgs Auktionsverk hold around 10 physical fine art auctions annually.

Development in activities and financials

The auction turnover for 2016 ended up stable compared to 2015 and amounted to DKK 1,073m (DKK 1,084m). Revenue decreased in 2016 to DKK 219.4m (DKK 225.2m) compared to 2015. The decrease in revenue is mainly explained by DKK 8m lower one-off fees from sales of partnership agreements in 2016 compared to 2015. Lauritz.com is a chain of 27 auction houses – some are owned by Lauritz.com, others by a local partner on a franchise like basis. Sometimes Lauritz.com sells an owned auction house to a new partner. Thus one-off fees from sales of partnership agreements is now and then generated.

When looking isolated at the core business, revenue related to auction commissions and fees showed an increase in 2016 and was DKK 2.2m higher compared to 2015.

On EBITDA level, we have historically every year tried to improve the EBITDA of the previous year. Again, in 2016, we delivered the best EBITDA result ever in the history of Lauritz.com. EBITDA in 2016 increased by 10 percent to DKK 46.3m (2015: DKK 41.8m). This is in line with our EBITDA growth guidance communicated on 19 January 2017, but lower than previously expected. The main reason for the deviation was lower than expected commission levels in the fourth quarter of 2016.

In spite of the stable auction turnover and the highest ever EBITDA, the lack of growth in auction turnover and the lower than expected profitability for the full year 2016 is disappointing.

In 2016, the number of online visits at Lauritz.com increased to around 6.2 million per month, hereof around 2 million unique visitors. Around 13,000 new customers were registered every month. We have a total of 3 million customer registrations.

This is a fantastic platform to build on and leverage with regards to both reaching more buyers internationally and expanding our base for supply of items by adding new local auction houses.
We will continue to explore and build the large middle-market segment, which positions Lauritz.com between peer-to-peer platforms with high volume at low prices and the fine art market with low volume and high prices. This is where we continue to see the highest potential.

2016 was in several ways a challenging year, but we believe to take the right measures for continued and profitable success. We thank our many motivated and loyal customers for taking part in our online revolution in the auction industry. We are proud of Lauritz.com's strong culture and our ability to take a new breath in our democratisation of the auction world, making auctions accessible to everyone, everywhere.

Knowledge resources

Lauritz.com prioritizes recruitment of skilled, ambitious people with strong engagement. Employees shall be able to identify with Lauritz.com's internal description of itself as a Passion Factory, where passion for art, design and antiques goes hand in hand with efficient production and logistics in terms of operation. Lauritz.com is a knowledge-based company and a requisite for future growth is that Lauritz.com retains present staff and attracts new competences. It is also necessary for Lauritz.com to develop and train staff further, which to a large degree takes place through Lauritz.com's internal training programme – Lauritz.com University. Key staff includes branch managers, valuation specialists and IT staff.

Environment

Items sold at auction are primarily secondhand, quality items that by virtue of their design language and quality have demonstrated their durability over long periods of time. In its communication, Lauritz.com is conscious of stimulating precisely the concept of reuse, and through its wide-scale sale of used items helps promote reuse and thereby sustainability in our society. Reuse and recycling saves the world's resources, reduces energy consumption for producing new goods and reduces impact on the environment.

Charity

Lauritz.com has been involved in charity for more than 13 years, collaborating with a wide range of large and small organizations, primarily in Denmark and Sweden. Activities here take the form of charity auctions of e.g. art, furniture, design objects and experiences donated by artists, producers of branded goods, shops or celebrities. Lauritz.com always donated buyer's premium as well as seller's commission and hammer fees.
In 2016, approx. DKK 4.8m was raised at Lauritz.com, of which DKK 1.8m was fees.

Particular risks

IT-related risks are involved in the operation of www.lauritz.com. These risks include crashes, loss of data, that competitors or others monitor or hack into the system, as well as virus attacks.

Financial risks

As a result of its operations, its investments and its financing, the Group is exposed to changes in foreign exchange rates and the level of interest rates. The Parent controls the financial risks in the Group centrally and coordinates the Group's cash management, including funding and placing of excess liquidity.

The issuance of bonds in Swedish kroner means increased risk of exposure to financial items in connection with changes in foreign exchange rates between Swedish and Danish kroner, as Lauritz.com A/S presents its annual report DKK.
The Interest rate on bonds issued in 2014 is based on 3M STIBOR + 750 basis points. The floating interest rate may thus affect the financial items of the company.

A few hedging transactions have been entered into during 2016 to hedge currency fluctuations – none open at 31 December 2016, but Management assesses these risks on an ongoing basis.

Capital resources

It is the objective of the Group to have sufficient capital resources to still be able to make suitable dispositions in proportion to operations and investments.

On 12 July 2016, a capital increase of DKK 47,088k was made as adopted by Lauritz.com A/S. The capital was increased by way of cash contribution form Lauritz.com Group A/S.

Management assesses the capital structure on an ongoing basis with a view to ensuring justifiable equity in the company. At 31 December 2016, the equity amounts to DKK 63.5m (2015: DKK 13.3m).

Events after the balance sheet date

On 27 March 2017, Lauritz.com A/S' CEO Mette Rode Sundstrøm has announced that she intends to resign her position. Mette Rode Sundstrøm will remain in her position until a new CEO has been recruited.

On 31 March 2017, Lauritz.com A/S entered into five-year partnership agreements for the two Danish auction houses situated in Søborg and Hørsholm.

The new partnership agreements will have a positive effect on EBITDA for 2017 of approx. DKK 18m.

No other events have occurred after the balance sheet date that could have a material influence on the Group's financial position.

Future prospects

In 2017, the Group expects to obtain an increased net revenue and an EBITDA margin between 20-25 percent.

We now take the measures needed to strengthen the foundation to leverage on our strong position on the online auction market. As part of our goal to increase revenue growth and profitability as well as to prepare ourselves for accelerated expansion, we are looking into all business areas. Doing this we will prioritize our core business within used quality items on online auctions, and thereby focus less on other secondary areas such as the peer-to-peer market as well as less valued items.

On the short-term basis, several initiatives have been taken in Q1 2017 to adapt the organisation to the existing revenue level. A cost cutting plan has been executed, including both reduction of 15 % of our staff at the headquarter and reduction of other spendings. The initiatives will have an impact on profitability during 2017.

We have revised our action plan for 2017. The plan focuses primarily on how to secure long-term growth in auction turnover, but also on how to further develop processes to optimize customer satisfaction, efficiency and increase earnings.

The biggest challenge in the auction business is to attract more sellers and items on auction. Our capability to establish new auction houses and attract more sellers to our current branches is therefore key to our success.

We establish new auction houses either by buying traditional auction houses with physical auctions and convert them to online auctions, or by starting up with local Lauritz.com partners. In 2016, we acquired Karlstad-Hammarö Auktionsverk in Sweden and closed a small auction house in Örebro, which showed unsatisfactory performance. At present, we negotiate with several sellers and potential partners to start up in both our current and in new geographical markets. We expect to open more auction houses in 2017.

As to auction turnover in existing branches, the action plan 2017 presents a long list of initiatives towards existing and potential selling customers, among others an improved pick-up service at seller's home, an elaboration of our CRM program to inspire buyers in Lauritz.com's massive database to also sell on auction, an optimized flow for our online evaluations and a new incentive package for sellers to consign.

As to organisation development, Lauritz.com will in 2017 upgrade our commercial management resources. On HQ level, country managers will be appointed and responsible for securing a local sales focus to acquire items. On branch level, we have changed the cast of the branch manager profile and have initiated recruitment of several new high-level branch managers with a more commercial sales director profile. Finally, we have initiated a leadership programme to further develop management capabilities among our existing branch managers.

In 2017, we will moreover introduce a palette of new features to further improve the customer experience for bidding and buying customers online. We will among others launch a new design of Lauritz.com's very popular app, a new credit card payment system for buyers, a more intelligent search engine, and add additional flexibility to our shipping services.

Statutory corporate social responsibility, cf. Sections 99a of the Danish Financial Statements Act

The Group has no policies in place for corporate social responsibility, including for human rights or for the enterprise's impact on the environment and climate.

Statutory corporate social responsibility, cf. Sections 99b of the Danish Financial Statements Act

At the end of 2016, the Board of Directors consisted of six board members elected by the annual general meeting, of which four were males and two were females. The objective was having at least one female member of the Board of Directors by 2019. For the next management level (the Executive management) consisting of CEO, COO and CFO, there was a composition of one female and two males in 2016.

Information on board member's other managerial posts

Name	*Managerial post*
Bengt Sundström, Chairman	Blixtz Holding A/S, Chairman of the Board of Directors
	Ejendomsselskabet Rovsingsgade 60-74 ApS, Managing Director
	Passionsfabrikken ApS, Managing Director
	Amio.dk ApS, Managing Director
	Vignelaure S.A.S., Managing Director
	SNC Soleil de Vignelaure, Managing Director
John Tyrrestrup	Blixtz Holding A/S, member of the Board of Directors
	Weco Invest A/S, member of the Board of Directors
	Weco-Travel International A/S, member of the Board of Directors
	Weco-Travel Cee A/S, member of the Board of Directors
	Aktieselskabet Virksomhedsbørsen, Chairman of the Board of Directors
	Lederbørsen A/S, Chairman of the Board of Directors
	Butiksbørsen A/S, Chairman of the Board of Directors
Thomas Schnegelsberg (independent)	Bagsværd Kost- & Gymnasieskole, Vice Chairman
Josephine Salenstedt	Rite Internet Ventures Holding AB, Partner
	Skincity Sweden AB – Chairman of the Board of Directors
	Capron Holding AB – Chairman of the Board of Directors
	Cidro Finans AB – member of the Board of Directors
Petra von Rohr (independent)	Com Hem, Head of Group Communication
	Novare Human Capital, member of the Board of Directors
Henrik Blomquist	Mercuri International Group AB, Chairman of the Board of Directors
	Investment AB Bure, Chairman of the Board of Directors
	Bure Growth AB, Chairman of the Board of Directors
	Cavena Image Products AB, Chairman of the Board of Directors
	MedCap AB, member of the Board of Directors
	Bure Financial Services AB, member of the Board of Directors

Statutory statement of corporate governance, cf. section 107b of the Danish Financial Statements Act

Control and risk management systems in connection with the reporting process

The Board of Directors and the Executive Management are overall responsible for the Group's control and risk management in connection with the reporting process, including compliance with applicable laws and regulations in connection with the financial reporting. The Group's control and risk management systems may provide fair but not absolute certainty that unlawful use of assets, losses and/or significant errors or omissions in connection with the reporting process is reduced.

Control environment

The Board of Directors assesses at least once a year the Group's organisational structure, the risk of fraud and the presence of internal rules and guidelines.

The Executive Management monitors the compliance with applicable laws and regulations and other rules and regulations in connection with the financial reporting on an ongoing basis and reports to the Board of Directors on an ongoing basis.

Risk assessment in connection with the reporting process

The Board of Directors makes at least once a year an overall risk assessment in connection with the reporting process. As part of the risk assessment, the Board of Directors considers the risk of fraud and the measures that need to be taken to reduce and/or eliminate such risks. At the same time, Management's incentive/motive, if any, for fraudulent financial reporting or other fraud is discussed.

Board of Directors' committees

The Board of Directors has appointed an Audit Committee consisting of Bengt Sundström, Chairman of the Board of Directors, and John Tyrrestrup, member of the Board of Directors. Altogether, the Audit Committee has extensive experience within financial areas and audit and accounting experience. The Audit Committee has held two meetings during the last year, but going forward, the Committee expects to meet at least three times a year.

The Board of Directors has appointed a Remuneration Committee consisting of Thomas Schnegelsberg (Chairman) and Bengt Sundström, both are members of the Board of Directors. The aim of the Remuneration Committee is to make recommendations for remunerations and terms of job interviews with Management of the Group. The Remuneration Committee has held two meetings during the last year, but going forward, the Committee expects to meet at least three times a year.

The Board of Directors has appointed Nomination Committee consisting of Bengt Sundström, Joakim Spetz and Patrik Tigerschiöld. The aim of the Nomination Committee is to make recommendations for the composition of the Board of Directors and Management of the Group. The Nomination Committee has held three meetings during the last year, and going forward, the Committee expects to meet at least three times a year.

Lauritz.com – a pioneer in the auction industry

Lauritz.com is the biggest auction group in the Nordics, with buyers in 200 countries that trade online.

Lauritz.com has created a paradigm shift in the auction industry. Our vision is to democratise the auction world by inspiring consumers to sell and buy on online auctions, making art, design and antiques accessible for everyone worldwide.

Our first mover advantage, combined with expertise and knowledge within valuations, secure payments services and distribution of sold items, has since the start constituted the foundation for sustainable and profitable expansion.

Lauritz.com registers around 6.2 million online visitors and around 2 million unique visitors each month. Approximately more than 13,000 new customers are registered every month.

We have shown a yearly average auction turnover growth of over 25% since the start in 1999 with an auction turnover in 2016 of over DKK 1,000m. During the same period, EBITDA has shown a strong and consistent development.

Business model

Lauritz.com capitalizes on the trend of digitalization and online trading by consolidating the fragmented and mainly physical auction house market in Europe and converting it into online auctions.

We focus on the large middle-market segment with a value between DKK 800 and 50,000. This segment positions Lauritz.com between peer-to-peer platforms with high volume at low prices and the fine art market with low volume and high prices.

Sourcing of items from local sellers is achieved through a combination of acquiring traditional physical auction houses, starting new auction houses and establishing partner-run auction houses within a franchise-like model.

Currently, Lauritz.com has 27 auction houses located in Denmark, Sweden, Norway, Germany and Belgium and further growth is expected to come from consolidation in current and new markets.

Revenue model

Lauritz.com charges buyers and sellers a commission and a fixed fee on the knockdown.

Owners

Lauritz.com A/S is wholly owned by Laurtiz.com Group A/S. Lauritz.com Group A/S is since 22 June 2016 listed on Nasdaq First North Premier Stockholm with the ticker LAUR. The largest shareholders of Lauritz.com Group A/S are founder Bengt Sundström, Bure Equity AB, Swedbank Robur Fonder, Catella Fondförvaltning AB, Rite Internet Ventures Holdings AB and CEO Mette Rode Sundstrøm.

Five-year summary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Auction turnover [1]	**1,073,455**	**1,084,036**	**1,047,146**	**868,674**	**721,310**
Statement of comprehensive income					
Revenue	219,403	225,152	153,411	117,110	103,270
Gross profit	202,079	207,319	138,490	110,646	98,048
EBITDA	46,282	41,830	23,242	23,792	25,339
Operating profit (EBIT)	31,931	29,655	16,627	18,575	20,196
Net financials	-15,275	-40,423	-2,365	-1,506	-710
Profit before tax (EBT)	16,656	-10,768	14,262	17,069	19,486
Tax on profit for the year	-5,096	2,255	-3,761	-2,819	-4,866
Profit for the year	11,560	-8,513	10,501	14,250	14,620
Balance sheet					
Non-current assets	309,831	298,100	220,001	55,656	40,928
Current assets	184,210	203,465	289,882	169,483	106,092
Balance sheet total	494,041	501,565	509,883	225,139	147,020
Share capital	53,090	6,002	6,000	6,000	6,000
Equity	63,452	13,287	14,550	20,321	21,290
Non-current liabilities	255,292	347,848	350,906	28,862	29,820
Current liabilities	175,297	140,430	144,427	175,956	95,910
Cash flows					
Operating activities	-7,750	-12,705	15,307	23,721	34,437
Investing activities	90,978	-22,806	-207,073	-39,885	-4,913
Of this, investments in property, plant and equipment	-6,945	-7,978	-3,786	-2,431	-2,436
Financing activities	-51,735	-1,999	264,039	26,000	-27,000
Total cash flows	31,493	-37,510	72,273	9,836	2,524
Ratios:					
Gross margin	92.1 %	92.1 %	90.3 %	94.5 %	94.9 %
EBITDA margin	21.1 %	18.6 %	15.2 %	20.3 %	24.5 %
Profit margin	14.6 %	13.2 %	10.8 %	15.9 %	19.6 %
Equity ratio	12.8 %	2.8 %	2.9 %	9.0 %	14.5 %
Return on equity	30.1 %	-61.2 %	60.2 %	68.5 %	53.5 %
Earnings per share (EPS Basic), DKK	39.13	-141.83	175.0	237.5	243.7
Dividend per share	0	0	33	192	250
Average number of full-time employees	201	204	136	135	116

[1] Auction turnover reflect activities on www.lauritz.com, www.qxl.dk, www.qxl.no, mobile apps, www.hammaroauktionsverk.com and Stockholms Auktionsverk/Magasin 5. The amount includes hammer prices, buyer's premiums exclusive of VAT and sales through LauritzOneBid.

Five-year summary

Earnings per share are calculated according to med IAS 33 (note 18). Key ratios are applied and calculated in accordance with the definitions provided in ”Recommendations and Financial Ratios 2015” as issued by the Danish Association of Financial Analysts.

The key ratios are calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Balance sheet total}}$
Return on equity	$\frac{\text{Profit for the year} \times 100}{\text{Equity, average}}$
Earnings per share (EPS Basic)	$\frac{\text{Profit for the year}}{\text{Average no of shares in circulation}}$
Dividend per share	$\frac{\text{Dividend distributed}}{\text{Average no of shares in circulation}}$
Auction turnover	Auction turnover reflect activities on www.lauritz.com, www.qxl.dk, www.qxl.no, mobile apps, www.hammaroauktionsverk.com and Stockholms Auktionsverk/Magasin 5. The amount includes hammer prices, buyer’s premiums exclusive of VAT and sales through LauritzOneBid.

Management statement

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Lauritz.com A/S for 2016.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2016.

Further, in our opinion the Management review includes a true and fair review of the development in the Group's and the Parent Company's operations and financial matters, of the result for the year and of the Group's and the Parent Company's financial position as well as describes the significant risks and uncertainties affecting the Group and the Parent Company.

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

Copenhagen, 6 April 2017

Executive Management

Mette Margrethe Rode Sundstrøm CEO	Henrik Engmark COO	Claus Clemen Boysen CFO

Board of Directors

Bengt Olof Tony Sundström Chairman	John Tyrrestrup	Thomas Skovlund Schnegelsberg
Josephine Eva Salenstedt	Petra Birgitta von Rohr	Henrik Gustaf Knutsson Blomquist

To the shareholders of Lauritz.com A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Lauritz.com A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2016 - 31.12.2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill and other intangible assets

Refer to notes 1 and 10 to the consolidated financial statements.

The determination of recoverable amount for the reportable segment and cash-generating unit Lauritz.com was based on the value-in-use derived from future free net cash flow based on budgets and forecasts for the coming five years and cash flows from the terminal period. Significant judgement is required by Management in determining value-in-use, including free cash flow projections based on financial budgets for 2017 and financial forecasts for 2018-2021, discount rate and growth rate in the terminal period.

Accordingly, the carrying value of goodwill and other intangible assets estimated to have indefinite useful life relating to Lauritz.com is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have obtained and evaluated Management's determination of future cash flow forecasts for Lauritz.com, and the underlying process by which they were drawn up, including the mathematical accuracy of the cash flow model and agreeing future growth, investment and margin assumptions to the latest Board approved budget. We used our valuation specialist to assist us in evaluating the appropriateness of key market-related assumptions in Management's valuation model, including discount rates and terminal growth rates. We assessed the reasonableness of Management's future forecasts of growth, investment and margin included in the cash flow forecasts in the light of the historical accuracy of such forecasts and the current operational results.

In assessing the level of headroom in the value-in-use calculations for Lauritz.com, we performed a downside sensitivity analysis around the key assumptions, using a range of higher discount rates, lower growth rates in the forecast period and lower terminal growth rates.

Revenue recognition

Refer to notes 1, 2 and 14 to the consolidated financial statements.

Revenue in the Group is derived from commissions and fees from the online auction platform and physical auctions as well as fees from sales of partnership agreements.

Commissions and fees are recognised once the auction has taken place and payment is received or receipt can be determined reliably (i.e. transfer of risk to the customer).

Fees from sales of partnership agreements are recognised as revenue once the agreement is signed and fair value of revenue can be determined reliably (i.e. transfer of risk to the partner).

There is a risk that revenue is recognised at an incorrect value or in an incorrect period and significant judgement is required by Management in determining fair value of revenue from sales of partnership agreements.

Accordingly, revenue is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have assessed the relevant business processes and internal controls for revenue recognition, primarily relating to commissions from auctions and fees from sales of partnership agreements.

We selected a sample of auctions during the year where we performed detailed testing, including obtained the underlying documentation for payments.

In relation to fees from sales of partnership agreements, we read the agreements, we assessed and challenged Management's assumptions for determining fair value of revenue. Furthermore, we performed retrospective reviews of previous sales of partnership agreements to assess the completeness and accuracy of Management's assumptions applied to determine fair value.

Statement on the management review

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, 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 review and, in doing so, consider whether the management review 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 review 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.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Parent'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 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 the 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 Parent'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 Parent'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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all rela-tionships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those mat-ters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 6 April 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	Lars Siggaard Hansen
State-Authorised	State-Authorised
Public Accountant	Public Accountant

Statement of comprehensive income 1 January - 31 December

	2016 DKK'000	2015 DKK'000
Auction turnover [1]	1,073,455	1,084,036

Notes		Group 2016 DKK'000	Group 2015 DKK'000
2	Revenue	219,403	225,152
	Direct costs	- 17,324	- 17,833
	Gross profit	**202,079**	**207,319**
3	Other operating income	986	441
4	Other external expenses	- 57,033	- 63,794
5	Staff costs	- 99,750	- 102,136
	EBITDA	**46,282**	**41,830**
6	Depreciation and amortisation	- 14,351	- 12,175
	Operating profit (EBIT)	**31,931**	**29,655**
7	Financial income	14,286	818
8	Financial expenses	- 29,561	- 41,241
	Profit before tax (EBT)	**16,656**	**- 10,768**
9	Tax on profit for the year	- 5,096	2,255
	Profit for the year	**11,560**	**- 8,513**
	Items that can be reclassified to profit or loss:		
	Exchange rate adjustments, foreign companies	- 8,483	9,221
	Tax on other comprehensive income	-	-
	Other comprehensive income	**- 8,483**	**9,221**
	Total comprehensive income	**3,077**	**708**
18	Earnings per share (EPS), DKK	**39.13**	**- 141.83**
18	Earnings per share (EPS), diluted DKK	**39.13**	**- 141.83**

[1] Auction turnover reflect activities on www.lauritz.com, www.qxl.dk, www.qxl.no, mobile apps, www.hammaroauktionsverk.com and Stockholms Auktionsverk/Magasin 5. The amount includes hammer prices, buyer's premiums exclusive of VAT and sales through LauritzOneBid.

Assets

Notes		Group 31.12.2016 DKK'000	Group 31.12.2015 DKK'000
	Non-current assets		
10	Software in process of development	11,671	5,996
10	Fully developed software	10,598	13,988
10	Goodwill	138,287	138,501
10	Rights acquired	56,990	52,647
	Total intangible assets	217,546	211,132
11	Land and buildings	54,261	51,969
11	Other fixtures and fittings, tools and equipment	14,165	17,058
	Total property, plant and equipment	68,426	69,027
12	Deferred tax	2,464	912
13	Deposits	1,390	1,091
14	Other non-current receivables	20,005	15,938
	Total financial assets	23,859	17,941
	Total non-current assets	**309,831**	**298,100**
	Current assets		
	Inventories	1,824	1,547
14	Trade receivables	71,286	18,341
22	Receivables from Parent Company	-	113,765
14	Other current receivables	34,659	23,523
	Total receivables	105,945	155,629
	Cash and cash equivalents	76,441	46,289
	Total current assets	**184,210**	**203,465**
	Total assets	**494,041**	**501,565**

Equity and liabilities

Notes		Group 31.12.2016 DKK'000	Group 31.12.2015 DKK'000
	Equity		
	Share capital	53,090	6,002
	Other reserves	-4,160	4,323
	Retained earnings	14,522	2,962
	Total equity	**63,452**	**13,287**
	Liabilities		
12	Deferred tax	13,450	9,792
15	Bond debt	241,842	338,056
	Total non-current liabilities	255,292	347,848
15	Bond debt	-	13,383
	Trade payables	134,734	91,546
	Payables to Parent Company	1,939	-
16	Other payables	35,461	35,501
	Corporate taxes payable	3,163	-
	Total current liabilities	175,297	140,430
	Total liabilities	**430,589**	**488,278**
	Total equity and liabilities	**494,041**	**501,565**

Statements of changes in equity

	Share capital DKK'000	Other reserves DKK'000	Retained earnings DKK'000	Total equity DKK'000
Equity at 1 January 2015	**6,000**	**-4,898**	**13,448**	**14,550**
Loss for the period	-	-	-8,513	-8,513
Other comprehensive income	-	9,221	-	9,221
	6,000	4,323	4,935	15,258
Capital increase, 3 April 2015	2	-	27	29
Dividend distributed	-	-	-2,000	-2,000
Equity at 31 December 2015	**6,002**	**4,323**	**2,962**	**13,287**
Equity at 1 January 2016	**6,002**	**4,323**	**2,962**	**13,287**
Profit for the period	-	-	11,560	11,560
Other comprehensive income	-	-8,483	-	-8,483
	6,002	-4,160	14,522	16,364
Capital increase, 12 July 2016	47,088	-	-	47,088
Dividend distributed	-	-	-	-
Equity at 31 December 2016	**53,090**	**-4,160**	**14,522**	**63,452**

On 12 July 2016, a capital increase of DKK 47,088k was made as adopted by Lauritz.com A/S. The capital was increased by way of a cash contribution from Lauritz.com Group A/S.

Notes		Group 31.12.2016 DKK'000	Group 31.12.2015 DKK'000
	Operating profit (EBIT)	**31,931**	**29,655**
	Depreciation and amortisation	14,351	12,175
	Increase/decrease in inventories	-277	-314
	Increase/decrease in receivables	-64,117	-9,116
	Increase/decrease in trade payables and other payables	39,450	-16,877
	Other adjustments	-826	-516
	Cash flows from ordinary operating activities	20,512	15,007
	Interest received	1,013	818
	Interest paid	-27,348	-26,999
	Income tax paid under a joint taxation arrangement	-1,927	-1,531
	Cash flows from operating activities	**-7,750**	**-12,705**
	Purchase of property, plant and equipment	-6,945	-7,978
	Sale of property, plant and equipment	1,771	-
	Purchase of intangible assets	-9,024	-9,720
	Payment received from Parent Company, settlement of loan	110,732	-
20	Acquisitions	-5,556	-5,108
	Cash flows from investing activities	**90,978**	**-22,806**
	Redemption of bonds	-98,823	-
	Proceeds from cash capital increase	47,088	1
	Dividend paid to the Parent's shareholders	-	-2,000
	Cash flows from financing activities	**-51,735**	**-1,999**
	Net cash flows for the year	31,493	-37,510
	Net capital resources, beginning of year	46,289	81,783
	Exchange rate adjustment of capital resources	-1,341	2,016
	Net capital resources, end of year	**76,441**	**46,289**
	Net capital resources, end of year, are composed as follows:		
	Cash and cash equivalents	76,441	46,289
	Interest-bearing short-term bank loans	-	-
	Net capital resources, end of year	**76,441**	**46,289**

1. Accounting policies

The Annual Report of Lauritz.com A/S for the financial year 2016 has been presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of reporting class D (listed) enterprises, see the Danish Executive Order on IFRS Adoption issued in accordance with the Danish Financial Statements Act.

The Group has one reporting segment (auctioning), however, as the Group's activities expand, Management regularly assesses internal financial management reporting and whether it would be relevant to report additional segments.

The Annual Report is presented in Danish kroner (DKK), which is the presentation currency of the Group's activities and the functional currency of the Parent.

The accounting policies applied are consistent with those applied last year.

Implementation of new and revised Standards and Interpretations

The implementation of new or revised Standards and Interpretations effective from 1 January 2016 has not resulted in any changes in accounting policies.

Standards and Interpretations not yet in force

At the time of publication of this Annual Report, the following material new or revised Standards and Interpretations have not yet become effective, for which reason they have not been incorporated in this Annual Report:

- IFRS 9 - *Financial Instruments: Classification and measurement*
- IFRS 15 - *Revenue from Contracts with Customers*
- IFRS 16 - *Leases*
- Revised IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation*.

In Management's opinion, the Group's future implementation of these Standards and Interpretations will not have any material effect on the Annual Report. However, implementation of IFRS 16 will increase the level of capitalized total property, plant and equipment, financial liabilities and increased reported EBITDA.

Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

When applying the Group’s accounting policies, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily evident from other sources. These estimates and assumptions are based on historic experience and other relevant factors. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

During annual testing of goodwill and other non-current assets for impairment, or when an indication of impairment exists, an assessment is made as to how those activities of the Group (cash-generating units) that relate to goodwill would be able to generate sufficient positive future net cash flows to support the value of goodwill, non-current intangible assets and property, plant and equipment relating to those activities. Due to the nature of the business, estimates are made of cash flows for many years ahead, which inherently results in some uncertainty. This risk and this uncertainty are reflected in the discount rate applied and in the terminal value growth rate.

In calculating write-downs for bad and doubtful debts, Management has made estimates based on information available and other indications.

It may be necessary to change previous estimates due to changes in those circumstances on which the estimates are based, or due to new information or subsequent events.

Consolidated financial statements

The consolidated financial statements include the Parent, Lauritz.com A/S, and the subsidiaries that are controlled by the Parent. The Parent is deemed to have control when it has power over the relevant activities of the entity in question and when it has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of variable returns.

The consolidated financial statements are prepared on the basis of the financial statements of Lauritz.com A/S and its subsidiaries. The consolidated financial statements are prepared by combining financial statement items of a uniform nature. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

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.

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

Accounting policies (continued)

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control over the enterprise is actually obtained. Divested or wound-up enterprises are recognised in the consolidated statement of comprehensive income up to the time of their divestment or wind-up.

The purchase method is applied on acquisition of new entities over which Lauritz.com A/S obtains control. The identifiable assets, liabilities and contingent liabilities of the entities acquired are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise out of a contractual right, and their fair value can be calculated reliably. Deferred tax is recognised for any reassessments made.

Cost of an enterprise consists of fair value of the consideration agreed. If part of the consideration is contingent upon future events, such part is recognised in cost in so far as the events are likely to occur, and the consideration can be calculated reliably.

Positive differences (goodwill) between the cost of the entity acquired and the fair value of the identifiable assets acquired, net of the amount of liabilities and contingent liabilities, are recognised as goodwill in intangible assets. Goodwill is not amortised, but tested at least once a year for impairment. On acquisition, goodwill is allocated to cash-generating units, which then form the basis of impairment testing.

If the asset’s carrying amount is higher than its recoverable amount, it is written down to such lower recoverable amount. Goodwill and fair value adjustments made as part of the acquisition of a foreign entity using a functional currency other than the presentation currency used by Lauritz.com A/S are accounted for as assets and liabilities belonging to the foreign entity and translated into Danish kroner (the functional currency) applied by the foreign entity at the transaction date exchange rate. Negative balances (negative goodwill) are recognised in other operating income in the statement of comprehensive income at the date of acquisition.

If uncertainty exists at the date of acquisition as to the measurement of identifiable assets, liabilities or contingent liabilities acquired, initial recognition will be based on preliminary fair values. Should the fair values of identifiable assets, liabilities or contingent liabilities at the date of acquisition then turn out to differ from those previously estimated, goodwill is adjusted up until 12 months after the date of acquisition, and adjustments are subsequently taken to the statement of comprehensive income.

Gains 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 net assets, including goodwill, at the time of sale plus divestment or winding-up expenses.

Accounting policies (continued)

Foreign currency translation

Foreign currency transactions are translated using the transaction date exchange rate. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date are recognised in the statement of comprehensive income as financial income or financial expenses. If foreign exchange positions are considered hedging of future cash flows, the value adjustments are recognised directly in other comprehensive income.

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 balance sheet date and the rate in effect at the time when the payable or the receivable arose are recognised in the statement of comprehensive income as financial income or financial expenses.

Non-current assets purchased in foreign currencies are translated applying the transaction date exchange rate.

On recognition in the consolidated financial statements of entities using functional currencies other than Danish kroner, the income statement items are translated using the average exchange rate for the year, whereas the balance sheet items are translated at the balance sheet date exchange rate. Exchange differences arising out of the translation of such entities' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from the transaction date exchange rates to the balance sheet date exchange rates are recognised in other comprehensive income.

Statement of comprehensive income

Revenue

Revenue, consisting of commissions and fees from auctions, one-off fees from sales of partnership agreements and seller advertising etc., is recognised in the statement of comprehensive income once the sale has taken place and the income can be determined reliably and receipt thereof is expected. Revenue is recognised net of VAT and duties and less sales discounts.

Direct costs

Direct costs are composed of packing and distribution costs as well as other costs related to revenue.

Other operating income

Other operating income comprises income of a secondary nature relative to the Group's activities, including rental income.

Accounting policies (continued)

Other external expenses

Other external expenses comprise expenses for sale, marketing, administration, premises, bad debts, operating lease expenses, etc.

Staff costs

Staff costs include wages, salaries, pension contributions, fees to the Board of Directors and the Executive Board as well as other social security costs.

Financial income and expenses

These items comprise interest income and interest expenses, realised and unrealised capital gains and losses from liabilities and foreign currency transactions as well as amortisation of financial assets and liabilities.

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

Profit/loss from investments in subsidiaries (Parent)

Dividends from equity investments are recognised when unconditional entitlement to such dividends arise. This is typically the date on which the annual general meeting approves distribution by the relevant entity.

Tax on profit for the year

The Group participates in a joint taxation arrangement with both Danish and foreign group enterprises.

Current Danish income tax is allocated among the jointly taxed enterprises proportionally to their taxable income (full allocation with a refund concerning tax losses). The jointly taxed enterprises are subject to the Danish Tax Prepayment Scheme.

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the statement of comprehensive income by the portion attributable to profit or loss for the year or taken to other comprehensive income by the portion attributable to entries directly in other comprehensive income. Tax recognised in the statement of comprehensive income is classified as tax on profit or loss for the year.

Balance sheet

Intangible assets

On initial recognition, goodwill is recognised at cost in the balance sheet as described under “Business combinations”. Subsequently, goodwill is measured at cost any less accumulated impairment losses.
The carrying amount of goodwill is allocated to the Group’s cash-generating units at the time of acquisition. Determination of cash-generating units complies with the management structure and management control of the Group. As a result of integrating the acquired entities in the existing Group, Management estimates that the lowest level of cash-generating units, to which the carrying amount of goodwill may be allocated, is at group level as it is generally impossible to trace and measure the value of goodwill in each of the entities acquired after a short period of time.

Accounting policies (continued)

Rights acquired are measured at cost less accumulated amortisation. Rights acquired are amortised on a straight-line basis over their estimated useful lives, which are estimated to be up to 20 years or less depending on the terms of contract.

Software in process of development comprises both externally acquired software and proprietary software qualifying for capitalisation. Software in process of development is not amortised, however, its value is tested on a regular basis, which may result in a write-down.

Completed software is amortised on a straight-line basis using its estimated useful life. The period of amortisation is usually 3 to 5 years.

Intangible assets with indefinite useful lives are not amortised, but are tested at least once a year for impairment. If the assets' carrying amounts exceed their recoverable amounts, they are written down to such lower amount. In the balance sheet, intangible assets with indefinite useful lives are presented in “Rights acquired”.

Property, plant and equipment

Land and buildings are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs, if the asset is of an age and a condition that is expected after the end of useful life.

Depreciation is provided on a straight-line basis from the following assessment of the assets’ expected useful lives:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3 to 10 years

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the selling price net of selling costs and the carrying amount at the time of sale. Gains or losses are recognised in “Depreciation and amortisation” in the statement of comprehensive income.

For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

Accounting policies (continued)

Write-down for impairment of non-current assets

The carrying amounts of both intangible assets and items of property, plant and equipment are reviewed annually for impairment in addition to that reflected through amortisation and depreciation. However, goodwill and intangible assets with indefinite useful lives are tested annually for impairment, the first time being at the end of the acquisition year.

If any such indication exists, impairment tests are made of each asset and group of assets, respectively. Write-down is made to the lower of recoverable amount and carrying amount.

The recoverable amount is the higher of net selling price and value in use. Value in use is the present value of the estimated net income from using the asset or the group of assets.

Non-current financial assets

Investments in group enterprises

Parent

Investments in subsidiaries are recognised and measured at cost in the parents balance sheet. An impairment test is made if there is any indication of impairment. If cost exceeds recoverable amount, cost is written down to recoverable amount.

Deposits

Deposits are measured at cost.

Inventories

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

Trade receivables and other receivables

Trade receivables and other receivables are measured at amortised cost which usually equals nominal value. Write-down for bad and doubtful receivables is made to net realisable value.

Equity and liabilities

Equity

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (the time of declaration).

Accounting policies (continued)

Other reserves comprise exchange differences arising from the translation of financial statements of entities with a functional currency other than Danish kroner.

Current tax and deferred tax

The current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income adjusted for prepaid tax.

Deferred tax is the tax recognised on temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax liabilities as well as deferred tax assets are recognised.
Deferred tax is measured based on the current tax rate. Changes in deferred tax resulting from changed tax rates are recognised in the statement of comprehensive income.

Liabilities

Financial liabilities are recognised at the time of borrowing at nominal value less transaction costs incurred, equivalent to the proceeds received. Subsequently, financial liabilities are recognised at amortised cost equal to the capitalised value using the effective interest method to the effect that the difference between the proceeds and the nominal amount is recognised in the statement of comprehensive income over the term of the loan.

Other liabilities including debt to suppliers, subsidiaries as well as other payables are measured at amortised cost which usually corresponds to nominal value.

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows for the year by operating, investing and financing activities, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as profit or loss for the year adjusted for non-cash operating items, working capital changes as well as interest income, interest expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of entities and activities as well as the acquisition and sale of non-current assets.

Cash flows from financing activities comprise changes in the size or composition of share capital and related expenses. Moreover, cash flows from financing activities comprise raising of loans, repayments of interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash less any overdraft facilities forming an integral part of cash management.

Accounting policies (continued)

Financial assets and liabilities

The Group and the Parent classify their financial assets as loans and receivables and their financial liabilities as other financial liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated in current assets unless the term after the balance sheet date exceeds 12 months. In this event, they are classified as non-current assets. In the balance sheet, loans and receivables are classified as “Non-current receivables”, “Deposits”, “Trade receivables”, “Receivables from Parent Company” and “Other receivables”.

Other financial liabilities

Financial liabilities are non-derivative financial liabilities that are measured at amortised cost. They are recognised in the balance sheet under non-current liabilities when the time to maturity from the balance sheet date exceeds 12 months. In the event of maturity within 12 months, they are recognised under current liabilities. Other financial liabilities are classified in the balance sheet as “Trade payables” and “Other payables”.

	Group 2016 DKK'000	Group 2015 DKK'000
2. Revenue		
Auction commissions and fees etc.	207,361	205,130
Fess from sales of partnership agreements	12,042	20,022
	219,403	**225,152**
3. Other operating income		
Rental income	986	441
	986	**441**
4. Fees to auditors appointed at the annual general meeting		
Audit services	768	696
Tax services	89	98
Other services	878	636
	1,735	**1,430**
5. Staff costs		
Remuneration of the Board of Directors	1,499	2,425
Wages and salaries	78,317	80,877
Defined contribution plans, cf. below	3,630	3,846
Other social security costs	10,641	11,217
Other staff costs	5,663	3,771
	99,750	**102,136**
Average number of full-time employees	201	204

The Group has concluded defined contribution plans with the majority of the employees in the Danish Group enterprises. According to the concluded agreement, the Group enterprises pay a monthly amount of 5 percent of the concerned employees' basic salary. The contribution recognised in the income statement in this respect has been stated above.

Remuneration of the Board of Directors and Executive Management		
Remuneration of the Board of Directors	1,499	2,425
Wages and salaries, Executive Management	1,694	3,230
	3,193	**5,655**

The remuneration of the Board of Directors includes a consultancy fee to the Chairman of the Board. The remuneration of the Executive Management for 2016 covers the period from January to May. As of June 2016, the employment of the Executive Management is transferred to Lauritz.com Group A/S.

	Group 2016 DKK'000	Group 2015 DKK'000
6. Depreciation and amortisation		
Depreciation, buildings	445	388
Depreciation, other fixtures, tools and equipment	3,843	3,750
Gains/losses arising from disposal	55	-
Amortisation, rights acquired	3,248	2,802
Amortisation, fully developed software	6,760	5,235
	14,351	**12,175**
7. Financial income		
Interest income	737	192
Interest income from group enterprises	276	626
Interest income from financial assets	**1,013**	**818**
Exchange rate gains	13,273	-
	14,286	**818**

The exchange rate gains in 2016 is primarily related to the bond debt denominated in SEK.

	Group 2016 DKK'000	Group 2015 DKK'000
8. Financial expenses		
Interest expenses	616	152
Bank charges etc.	799	-
Redemption price, partial repayment of bond debt	3,143	-
Financial expenses, bond debt	22,907	27,547
Amortisation of borrowing costs, bond debt	2,096	2,034
Interest expenses from financial liabilities	**29,561**	**29,733**
Exchange rate losses	-	11,508
	29,561	**41,241**

The exchange rate losses in 2015 is primarily related to the bond debt denominated in SEK.

	Group 2016 DKK'000	Group 2015 DKK'000
9. Tax on profit for the year		
Current tax for the year	178	477
Adjustment to deferred tax	4,164	- 2,548
Adjustment to taxes, prior years	701	- 60
Adjustment to deferred tax, prior years	53	-
Effect of the change of the tax rate	-	- 124
Tax on profit for the year	**5,096**	**- 2,255**

9. Tax on profit for the year (continued)

Current tax for the financial year is for Danish enterprises computed based on a tax rate of 22.0 (2015: 23.5 %).

	Group 2016 DKK'000	Group 2015 DKK'000
Tax on profit for the year is made up as follows:		
Computed 22.0 % tax on profit for the year before tax (2015: 23.5 %)	3,664	- 2,530
Effect of the change of the tax rate	-	- 124
Adjustment to deferred tax, prior years	701	169
Recognition of previously unrecognised tax assets	- 1,692	- 47
Tax effect of non-deductible expenses/non-taxable income	2,423	277
	5,096	**- 2,255**
Effective tax rate	30.6 %	20.9 %

No tax on other comprehensive income has been recognised for the year.

10. Intangible assets (DKK'000)

	Software in process of development	Developed software	Rights acquired	Goodwill
Cost at 1 January 2016	9,500	34,086	59,642	138,501
Exchange rate adjustments	-	41	- 3,682	- 4,161
Additions from subsidiaries/activities acquired	-	-	11,211	3,947
Additions	6,440	2,584	-	-
Transferred	- 765	765	-	-
Cost at 31 December 2016	**15,175**	**37,476**	**67,171**	**138,287**
Amortisation at 1 January 2016	-	20,098	6,995	-
Impairment losses at 1 January 2016	3,504	-	-	-
Exchange rate adjustments	-	20	- 62	-
Amortisation for the year	-	6,760	3,248	-
Amortisation and impairment losses at 31 December 2016	**3,504**	**26,878**	**10,181**	**-**
Carrying amount at 31 December 2016	**11,671**	**10,598**	**56,990**	**138,287**

10. Intangible assets (continued)

	Software in process of development	Developed software	Rights acquired	Goodwill
Cost at 1 January 2015	14,104	19,867	57,054	127,913
Exchange rate adjustments	- 56	- 49	2,588	5,858
Additions from subsidiaries/activities acquired	-	-	-	-
Additions	6,862	2,858	-	4,730
Transferred	- 11,410	11,410	-	-
Cost at 31 December 2015	**9,500**	**34,086**	**59,642**	**138,501**
Amortisation at 1 January 2015	-	14,888	4,184	-
Impairment losses at 1 January 2015	3,504	-	-	-
Exchange rate adjustments	-	- 25	9	-
Amortisation for the year	-	5,235	2,802	-
Amortisation and impairment losses at 31 December 2015	**3,504**	**20,098**	**6,995**	**-**
Carrying amount at 31 December 2015	**5,996**	**13,988**	**52,647**	**138,501**

Software includes development projects for IT systems and processes in progress. Apart from goodwill and trademarks, all other intangible assets are regarded as having determinable useful lives over which the assets are amortised, see accounting policies. The carrying amount of trademarks without determinable useful lives totals DKK 23.8m at 31 December 2016 (2015: DKK 24.8m).

Acquired enterprises are integrated in the Group as soon as possible to realize synergy effects in the business areas. Consequently, it is generally not possible after a short period to trace and measure the value of goodwill in the individual units or enterprises, which is why the Group has only one cash-generating unit. The impairment test is therefore made at group level.

At 31 December 2016, Management has tested the carrying amount of goodwill, software in process of development and other intangible assets for impairment. The recoverable amount exceeded then the carrying amount. An impairment test is performed in the event of indication of impairment and at least once a year as part of the presentation of the annual report.

The key assumptions underlying the calculation of value in use are the determination of EBITDA growth, discount rate and terminal value growth rate.

10. Intangible assets (continued)

EBITDA growth is determined based on historical EBITDA realized in the period immediately prior to the beginning of the budget period, adjusted for non-recurring expenses, expected market developments and enterprises acquired and divested. For the 2017 budget period, this is equivalent to an annual EBITDA growth rate of approx. 15 % from 2017 to 2021.

EBITDA growth is related to the development in auction turnover, equivalent to an annual average growth rate of approx 2-8 % during the budget period from 2017 to 2021. When determining investments, the effect of EBITDA growth is included based on historical experience, equivalent to an investment level of approx 15-20 % of budgeted EBITDA. The effect of expected acquisitions is not included at investment level.

The discount rate is determined based on the Company's marginal borrowing rate plus a risk premium that reflects the risk involved in investing in shares and the risk involved in the activity performed, equivalent to a pre-tax discount rate of 12.8 % (2015: 13.1 %).

The terminal value growth rate of 2 % is based on estimated economic growth.

11. Property, plant and equipment (DKK'000)

	Land and buildings	**Other fixtures etc.**
Cost at 1 January 2016	52,357	36,669
Exchange rate adjustments	-	- 536
Additions from subsidiaries/activities acquired	-	369
Additions	2,737	4,208
Disposal	-	- 3,777
Cost at 31 December 2016	**55,094**	**36,933**
Depreciation at 1 January 2016	388	19,611
Exchange rate adjustments	-	- 248
Depreciation for the year	445	3,843
Depreciation related to disposals	-	- 438
Depreciation at 31 December 2016	**833**	**22,768**
Carrying amount at 31 December 2016	**54,261**	**14,165**
Assets held under finance leases are included in carrying amount at		475

11. Property, plant and equipment (DKK'000)

	Land and buildings	**Other fixtures etc.**
Cost at 1 January 2015	-	30,897
Exchange rate adjustments	-	345
Additions from subsidiaries/activities acquired	-	400
Additions	52,357	5,221
Disposal	-	-194
Cost at 31 December 2015	**52,357**	**36,669**
Depreciation at 1 January 2015	-	15,807
Exchange rate adjustments	-	140
Depreciation for the year	388	3,750
Depreciation related to disposals	-	-86
Depreciation at 31 December 2015	**388**	**19,611**
Carrying amount at 31 December 2015	**51,969**	**17,058**
Assets held under finance leases are included in carrying amount at		976

Additions to land and buildings are attributable to the demerger of the property placed at Rovsingsgade 64-68, Copenhagen effected on 3 April 2015.

The assets held under a finance lease concern IT equipment and run for a period that ends in 2018. The annual lease payment totals DKK 271k.

12. Deferred tax

	Group 2016 DKK'000	Group 2015 DKK'000
Deferred tax at 1 January	- 8,880	- 11,670
Exchange rate adjustments	93	118
Additions from subsidiaries acquired	88	-
Recognition of not previously capitalised tax asset	1,877	-
Effect of the change of the tax rate	-	124
Deferred tax on profit for the year	- 4,164	2,548
Deferred tax at 31 December	**- 10,986**	**- 8,880**
Specification of deferred tax:		
Tax loss carry forwards	3,216	3,295
Buildings	881	262
Other fixtures and fittings	- 702	637
Leasehold improvements	- 10	14
Rights acquired	- 12,497	- 10,234
Software	- 2,217	- 2,375
Goodwill	- 337	- 479
Other payables	680	-
	- 10,986	**- 8,880**

Each of the changes in deferred tax has been recognised in profit for the year. No deferred tax is incumbent on other comprehensive income. Tax loss carry forwards are expected to be utilized within 3-5 years.

Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	2,464	912
Deferred tax (liability)	13,450	9,792
Deferred tax at 31 December, net (liability)	**10,986**	**8,880**

When demerging the property placed at Rovsingsgade 64-68 on 3 April 2015, no deferred tax was recognised for this property as the Danish tax authorities have stated that instead current tax is incumbent on the property that was sold in 2007 by Ejendomsselskabet Rovsingsgade 60-74 ApS. Ejendomsselskabet Rovsingsgade 60-74 ApS does not consider this correct, and a request for the reopening of the tax assessment thereof is pending. Should a decision be made in favour of Ejendomsselskabet Rovsingsgade 60-74 ApS that the company does not have current tax liabilities regarding the property sold, then deferred tax will instead be incumbent on the property placed at Rovsingsgade 64-68 and in that case Ejendomsselskabet Rovsingsgade 60-74 ApS would pay approx. DKK 13m to Lauritz.com A/S to refund the resulting deferred tax liability.

13. Financial assets

	Deposits DKK'000
Cost at 1 January 2016	1,091
Addition	299
Disposal	-
Cost at 31 December 2016	**1,390**
Carrying amount at 31 December 2016	**1,390**
Cost at 1 January 2015	6,675
Addition	9
Disposal	- 5,593
Cost at 31 December 2015	**1,091**
Carrying amount at 31 December 2015	**1,091**

14. Receivables

	Group 31.12.2016 DKK'000	Group 31.12.2015 DKK'000
Trade receivables	71,286	18,341
Other receivables, non-current	20,005	15,938
Other receivables, current	34,659	23,523
	125,950	**57,802**

All trade receivables fall due within 12 months. Non-current receivables relate to the sale of partnership agreements falling due for payment within a period of two to four years.

14. Receivables (continued)

The impairment losses included in the receivables listed above have developed as follows:

	Group 31.12.2016 DKK'000	Group 31.12.2015 DKK'000
Impairment losses at 1 January	1,158	1,158
Impairment losses for the period	870	-
Realised for the period	-	-
Reversed	-	-
Impairment losses at 31 December	**2,028**	**1,158**

The Group has no significant credit risks related to a single costumer or market. Write-downs for bad and doubtful receivables are made if the receivables based on an individual evaluation, shows indication of impairment.

15. Bond debt

In 2011, the Group issued corporate bonds, the principal amount of which is DKK 10.0m. The bonds carry interest at a rate of 3.5 % and are redeemed after five years from the date of issue at a price of 135. The corporate bonds were redeemed by the end of February 2016.

The Group issued listed corporate bonds on 17 June 2014 with a principal amount of SEK 375m (or DKK 294.6m) and on 30 September 2014 with a principal amount of SEK 50m (or DKK 39.4m). The bonds carry interest at 3M STIBOR + 750 bps and are redeemed at par after five years from the date of issue. The corporate bonds are listed on the NASDAQ OMX Stockholm.

On 18 July 2016, Lauritz.com A/S repaid part of the bond loan for DKK 82,221k, equivalent to SEK 100m and a redemption price of 104 plus interest. After this partial repayment, the principal amount of the bond debt was reduced to SEK 325m (or DKK 255.4m).

Lauritz.com A/S has on 16 September 2016 acquired approx. 2.4% of the issued bonds for SEK 7.6m (or DKK 5.9m). The bonds were acquired at rate 99.25.

The fair value of the remaining issued bonds amounts to DKK 234,670k at 31 December 2016 based on the last trade made on 29 December 2016. Of this, Lauritz.com A/S holds bonds with a fair value amounting to DKK 5,655k.

10. Bond debt (continued)

The corporate bonds are subject to specific loan covenants determined as follows for the last 12 months (LTM):

Financial covenants determined at 31 December 2016	**Group 31.12.2016 DKK'000**	**EBITDA-ratio**
EBITDA, LTM	**46,282**	
Net interest bearing debt / EBITDA		
Bond debt, non-current	241,842	
Bond debt, current	-	
Interest bearing receivables	- 21,951	
Cash and cash equivalents	- 76,441	
Total net interest bearing debt	**143,450**	**3.10**
	TARGET	**< 4.00**
EBITDA / Net Finance Charges		
Interest income, bank - LTM	- 737	
Financial expenses, bond debt – LTM	22,907	
Other interest expenses - LTM	518	
Total net finance charges	**22,688**	**2.04**
	TARGET	**> 1.75**

The Group is in compliance with applicable financial covenants as at 31 December 2016.

16. Other payables

Under the item other payables, personal income taxes, holiday pay etc., payable VAT and other costs payable are included. Additionally, a financial lease commitment is included by DKK 0.5m (2015: DKK 1.0m).

17. Financial risks

The Group's currency risks are primarily hedged by matching payments received and made in the same currency. The difference between ingoing and outgoing payments denominated in the same currency is a measure of currency risk. The Group's currency exposure at 31 December 2016 is specified below.

2016 (DKK'000)	Cash and cash equivalents	Receivables	Bond debt	Other liabilities	Net position
NOK	736	65	-	-633	168
EUR	2,770	7,815	-	-480	10,105
SEK	55,058	67,095	-241,842	-99,579	-219,268
31 December 2016	**58,564**	**74,975**	**-241,842**	**-100,692**	**-208,995**

2015 (DKK'000)	Cash and cash equivalents	Receivables	Bond debt	Other liabilities	Net position
NOK	309	217	-	-1,061	-535
EUR	1,580	1,315	-	-2,829	66
SEK	32,539	13,994	-338,056	-52,292	-343,815
31 December 2015	**34,428**	**15,526**	**-338,056**	**-56,182**	**-344,284**

The bonds are issued in SEK and the principal amount is subject to exchange rate fluctuations between the Company's functional currency (DKK) and SEK. A 5 % change in the SEK rate at 31 December 2016 would have affected comprehensive income and equity by approx. DKK 3m (31.12.2015: DKK 9m). The sensitivity analysis shows the difference between the 31 December 2016 fair value calculated for the Group's assets and liabilities denominated in SEK.

The Group has interest-bearing financial assets and liabilities and so it is affected by interest rate fluctuations. Fluctuations in the level of interest rates affect the Group's floating-rate bond debt. An increase in the interest rate level of 1 percentage point per annum compared to the interest rate level at the balance sheet date would have had a negative impact of DKK 2m (31.12.2015: DKK 3m) on comprehensive income and equity. A similar decline in the interest rate level would have resulted in an equivalent positive effect on comprehensive income and equity.

17. Financial risks (continued)

The Group aims to have adequate cash resources to continuously carry out transactions appropriately as regards operations and investments. The Group's cash reserve consists of cash and cash equivalents as well as undrawn credit facilities. The Group's liquidity is mainly based on operating profits and the difference between the time of payment and the time of settlement. The time allowed for payment by buying customers is three days, and payment to selling customers takes place within approx. 35 days. In order to maintain the current liquidity level, the Group is therefore dependent on continued growth and positive earnings. Management assesses the Group's liquidity requirements on a regular basis.

The Group is not exposed to significant credit risks as all items are handed in on a commission basis, and items from auctions are not handed out until payment has been made. Payments are mostly effected by way of credit cards or bank transfer. The Company has only experienced very few cases of credit card fraud. Moreover, reputable collaborators are used for managing cash flows, mainly Valitor, ALTAPAY, Danske Bank, SEB and DNB.

The Group regularly assesses its capital structure with a view to ensuring adequate equity with the Company.

18. Earnings per share (EPS)	**Group 31.12.2016 DKK'000**	**Group 31.12.2015 DKK'000**
Profit/Loss for the year	11,560	- 8,513
Average number of shares	295,460	60,020
EPS at DKK 100	39.13	- 141.83
EPS at DKK 100 diluted	39.13	- 141.83

19. Dividend

For 2016, DKK 0 in ordinary dividend has been distributed to the shareholders of Lauritz.com A/S, equalling DKK 0 per share (2015: DKK 33 per share).

For the financial year 2016, the Board of Directors has proposed dividend of DKK 0k, corresponding to DKK 0 per share.

20. Acquisitions

In 2016, the Group has acquired the following enterprises/activities:

Name	Primary activity	Acquisition date	Voting share acquired %
Karlstad-Hammarö Auktionsverk AB	Holding of quality auctions	28.06.2016	100

Furthermore, the Group has acquired the Danish branch in Herning.

	2016
	DKK'000
Property, plant and equipment	369
Rights acquired	11,211
Receivables	1,297
Cash and cash equivalents	2,484
Deferred tax	- 2,467
Trade payables	- 54
Other payables	- 2,247
Net assets acquired	**10,593**
Goodwill	3,947
Total consideration	**14,540**

At 31 December 2016, part of the total consideration is recognized as contingent consideration. The Group has acquired net assets totalling DKK 10,430k including cash acquired of DKK 2,484k. Net assets acquired are based on preliminary opening balance sheets, which may be adjusted afterwards.

The Group has incurred transaction costs of DKK 230k, classified as other external expenses in the statement of comprehensive income for 2016.

For this acquisition, the Group paid a purchase price that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This positive difference is primarily attributable to expected synergies between the activities of the acquired enterprises and the Group's existing activities, future growth potential and the enterprises' staff. The synergies have not been recognised separately from goodwill as they are not separately identifiable.

20. Acquisitions (continued)

Of the Group’s profit for the period, DKK 967k is attributable to Karlstad-Hammarö Auktionsverk AB following the acquisition. Of the Group’s revenue, DKK 4,060k is attributable to Karlstad-Hammarö Auktionsverk AB. Had the enterprise been acquired with effect from 1 January 2016, revenue for the year 2016 would have been approx. DKK 7,756k and profit for the year would have been approx. DKK 2,407k.

In 2015, the Group acquired the following enterprises/activities:

Name	Primary activity	Acquisition date	Voting share acquired %
Kunst & Auktionshaus W.G. Herr	Holding of quality auctions	06.01.2015	100

Furthermore, the Group acquired the branches in Århus, Aalborg and Hamburg.

	2015
	t.kr.
Property, plant and equipment	400
Rights acquired	0
Receivables	0
Cash and cash equivalents	0
Other payables	- 22
Net assets required	**378**
Goodwill	4.730
Total consideration	**5.108**

The Group has acquired net assets totalling DKK 378k including cash acquired of DKK 0k.

The Group has incurred transaction costs of DKK 88k, classified as other external expenses in the statement of comprehensive income for 2015.

For this acquisition, the Group paid a purchase price that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This positive difference is primarily attributable to expected synergies between the activities of the acquired enterprises and the Group’s existing activities, future growth potential and the enterprises’ staff. The synergies have not been recognised separately from goodwill as they are not separately identifiable.

20. Acquisitions (continued)

Of the Group's profit for the year, DKK -516k is attributable to W.G. Herr following the acquisition. Of the Group's revenue, DKK 3,263k is attributable to W.G. Herr. Had the enterprise been acquired with effect from 1 January 2015, revenue for the year 2015 would have been approx. DKK 3,263k and profit for the year would have been approx. DKK -516k.

Of the Group's profit for the year, DKK 924k is attributable to the branches in Århus, Aalborg and Hamburg following the acquisition. Of the Group's revenue, DKK 17,154k is attributable to the acquired branches. Had the branches been acquired with effect from 1 January 2015, revenue for the year 2015 would have been approx. DKK 28,068k and profit for the year would have been approx. DKK 1,000k.

21. Contingencies etc.

Contingent liabilities, consolidated financial statements

The Group has provided security for rent for DKK 389k that expires in 2019.

The Group has adopted other property rental agreements with maximum lease terms running until 2025. Rent totals DKK 46,571k, of which DKK 15,474k falls due in 2017.

Car operating leases have been entered into for the years 2017-2020. The leases have fixed lease payments which are indexed annually. The leases are interminable in the period specified.

Total future minimum lease payments are allocated as follows:

	Group 2016 DKK'000	Group 2015 DKK'000
Within a year from the balance sheet date	312	308
Between one and five years from the balance sheet date	158	29
	470	**337**

The Group participates in an international joint taxation arrangement with Blixtz Holding A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Group is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

22. Related parties

Related parties with a controlling interest

The following related parties have a controlling interest in Lauritz.com A/S:

Name	*Registered office*	*Basis of control*
Blixtz Holding A/S	Søborg, Denmark	Shareholder is holding the majority of voting rights in Lauritz.com Group A/S
Lauritz.com Group A/S	Søborg, Denmark	Shareholder is holding the majority of voting rights in Lauritz.com A/S

Ownership

Lauritz.com A/S is wholly owned by Lauritz.com Group A/S, Søborg, Denmark.

Subsidiaries	**Registered office**	**Ownership interest**
AB Stockholms Auktionsverk *	Stockholm, Sweden	100 %
LC Danmark ApS	Søborg, Denmark	100 %
LC II ApS	Søborg, Denmark	100 %
LC III ApS	Søborg, Denmark	100 %
Helsingborgs Auktionsverk AB *	Helsingborg, Sweden	100 %
Karlstad-Hammarö Auktionsverk AB *	Skoghall, Sweden	100 %
LC Sverige AB	Stockholm, Sweden	100 %
Internetauktioner i Helsingborg AB *	Helsingborg, Sweden	100 %
LC Deutschland GmbH	Hamburg, Germany	100 %
QXL Denmark A/S	Søborg, Denmark	100 %
QXL.no AS	Oslo, Norway	100 %

*The company is not audited by Deloitte.

Transactions

On 30 June 2016, Lauritz.com A/S received DKK 110,732k in full repayment of its receivable with the ultimate Parent Company, Blixtz Holding A/S. DKK 0.3m in interest has been paid during the period.

Management remuneration is mentioned in note 5. In 2016, Management of the Group has purchased goods corresponding to a net turnover of DKK 522k (2015: DKK 556k). All purchases have been made at the normal terms and conditions of purchases of the company, including the settlement of the full fee.

23. Events after the balance sheet date

On 27 March 2017, Lauritz.com A/S' CEO Mette Rode Sundstrøm has announced that she intends to resign her position. Mette Rode Sundstrøm will remain in her position until a new CEO has been recruited.

On 31 March 2017, Lauritz.com A/S entered into five-year partnership agreements for the two Danish auction houses situated in Søborg and Hørsholm.

The new partnership agreements will have a positive effect on EBITDA for 2017 of approx. DKK 18m.

No other events have occurred after the balance sheet date that could have a material influence on the Group's financial position.

24. Approval of annual report for publication

At the Board of Directors' meeting on 6 April 2017, the Board of Directors has approved the present annual report for publication.

The annual report will be presented to the shareholders of Lauritz.com A/S for their approval at the annual general meeting on 26 April 2017.

Statement of comprehensive income 1 January - 31 December

Notes		Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
1	Revenue	80,484	98,821
	Direct costs	- 3,667	- 2,741
	Gross profit	**76,817**	**96,080**
2	Other operating income	986	441
3	Other external expenses	- 24,700	- 31,887
4	Staff costs	- 30,699	- 32,709
	EBITDA	**22,404**	**31,925**
5	Depreciation and amortisation	- 9,314	- 7,128
	Operating profit (EBIT)	**13,090**	**24,797**
6	Financial income	18,172	21.499
7	Financial expenses	- 29,626	- 41,247
	Profit before tax (EBT)	**1,636**	**5,049**
8	Tax on profit for the year	- 2,621	3,519
	Profit for the year	**- 985**	**8,568**
	Other comprehensive income	-	-
	Total comprehensive income	**- 985**	**8,568**

Assets

Notes		Parent Company 31.12.2016 DKK'000	Parent Company 31.12.2015 DKK'000
	Non-current assets		
9	Software in process of development	11,671	5,996
9	Fully developed software	9,944	12,985
9	Goodwill	7,046	3,103
9	Rights acquired	1,955	2,612
	Total intangible assets	30,616	24,696
10	Land and buildings	54,261	51,969
10	Other fixtures and fittings, tools and equipment	7,045	8,458
	Total property, plant and equipment	61,306	60,427
11	Equity interest in subsidiaries	199,207	184.829
15	Deferred tax	-	1,540
12	Deposits	1,340	1,050
	Other non-current receivables	20,005	15,938
	Total financial assets	220,552	203,357
	Total non-current assets	**312,474**	**288,480**
	Current assets		
	Inventories	1,787	1,480
13	Trade receivables	9,004	9,511
	Receivables from group enterprises	11,608	14,445
	Receivables from Parent Company	-	113,765
13	Other current receivables	28,658	16,082
	Total receivables	49,270	153,803
	Cash and cash equivalents	33,258	14,753
	Total current assets	**84,315**	**170,036**
	Total assets	**396,789**	**458,516**

Equity and liabilities

Notes		Parent Company 31.12.2016 DKK'000	Parent Company 31.12.2015 DKK'000
	Equity		
14	Share capital	53,090	6,002
	Reserve for development projects	4,427	-
	Retained earnings	4,998	10,410
	Total equity	**62,515**	**16,412**
	Liabilities		
15	Deferred tax	327	-
16	Bond debt	241,842	338,056
	Total non-current liabilities	242,169	338,056
16	Bond debt	-	13,383
	Trade payables	54.205	59,507
	Payables to group enterprises	22,298	18,645
	Payables to Parent Company	1,939	-
17	Other payables	13,663	12,513
	Corporate taxes payable	-	-
	Total current liabilities	92,105	104,048
	Total liabilities	**334,274**	**442,104**
	Total equity and liabilities	**396,789**	**458,516**

Statement of changes in equity

	Share capital DKK'000	Reserve for development projects DKK'000	Retained earnings DKK'000	Total equity DKK'000
Equity at 1 January 2015	6,000	-	3,815	9,815
Profit for the year	-	-	8,568	8,568
Other comprehensive income	-	-	-	-
	6,002	-	12,410	18,412
Capital increase 3 April 2015	2	-	27	29
Dividend distributed	-	-	-2,000	-2,000
Equity at 31 December 2015	**6,002**	**-**	**10,410**	**16,412**
Equity at 1 January 2016	**6,002**	**-**	**10,410**	**16,412**
Profit for the year	-	4,427	-5,412	-985
Other comprehensive income	-	-	-	-
	6,002	4,427	4,998	15,427
Capital increase, 12 July 2016	47,088	-	-	47,088
Dividend distributed	-	-	-	-
Equity at 31 December 2016	**53,090**	**4,427**	**4,998**	**62,515**

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
Operating profit (EBIT)	**13,090**	**24,797**
Depreciation and amortisation	9,314	7,128
Increase/decrease in inventories	-306	-297
Increase/decrease in receivables	-10,556	-12,113
Increase/decrease in trade payables and other payables	-5,062	-7,330
Other adjustments	376	38
Cash flows from ordinary operating activities	6,856	12,223
Interest received	912	626
Interest paid	-27,413	-27,037
Income tax paid under a joint taxation arrangement	-755	-1,164
Cash flows from operating activities	**-20,400**	**-15,352**
Purchase of property, plant and equipment	-5,074	-3,861
Sale of property, plant and equipment	1,771	-
Purchase of intangible assets	-9,024	-11,898
Payment received from Parent Company, settlement of loan	110,732	-
Acquisitions	-11,821	-514
Dividend received from subsidiaries	4,056	20,873
Capital increase in subsidiaries	-	-758
Cash flows from investing activities	**90,640**	**3,842**
Redemption of bonds	-98,823	-
Proceeds from cash capital increase	47,088	1
Dividend paid to Parent's shareholders	-	-2,000
Cash flows from financing activities	**-51,735**	**-1,999**
Net cash flow for the year	18,505	-13,509
Net capital resources, beginning of year	14,753	28,262
Net capital resources, end of year	**33,258**	**14,753**
Net capital resources, end of year, are composed as follows:		
Cash and cash equivalents	33,258	14,753
Interest-bearing short-term bank loans	-	-
Net capital resources, end of year	**33,258**	**14,753**

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
1. Revenue		
Auction commissions and fees etc.	68,442	78,799
Fees from sales of partnership agreements	12,042	20,022
	80,484	**98,821**
2. Other operating income		
Rental income	986	441
	986	**441**
3. Fees to auditors appointed at the annual general meeting		
Audit services	490	425
Tax services	89	98
Other services	818	585
	1,397	**1,108**
4. Staff costs		
Remuneration of the Board of Directors	1,499	2,425
Wages and salaries	24,044	26,226
Defined contribution plans, cf. below	1,116	1,363
Other social security costs	356	379
Other staff costs	3,684	2,316
	30,699	**32,709**
Average number of full-time employees	48	51

The Parent Company has concluded defined contribution plans. According to the concluded agreement, the Parent pays a monthly amount of 5 percent of the concerned employees' basic salary. The contribution recognised in the income statement in this respect has been stated above.

Remuneration of the Board of Directors and Executive Management		
Remuneration of the Board of Directors	1,499	2,425
Wages and salaries, Executive Management	1,694	3,230
	3,193	**5,655**

The remuneration of the Board of Directors includes a consultancy fee to the Chairman of the Board. The remuneration of the Executive Management for 2016 covers the period from January to May. As of June 2016, the employment of the Executive Management is transferred to Lauritz.com Group A/S.

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
5. Depreciation and amortisation		
Depreciation, buildings	445	388
Depreciation, other fixtures, tools and equipment	1,515	1,224
Gains/losses arising from disposal	307	-
Amortisation, rights acquired	657	657
Amortisation, fully developed software and		
Impairment losses of software in process of development	6,390	4,859
	9,314	**7,128**
6. Financial income		
Interest income	636	-
Dividend received from subsidiaries	4,056	20,873
Interest income from group enterprises	276	626
Interest income from financial assets	**4,968**	**21,499**
Exchange rate gains	13,204	-
	18,172	**21,499**

The exchange rate gains in 2016 is primarily related to the bond debt denominated in SEK.

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
7. Financial expenses		
Interest expenses	697	190
Bank charges etc.	783	-
Redemption price, partial repayment of bond debt	3,143	-
Financial expenses, bond debt	22,907	27,547
Amortisation of borrowing costs, bond debt	2,096	2,034
Interest expenses from financial liabilities	**29,626**	**29,771**
Exchange rate losses	-	11,476
	29,626	**41,247**

The exchange rate losses in 2015 is primarily related to the bond debt denominated in SEK.

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
8. Tax on profit for the year		
Current tax for the year	-	-
Adjustment to deferred tax	- 721	- 3,448
Adjustment to deferred tax, prior years	2,586	- 965
Adjustment to taxes, prior years	756	1,024
Effect of the change of the tax rate	-	- 130
Tax on profit for the year	**2,621**	**- 3,519**

Current tax for the financial year is for Danish enterprises computed based on a tax rate of 22.0 % (2015: 23.5 %).

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
Tax on profit for the year is made up as follows:		
Computed 22.0 % tax on profit for the year before tax (2015: 23.5 %)	360	1,187
Effect of the change of the tax rate	-	- 130
Adjustment to taxes, prior years	756	1,024
Adjustment to deferred tax, prior years	2,586	- 965
Tax effect of:		
Non-deductible expenses/non-taxable income	- 189	270
Dividend received from subsidiaries	- 892	- 4,905
	2,621	**- 3,519**
Effective tax rate	160.2 %	27.0 %

9. Intangible assets (DKK'000)

	Software in process of development	Developed software	Acquired rights	Goodwill
Cost at 1 January 2016	9,436	32,262	5,182	3,103
Additions from subsidiaries/activities acquired	-	-	-	3,943
Additions	6,440	2,584	-	-
Transferred	- 765	765	-	-
Cost at 31 December 2016	**15,111**	**35,611**	**5,182**	**7,046**
Amortisation at 1 January 2016	-	19,277	2,570	-
Impairment losses at 1 January 2016	3,440	-	-	-
Amortisation for the period	-	6,390	657	-
Amortisation and impairment losses at 31 December 2016	**3,440**	**25,667**	**3,227**	**-**
Carrying amount at 31 December 2016	**11,671**	**9,944**	**1,955**	**7,046**

	Software in process of development	Developed software	Acquired rights	Goodwill
Cost at 1 January 2015	11,808	17,992	5,182	2,589
Additions from subsidiaries/activities acquired	-	-	-	514
Additions	5,996	5,902	-	-
Transferred	- 8,368	8,368	-	-
Cost at 31 December 2015	**9,436**	**32,262**	**5,182**	**3,103**
Amortisation at 1 January 2015	-	14,419	1,913	-
Impairment losses at 1 January 2015	3,440	-	-	-
Amortisation for the year	-	4,859	657	-
Amortisation and impairment losses at 31 December 2015	**3,440**	**19,277**	**2,570**	**-**
Carrying amount at 31 December 2015	**5,996**	**12,985**	**2,612**	**3,103**

For further information, we refer to note 10 in consolidated financial statement.

10. Property, plant and equipment (DKK'000)

	Land and buildings	Other fixtures etc.
Cost at 1 January 2016	52,357	20,906
Additions	2,737	2,337
Disposal	-	- 2,235
Cost at 31 December 2016	**55,094**	**21,008**
Depreciation at 1 January 2016	388	12,448
Depreciation for the period	445	1,515
Depreciation related to disposals	-	-
Depreciation at 31 December 2016	**833**	**13,963**
Carrying amount at 31 December 2016	**54,261**	**7,045**
Assets held under finance leases are included in carrying amount at		475

	Lands and buildings	Other fixtures etc.
Cost at 1 January 2015	-	19,402
Additions	52,357	1,504
Disposal	-	-
Cost at 31 December 2015	**52,357**	**20,906**
Depreciation at 1 January 2015	-	11,224
Depreciation for the year	388	1,224
Depreciation at 31 December 2015	**388**	**12,448**
Carrying amount at 31 December 2015	**51,969**	**8,458**
Assets held under finance leases are included in carrying amount at		976

Additions to land and buildings are attributable to the demerger of the property placed at Rovsingsgade 64-68, Copenhagen, effected on 3 April 2015.

The assets held under a finance lease concern IT equipment and run for a period that ends in 2018. The annual lease payment totals DKK 271k.

11. Equity interest in subsidiaries

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
Cost at 1 January	195,152	195,115
Additions	14,378	100
Capital increases	-	658
Disposal	-	-721
Cost at 31 December	**209,530**	**195,152**
Value adjustment at 1 January	-10,323	-10,323
Impairment losses	-	-
Value adjustment at 31 December	**-10,323**	**-10,323**
Carrying amount at 31 December	**199,207**	**184,829**

No write-down for impairment on subsidiaries in 2016.

Group enterprises have been specified in note 22 to consolidated financial statements.

12. Financial assets

	Deposits DKK'000
Cost at 1 January 2016	1,050
Addition	290
Disposal	-
Cost at 31 December 2016	**1,340**
Carrying amount at 31 December 2016	**1,340**
Cost at 1 January 2015	6.369
Addition	-
Disposal	-5,319
Cost at 31 December 2015	**1,050**
Carrying amount at 31 December 2015	**1,050**

13. Receivables

	Parent Company 31.12.2016 DKK'000	Parent Company 31.12.2015 DKK'000
Trade receivables	9,004	9,511
Other receivables, non-current	20,005	15,938
Other receivables, current	28,658	16,082
	57,667	**41,531**

All trade receivables fall due within 12 months. Non-current receivables relate to the sale of partnership agreements falling due for payment within a period of two to four years.

The impairment losses included in the receivables listed above have developed as follows:

	Parent Company 31.12.2016 DKK'000	Parent Company 31.12.2015 DKK'000
Impairment losses at 1 January	677	677
Impairment losses for the period	870	-
Realised for the period	-	-
Reversed	-	-
Impairment losses at 31 December	**1,547**	**677**

The Parent Company has no significant credit risks related to a single costumer or market. Write-downs for bad and doubtful receivables are made if the receivables based on an individual evaluation, shows indication of impairment.

14. Share capital

The share capital consists of shares with a nominal value of DKK 100 each. The shares have been paid in full. The shares have not been divided into classes and no special rights have been attached to the shares.

The share capital can be made up as follows:	DKK'000
Share capital 1 October 1999	3.000
Capital increase, cash 31 May 2000	150
Capital increase, cash 25 October 2000	3.000
Capital decrease, 24 August 2001	- 150
Capital increase, 3 April 2015	2
Capital increase, cash 12 July 2016	47,088
Total share capital	**53,090**

On 12 July 2016, a capital increase of DKK 47,088k was made as adopted by Lauritz.com A/S. The capital was increased by way of cash contribution from Lauritz.com Group A/S.

15. Deferred tax	Parent Company 31.12.2016 DKK'000	Parent Company 31.12.2015 DKK'000
Deferred tax at 1 January (asset)	1,540	- 3,003
Deferred tax on profit for the year	- 1,867	4,543
Deferred tax at 31 December	**- 327**	**1,540**
Specification of deferred tax:		
Tax loss carry forwards	1,252	3,669
Buildings	881	262
Other fixtures and fittings	- 723	639
Leasehold improvements	- 9	6
Rights acquired	145	- 327
Software	- 2,217	- 2,375
Goodwill	- 337	- 334
Other provisions	681	-
	- 327	**1,540**

15. Deferred tax (continued)

	Parent Company 31.12.2016 DKK'000	Parent Company 31.12.2015 DKK'000
Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	-	1,540
Deferred tax (liability)	327	-
Deferred tax at 31 December, net (liability)	**327**	**1,540**

When demerging the property placed at Rovsingsgade 64-68 on 3 April 2015, no deferred tax was recognised for this property as the Danish tax authorities have stated that instead current tax is incumbent on the property that was sold in 2007 by Ejendomsselskabet Rovsingsgade 60-74 ApS. Ejendomsselskabet Rovsingsgade 60-74 ApS does not consider this correct, and a request for the reopening of the tax assessment thereof is pending.
Should a decision be made in favour of Ejendomsselskabet Rovsingsgade 60-74 ApS that the company does not have current tax liabilities regarding the property sold, then deferred tax will instead be incumbent on the property placed at Rovsingsgade 64-68 and in that case Ejendomsselskabet Rovsingsgade 60-74 ApS would pay approx. DKK 13m to Lauritz.com A/S to refund the resulting deferred tax liability.

16. Bond debt

In 2011, the Group issued corporate bonds, the principal amount of which is DKK 10.0m. The bonds carry interest at a rate of 3.5 % and are redeemed after five years from the date of issue at a price of 135. The corporate bonds were redeemed by the end of February 2016.

The Group issued listed corporate bonds on 17 June 2014 with a principal amount of SEK 375m (or DKK 294.6m) and on 30 September 2014 with a principal amount of SEK 50m (or DKK 39.4m). The bonds carry interest at 3M STIBOR + 750 bps and are redeemed at par after five years from the date of issue. The corporate bond is listed on the NASDAQ OMX Stockholm.

On 18 July 2016, Lauritz.com A/S repaid part of the bond loan for DKK 82,221k, equivalent to SEK 100m and a redemption price of 104 plus interest. After this partial repayment, the principal amount of the bond debt was reduced to SEK 325m.

Lauritz.com A/S has on 16 September 2016 acquired approx. 2.4% of the issued bonds for SEK 7.6m (or DKK 5.9m). The bonds were acquired at rate 99.25.

The fair value of the remaining issued bonds amounts to DKK 234,670k at 31 December 2016 based on the last trade made on 29 December 2016. Of this, Lauritz.com A/S holds bonds with a fair value amounting to DKK 5,655k.

17. Other payables

Under the item other payables, personal income taxes, holiday pay etc., payable VAT and other costs payable are included. Additionally, a financial lease commitment is included by DKK 0.5m (2015: DKK 1.0m).

18. Financial risks

The Group's currency risks are primarily hedged by matching payments received and made in the same currency. The difference between ingoing and outgoing payments denominated in the same currency is a measure of currency risk. The Group's currency exposure at 31 December 2016 is specified below.

2016 (DKK'000)	Cash and cash equivalents	Receivables	Group enterprises, net	Bond debt	Other liabilities	Net position
NOK	6	-	714	-	-63	657
EUR	2,766	7,506	-9,664	-	-579	29
SEK	13,461	-	-5,873	-241,842	-1,267	-235,521
31 December 2016	**16,233**	**7,506**	**-14,823**	**-241,842**	**-1,909**	**-234,835**

2015 (DKK'000)	Cash and cash equivalents	Receivables	Group enterprises, net	Bond debt	Other liabilities	Net position
NOK	-	-	237	-	-	237
EUR	1,366	766	-2,131	-	-	1
SEK	2,782	32	2,323	-338,056	-5,138	-338,057
31 December 2015	**4,148**	**798**	**429**	**-338,056**	**-5,138**	**-337,819**

For further information on financial risks, we refer to note 17 in the consolidated financial statements.

19. Contingencies etc.

Contingent liabilities, Parent Company

The Company has issued a letter of support to the subsidiaries LC Sverige AB and LC Deutschland GmbH. However, this is not expected to have any impact on comprehensive income or equity.

19. Contingencies etc. (continued)

The Group participates in an international joint taxation arrangement with Blixtz Holding A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Group is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

The company has for the years 2017-2020 entered into operating leases. The leases have fixed lease payments, which are indexed annually. The leases are interminable in the period specified.

For further information on the operating leases, we refer to note 21 in the consolidated financial statements.

20. Related parties

The Company has entered into partnership agreements with group enterprises. In 2016, the accumulated settlement related to these partnership agreements amounts to DKK 34,439k (2015: DKK 49,570k).

In 2016, marketing contributions has been assigned to some of the Company's subsidiaries.

Furthermore, the company has entered into a management agreement with the Parent Company Lauritz.com Group A/S. In 2016, the agreement comprises the period from June to December, amounting to DKK 5,400k.

On 30 June 2016, Lauritz.com A/S received DKK 110,732k in full repayment of its receivable with the ultimate Parent Company, Blixtz Holding A/S. DKK 0.3m in interest has been paid during the period.

Group Enterprises have been specified in note 22 to consolidated financial statements.

21. Events after the balance sheet date

On 27 March 2017, Lauritz.com A/S' CEO Mette Rode Sundstrøm has announced that she intends to resign her position. Mette Rode Sundstrøm will remain in her position until a new CEO has been recruited.

On 31 March 2017, Lauritz.com A/S entered into five-year partnership agreements for the two Danish auction houses situated in Søborg and Hørsholm.

The new partnership agreements will have a positive effect on EBITDA for 2017 of approx. DKK 18m.

No other events have occurred after the balance sheet date that could have a material influence on the Group's financial position.

22. Approval of annual report for publication

We refer to note 24 in the consolidated financial statements.