

# Denmark Holdco I ApS

Carl Gustavs Gade 3, 1. th., 2630 Taastrup

CVR no. 25 29 72 45



## Annual report 2016

Approved at the annual general meeting of shareholders on 16 June 2017

Chairman:

Poul Viggo Bartels Petersen



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### Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Denmark Holdco I ApS for the financial year 1 January - 31 December 2016.

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

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

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Taastrup, 16 June 2017  
Executive Board:

Leszek Jarosław  
Kracielewski

Jeffery Grifles Tach

Samir Behl

## Independent auditor's report

To the shareholders of Denmark Holdco I ApS

### Opinion

We have audited the financial statements of Denmark Holdco I ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



### Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

#### Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16 June 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Peter Jensen

State Authorised Public Accountant



## Management's review

### Company details

Name	Denmark Holdco I ApS
Address, Postal code, City	Carl Gustavs Gade 3, 1. th., 2630 Taastrup
CVR no.	25 29 72 45
Registered office	Høje-Taastrup
Financial year	1 January - 31 December
Executive Board	Leszek Jaroslaw Krecielewski Jeffery Charles Tuori Samir Behl
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea

## Management commentary

### Business review

The objective of Denmark Holdco I ApS is to hold shares in other companies as long-term investments and to carry on other commercial and investment business. The Group's principal operating entities are located in Germany and Korea.

The Group distributes a range of household articles and other consumer products, largely supplied by other group entities.

Marketing is handled by a network of independent distributors, who receive training support, etc., who are contractually affiliated with the group, and whose earnings are entirely based on sales.

It is not Amway's ambition to supply discount products. The Company seeks to provide differentiated products representing quality, value, service and the Amway Satisfactory Guarantee, justifying the comparatively high retail prices of the Company's products. Moreover, the Company believes that its person-to-person, direct selling structure leads to competitive customer services.

### Financial review

The income statement for 2016 shows a profit of DKK 393,742 thousand against DKK 1,249,172 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 897,064 thousand.

### Events after the balance sheet date

No events have occurred after the financial year-end which could significantly affect the Company's financial position.

## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK'000	2016	2015
	Other external expenses	-70	-237
	Gross margin	-70	-237
2	Staff costs	0	0
	Profit/loss before net financials	-70	-237
	Income from investments in associates	393,836	1,249,409
	Financial expenses	-24	0
	Profit before tax	393,742	1,249,172
	Tax for the year	0	0
	Profit for the year	393,742	1,249,172
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	393,836	0
	Extraordinary dividend distributed in the year	0	1,249,409
	Retained earnings/accumulated loss	-94	-237
		393,742	1,249,172



## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK'000	2016	2015
	<b>ASSETS</b>		
	Fixed assets		
3	Investments		
	Investments in group enterprises	593,579	593,579
		<u>593,579</u>	<u>593,579</u>
	Total fixed assets	<u>593,579</u>	<u>593,579</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprises	425,289	31,453
		<u>425,289</u>	<u>31,453</u>
	Cash	551	645
	Total non-fixed assets	<u>425,840</u>	<u>32,098</u>
	<b>TOTAL ASSETS</b>	<u>1,019,419</u>	<u>625,677</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
4	Share capital	600	600
	Share premium account	95,391	95,391
	Retained earnings	407,237	407,331
	Dividend proposed	393,836	0
	Total equity	<u>897,064</u>	<u>503,322</u>
	Liabilities		
	Current liabilities		
	Payables to group enterprises	122,145	122,145
	Other payables	210	210
		<u>122,355</u>	<u>122,355</u>
	Total liabilities other than provisions	<u>122,355</u>	<u>122,355</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,019,419</u>	<u>625,677</u>

- 1 Accounting policies
- 5 Contractual obligations and contingencies, etc.
- 6 Collateral
- 7 Related parties





## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Share premium account	Retained earnings	Dividend proposed	Total
Equity at 1 January 2016	600	95,391	407,331	0	503,322
Transfer through appropriation of profit	0	0	-94	393,836	393,742
Equity at 31 December 2016	600	95,391	407,237	393,836	897,064

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Denmark Holdco I ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared.

The consolidated financial statements of Solstice Holdings Inc. may be obtained from the Company on request.

#### Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

1. Dividend from investments in subsidiaries must always be recognised in the income statement going forward. If the cost exceeds the carrying amount of the net assets of subsidiaries, or if dividend exceeding the profit for the year is distributed, there will be evidence of impairment, meaning that an impairment test must be conducted. Previously, dividend exceeding the subsidiary's accumulated earnings would be set off against costs.

None of the above changes impact the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes in accounting policy and new and changed presentation and disclosure requirements following from Act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Income from investments in subsidiaries and associates

The item includes dividend received from subsidiaries and associates.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

##### Balance sheet

##### Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

## Financial statements for the period 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

## Equity

*Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

## Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

## Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 2 Staff costs

No wages or salaries were paid in the financial year.

#### 3 Investments

Name	Interest
<b>Subsidiaries</b>	
Amway Danmark ApS	100.00 %
Amway Europe Ltd.	100.00 %

The equity and profit/loss amounts are measured according to the accounting policies of the respective companies. Both companies recognise and measure investments in group entities according to the cost method.

DKK'000	2016	2015
<b>4 Share capital</b>		
Analysis of the share capital:		
600 shares of DKK 1,000.00 nominal value each	600	600
	<u>600</u>	<u>600</u>

Analysis of changes in the share capital over the past 5 years:

DKK'000	2016	2015	2014	2013	2012
Opening balance	600	600	600	500	500
Capital increase	0	0	0	100	0
	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>500</u>

#### 5 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and together with other jointly taxed group entities, the Company has joint and several liability for the payment of income taxes for the income year 2016 and onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

#### 6 Collateral

The Company has not placed any assets or other items as security for loans at 31 December 2016.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 7 Related parties

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Solstice Holdings Inc.	7575 Fulton Street East Ada, 49355-0001 United States	The consolidated financial statements can be obtained from the Company on request.