



## AZELIS DENMARK A/S

Lundtoftegårdsvej 95

2800 Kongens Lyngby

CVR No. 26991064

## Annual Report 1. January - 31. December 2016

14. financial year

The Annual Report was presented and  
adopted at the Annual General Meeting of  
the Company on 19/6 2017

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Steffen Kristensen  
Chairman

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## Management's Statement

Today, Management has considered and adopted the Annual Report of AZELIS DENMARK A/S for the financial year 1 January 2016 - 31 December 2016.

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

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

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

Kgs. Lyngby,

19/6-2017

### Executive Board



Andrew Paul Johnson  
Man. Director

### Supervisory Board



Anna Bertona  
Chairman



Thijs William Bakker



Andrew Paul Johnson  
Man. Director



Steffen Kristensen

## **Independent Auditor's Report**

**To the shareholders of AZELIS DENMARK A/S**

### **Opinion**

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31-12-2016 and of the results of its operations and cash flows for the financial year 01-01-2016 - 31-12-2016 in accordance with the Danish financial statements Act.

We have audited the financial statements of AZELIS DENMARK A/S for the financial year 01-01-2016 - 31-12-2016, which comprise an income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish financial statements Act.

### **Basis of opinion**

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

### **Statement on Management's Review**

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

### **Management's responsibility for the financial statements**

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

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

### **The auditor's responsibility 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

## Independent Auditor's Report

it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- \* Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- \* Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 19/6-2017

**PricewaterhouseCoopers**  
**Statsautoriseret Revisionspartnerselskab**  
CVR-no. 33771231

  
Leif Ulbæk Jensen  
State Authorised Public Accountant

  
Anders Røjleskov  
State Authorised Public Accountant

**Company details**

|                          |   |
|--------------------------|---|
| <b>Company</b>           | AZELIS DENMARK A/S<br>Lundtoftegårdsvej 95<br>2800 Kongens Lyngby                           |
| <b>CVR No.</b>           | 26991064  |
| <b>Registered office</b> | Lyngby-Tårnbæk  |
| <b>Financial year</b>    | 1 January 2016 - 31 December 2016   |
| <b>Supervisory Board</b> | Anna Bertona, Chairman<br>Thijs William Bakker<br>Andrew Paul Johnson<br>Steffen Kristensen |
| <b>Executive Board</b>   | Andrew Paul Johnson   |

## **Management's Review**

### **The Company's principal activities**

The Groups most significant business activity is to sell De-icing salt, Chemicals and Food Ingredients primarily within the Nordic market area.

### **Development in activities and financial matters**

The Company's Income Statement of the financial year 01-01-2016 - 31-12-2016 shows a result of DKK 8.283.273 and the Balance Sheet at 31-12-2016 a balance sheet total of DKK 258.157.683 and an equity of DKK 154.311.327. The result for the year has improved in most segments but is still negatively influenced by the mild winter. The Company's results are not deemed satisfactory.

### **Outlook**

For 2017 the Company expects an increase in revenue and an improved result.

### **Material assumptions and uncertainties**

The financing facility held by the Parent, Azelis Holding S.A., and utilized by the Group, including Azelis Nordic Holding ApS, is subject to financial covenants which the Group forecasts will be met within the next 12-month period. Full details of the Group's facility and going concern status are included within the consolidated financial statements of Azelis Holding S.A., 19 rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg.

The Company has received a letter of support from the parent company Azelis S.A., in which it confirms to support the Company. The letter of support expires on January 30th 2018."

### **Corporate Social Responsibility**

The Azelis Group is in the process of developing a global strategy for Corporate Social Responsibility (CSR). The Azelis Group has issued an interim CSR statement, which can be requested from the Company. The developing work on the CSR policy is based on the globally recognized standards of "Global Compact", the UN's 17 "Sustainable Development Goals", ISO 2600 and GRI4.

The Azelis Groups priorities and policies will include all 7 core subjects of Corporate Social Responsibility: Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development.

The Azelis Group expects to launch the first CSR report in 2017.

### **Gender distribution in the Board**

Azelis Denmark A/S does not have a specific policy regarding the gender distribution in the Board, however the Company board of 4 people does have a split of gender of 25/75 (female/male).

The Company will work for increasing the number of females within the Management so that it will be at least 40% of the general assembly elected members of the Board of Directors and that the number of females also will be increased in the underlying management levels.

The staff policy is taken care off centrally and is supervised by the Board of Directors. The goal shall be achieved by equal career possibilities for both genders.

By end of 2016 the number of females amongst the general assembly elected members of the Board of Directors was 25% which was an increase of 25% since the end of 2015. By end of 2016 there was no female representation in the Management level.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

*Numbers appear in thousands*

|                                   | 2016    | 2015    | 2014    | 2013    | 2012    |
|-----------------------------------|---------|---------|---------|---------|---------|
| Net turnover                      | 317.662 | 297.252 | 309.028 | 355.870 | 401.554 |
| Gross profit / loss               | 37.809  | 26.948  | 34.187  | 38.550  | 49.460  |
| Operating profit/loss             | 1.403   | -8.448  | 1.238   | 5.150   | 7.627   |
| Net financial income and expenses | 7.687   | 6.341   | 3.479   | 1.160   | 8.496   |
| Profit/loss for the year          | 8.283   | -2.280  | 3.428   | 4.865   | 12.111  |
| Balance                           | 258.158 | 237.365 | 235.790 | 253.666 | 294.606 |
| Total equity                      | 154.311 | 146.050 | 148.434 | 145.811 | 141.815 |
| Investment in Investment in       |         |         |         |         |         |
| Property, plant and equipment     | 0       | 35      | 1.393   | 156     | 497     |
| Avg. no. of emp.                  | 51      | 50      | 49      | 50      | 60      |
| Gross profit ratio (%)            | 11,90   | 9,07    | 11,06   | 10,83   | 12,31   |
| Return on equity (ROE) (%)        | 5,51    | -1,54   | 2,33    | 3,38    | 8,94    |
| Solvency ratio (%)                | 59,77   | 61,53   | 62,95   | 57,48   | 48,13   |
| Revenue per full-time employee    | 6.229   | 5.945   | 6.306   | 7.117   | 6.693   |
| EBITDA                            | 2.274   | -7.531  | 2.436   | 6.292   | 9.114   |

For definitions of key ratios, see Accounting and Valuation Principles



## Accounting Policies

### Reporting Class

The Annual Report of AZELIS DENMARK A/S for 2016 has been presented in accordance with the provisions of the Danish financial statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Referring to section 112 (1) of the Danish Financial Statement Act, Azelis Nordic Holding ApS has not prepared any consolidated financial statement. The financial statement of Azelis Nordic Holding ApS and its subsidiaries are included in the consolidated financial statement of Azelis S. A..

### Reporting currency

The Annual Report is presented in Danish kroner.

### Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

## General Information

### Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

## Accounting Policies

### Income Statement

#### Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

#### Other operating income and expenses comprise items of a secondary nature to the activities of the enterprise, including profit on sale of intangible and tangible assets

Other operating income and expenses comprise items of a secondary nature to the principal activity of the Company.

#### Raw materials and consumables

Costs for raw materials and consumables comprise purchase of goods and services for resale.

#### Other external expenses

Other external expenses comprise expenses regarding sale and administration.

#### Staff expenses

Staff expenses comprise wages and salaries, pensions and social security costs.

#### Amortisation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

|   | Useful life | Residual value |
|---|-------------|----------------|
| Completed development projects                                    | 5 years     | 0%             |
| Concessions, patents, licens, trademarks and other similar rights | 10 years    | 0%             |
| Goodwill  | 5 years     | 0%             |
| Properties  | 20-50 years | 0%             |
| Plant and machinery   | 5-10 years  | 0%             |
| Other fixtures and fittings, tools and equipment                  | 3-10 years  | 0%             |
| Leasehold improvements  | 5 years     | 0%             |

Land is not amortised.

Depreciation period and residual value are reassessed annually.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under amortisation.

#### Income from equity investments in group enterprises and associates

Income from equity investments comprises the proportionate share of profit/loss after tax and any adjustment of internal profit/loss and less amortisation of consolidated goodwill.

## Accounting Policies

### Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

### Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity. The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

## Balance Sheet

### Intangible assets

Other intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

### Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

### Equity investments in group enterprises and associates

Equity investments in group enterprises and associates are measured by the equity method at the proportionately owned share of the equity of the enterprises plus any consolidated goodwill, less intercompany profit and negative goodwill. Enterprises with negative equity are measured at 0 as the negative value corresponding to the proportionate share is offset against receivables, if any. Amounts beyond this are recognised in the provisions item, if there is a legal or actual obligation to cover the negative balance.

### Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

### Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

### Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

## Accounting Policies

### Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### Financial liabilities

Fixed-rate loans such as mortgage loans and loans from credit institutions are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

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

### Finance lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

### Operating leases

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

### Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

### Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

## Accounting Policies

### Accounting policies Cash Flow Statement

According to the section 86 (4) of the the Danish financial statement Act, no cash flow statement has been prepared as it is included in thn consolidated financial statement of Azelis Holding S.A.

### Explanation of financial ratios

|                                |   |  |
|--------------------------------|---|--|
| Gross Profit ratio (%)         | = | $\frac{\text{Revenue} - \text{Variable cost}}{\text{Revenue}}$ |
| Return on Equity (%)           | = | $\frac{\text{Net income}}{\text{Average equity}}$              |
| Solvency Ratio (%)             | = | $\frac{\text{Equity}}{\text{Total assets}}$                    |
| Revenue per full time employee | = | $\frac{\text{Revenue}}{\text{Full time employees}}$            |
| EBITDA-margen                  | = | $\frac{\text{Earnings before depreciation}}{\text{Revenue}}$   |

## Income Statement

|  | Note | 2016<br>kr.       | 2015<br>kr.       |
|--|------|-------------------|-------------------|
| Revenue  | 1    | 317.662.346       | 297.251.859       |
| Change in inventories of finished goods, work in progress and goods for resale   |      | -1.346.395        | 1.069.597         |
| Other operating income   |      | 2.968.646         | 5.173.872         |
| Raw materials and consumables used   |      | -250.698.461      | -240.737.042      |
| Other external expenses  |      | -30.777.063       | -35.810.550       |
| <b>Gross result</b>  |      | <b>37.809.073</b> | <b>26.947.736</b> |
| Employee benefits expense  | 2    | -35.535.292       | -34.478.884       |
| Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss | 3    | -870.761          | -916.372          |
| <b>Profit from ordinary operating activities</b>   |      | <b>1.403.020</b>  | <b>-8.447.520</b> |
| Income from investments in group enterprises and associates  |      | 1.848.691         | 664.369           |
| Finance income   | 4    | 9.923.438         | 8.349.469         |
| Other finance expenses   | 5    | -4.085.579        | -2.672.813        |
| <b>Profit from ordinary activities before tax</b>  |      | <b>9.089.570</b>  | <b>-2.106.495</b> |
| Tax expense on ordinary activities   | 6    | -806.297          | -173.389          |
| <b>Profit</b>  |      | <b>8.283.273</b>  | <b>-2.279.884</b> |
| <b>Proposed distribution of results</b>  | 7    |                   |                   |
| Retained earnings  |      | 8.283.273         | -2.279.884        |
| <b>Distribution of profit</b>  |      | <b>8.283.273</b>  | <b>-2.279.884</b> |

## Balance Sheet as of 31 December

|   | Note | 2016<br>kr.        | 2015<br>kr.        |
|---|------|--------------------|--------------------|
| <b>Assets</b>   |      |                    |                    |
| Acquired intangible assets  | 8    | 796.063            | 1.390.741          |
| <b>Intangible assets</b>  |      | <b>796.063</b>     | <b>1.390.741</b>   |
| Plant and machinery   | 9    | 303.495            | 465.280            |
| Fixtures, fittings, tools and equipment                           | 9    | 113.361            | 226.774            |
| Leasehold improvements  | 9    | 0                  | 883                |
| <b>Property, plant and equipment</b>                              |      | <b>416.856</b>     | <b>692.937</b>     |
| Long-term investments in group enterprises                        | 10   | 14.835.117         | 13.867.374         |
| <b>Investments</b>  |      | <b>14.835.117</b>  | <b>13.867.374</b>  |
| <b>Fixed assets</b>   |      | <b>16.048.036</b>  | <b>15.951.052</b>  |
| Work in progress  |      | 1.087.600          | 0                  |
| Manufactured goods and goods for resale                           |      | 37.791.682         | 40.225.677         |
| <b>Inventories</b>  | 12   | <b>38.879.282</b>  | <b>40.225.677</b>  |
| Short-term trade receivables                                      |      | 33.670.888         | 30.035.434         |
| Short-term receivables from group enterprises                     |      | 157.490.990        | 146.302.117        |
| Other short-term receivables                                      |      | 7.911.161          | 1.543.426          |
| Deferred income   | 13   | 128.729            | 357.958            |
| Current deferred tax  | 14   | 494.225            | 396.206            |
| Timing differences, short-term receivables (especially utilities) |      | 366.025            | 0                  |
| <b>Receivables</b>  |      | <b>200.062.018</b> | <b>178.635.141</b> |
| <b>Cash and cash equivalents</b>                                  |      | <b>3.168.347</b>   | <b>2.553.258</b>   |
| <b>Current assets</b>   |      | <b>242.109.647</b> | <b>221.414.076</b> |
| <b>Assets</b>   |      | <b>258.157.683</b> | <b>237.365.128</b> |

## Balance Sheet as of 31 December

|  | Note | 2016<br>kr.               | 2015<br>kr.               |
|--|------|---------------------------|---------------------------|
| <b>Liabilities and equity</b>                                |      |                           |                           |
| Contributed capital  | 15   | 3.000.000                 | 3.000.000                 |
| Retained earnings  |      | <u>151.311.327</u>        | <u>143.049.858</u>        |
| <b>Equity</b>  | 16   | <u><b>154.311.327</b></u> | <u><b>146.049.858</b></u> |
| Trade payables   |      | 29.679.708                | 17.578.605                |
| Payables to group enterprises                                |      | 49.745.643                | 50.790.454                |
| Tax payables   |      | 904.316                   | 0                         |
| Other payables   | 17   | 20.619.840                | 20.358.786                |
| Other liabilities  | 18   | 2.733.676                 | 2.340.259                 |
| Lease commitments  |      | <u>163.173</u>            | <u>247.166</u>            |
| <b>Short-term liabilities other than provisions</b>          |      | <u><b>103.846.356</b></u> | <u><b>91.315.270</b></u>  |
| <b>Liabilities other than provisions within the business</b> |      | <u><b>103.846.356</b></u> | <u><b>91.315.270</b></u>  |
| <b>Liabilities and equity</b>                                |      | <u><b>258.157.683</b></u> | <u><b>237.365.128</b></u> |
| Contingent liabilities                                       | 19   |                           |                           |
| Collaterals and assets pledges as security                   | 20   |                           |                           |
| Ownership  | 21   |                           |                           |
| Liabilities under off-balance sheet leases                   | 22   |                           |                           |
| Fees for auditors elected on the general meeting             | 23   |                           |                           |



## Notes

|   | 2016               | 2015               |
|---|--------------------|--------------------|
| <b>1. Revenue</b>   |                    |                    |
| Denmark   | 317.476.242        | 297.251.858        |
|   | <u>317.476.242</u> | <u>297.251.858</u> |
| <p>Revenue is recognized exclusive of VAT and net of discounts relating to sales. The Company has no significant markets besides the Danish market. In consideration of the Company's chemical segments, the Company considers distribution of different chemicals as one business segment.</p> |                    |                    |
| <b>2. Employee benefits expense</b>   |                    |                    |
| Wages and salaries  | 32.291.562         | 31.303.338         |
| Post-employment benefit expense   | 2.514.337          | 2.458.998          |
| Social security contributions   | 729.393            | 716.548            |
|   | <u>35.535.292</u>  | <u>34.478.884</u>  |
| <p><i>Hereof remuneration to management</i></p>   |                    |                    |
| Management  | 1.735.675          | 1.633.004          |
| Board of directors  | 1.409.100          | 1.416.482          |
|   | <u>3.144.775</u>   | <u>3.049.486</u>   |
| Average number of employees   | <u>51</u>          | <u>50</u>          |
| <b>3. Depreciation, amortisation and impairment losses</b>  |                    |                    |
| Amortisation of intangible assets   | 594.679            | 578.492            |
| Depreciation of property, plant and equipment   | 276.082            | 337.880            |
|   | <u>870.761</u>     | <u>916.372</u>     |
| <b>4. Financial income</b>  |                    |                    |
| Interest income Group Enterprises   | -8.103.349         | -7.747.868         |
| Exchange rate adjustments   | -77.427            | -16.951            |
| Other financial income  | -1.742.662         | -584.650           |
|   | <u>-9.923.438</u>  | <u>-8.349.469</u>  |
| <b>5. Finance expenses</b>  |                    |                    |
| Finansiel expenses from group enterprises   | 1.557.870          | 771.672            |
| Exchange rate adjustments   | 516.305            | 1.101.633          |
| Other financial expenses  | 2.011.404          | 799.508            |
|   | <u>4.085.579</u>   | <u>2.672.813</u>   |

## Notes

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>6. Tax expense</b>                                 |                   |                   |
| Previous years' income taxes                          | 0                 | 34.108            |
| Current income taxes                                  | 904.316           | 0                 |
| Change in deferred tax assets                         | -98.019           | 139.281           |
|   | <u>806.297</u>    | <u>173.389</u>    |
| <b>7. Distribution of profit</b>                      |                   |                   |
| Proposed dividend for the accounting year             | 0                 | 0                 |
| Proposed transfer of profit to the equity             | 8.283.273         | -2.279.884        |
| Minority interests share of the retained profit       | 0                 | 0                 |
|   | <u>8.283.273</u>  | <u>-2.279.884</u> |
| <b>8. Intangible assets</b>                           |                   |                   |
| Acquired rights                                       |                   |                   |
| Cost of the beginning of the year                     | 6.643.300         | 10.407.560        |
| Tilgang i årets løb                                   | 0                 | 323.740           |
| Disposals   | 0                 | -4.088.000        |
| <b>Cost end of year</b>                               | <u>6.643.300</u>  | <u>6.643.300</u>  |
| Amortisation and impairment losses beginning of year  | -5.252.558        | -8.762.067        |
| Reversal of disposals of the year                     | 0                 | 4.088.000         |
| Amortisation for the year                             | -594.679          | -578.492          |
| <b>Amortisation and impairment losses end of year</b> | <u>-5.847.237</u> | <u>-5.252.559</u> |
| <b>Carrying amount end of year</b>                    | <u>796.063</u>    | <u>1.390.741</u>  |

## Notes

|  | 2016               | 2015              |
|--|--------------------|-------------------|
| <b>9. Property, plant and equipment and other fixtures, fittings tools and equipment</b> |                    |                   |
| <b>Property, plant and equipment</b>   |                    |                   |
| Cost beginning of year   | 2.654.130          | 2.647.277         |
| Additions  | 0                  | 6.853             |
| Disposals  | 0                  | 0                 |
| <b>Cost end of year</b>  | <b>2.654.130</b>   | <b>2.654.130</b>  |
| Depreciations and impairment losses beginning of the year                                | -2.188.848         | -1.987.000        |
| Depreciation for the year  | -161.786           | -201.848          |
| Reversal regarding disposals   | 0                  | 0                 |
| <b>Depreciation and impairment losses end of year</b>                                    | <b>-2.350.634</b>  | <b>-2.188.848</b> |
| <b>Other fixtures and fittings, tools and equipment</b>                                  |                    |                   |
| Cost beginning of year   | 876.144            | 1.212.309         |
| Additions  | 0                  | 28.380            |
| Disposals  | 0                  | -364.545          |
| <b>Cost end of year</b>  | <b>876.144</b>     | <b>876.144</b>    |
| Depreciations and impairment losses beginning of the year                                | -648.487           | -877.000          |
| Depreciation for the year  | -114.297           | -136.032          |
| Reversal regarding disposals   | 0                  | 364.545           |
| <b>Depreciation and impairment losses end of year</b>                                    | <b>-762.784</b>    | <b>-648.487</b>   |
| <b>Carrying amount end of year</b>   | <b>416.856</b>     | <b>682.939</b>    |
| <b>10. Fixed asset investments</b>   |                    |                   |
| Cost beginning of year   | 23.149.840         | 23.149.840        |
| Transfer to and from other items   | 0                  | 0                 |
| Additions  | 10.205.653         | 0                 |
| <b>Cost end of year</b>  | <b>33.355.493</b>  | <b>23.149.840</b> |
| Impairment losses beginning of year  | -9.282.466         | -9.842.187        |
| Exchange rate adjustments  | -21.804            | -104.648          |
| Share of profit/loss after tax   | 1.848.691          | 664.369           |
| Reversal of impairment losses  | -11.064.797        | 0                 |
| <b>Impairment losses end of year</b>   | <b>-18.520.376</b> | <b>-9.282.466</b> |
| <b>Carrying amount end of year</b>   | <b>14.835.117</b>  | <b>13.867.374</b> |

## Notes

2016

2015

**11. Subsidiaries**

| <u>Subsidiaries:</u>         | <u>Registered in</u> | <u>Corporate form</u> | <u>Equity interest %</u> |
|------------------------------|----------------------|-----------------------|--------------------------|
| Azelis Smoke Ingredients A/S | Lyngby               | A/S                   | 100,00                   |
| Azelis Norway                | Norway               | AS                    | 100,00                   |
| Azelis Sweden                | Sweden               | AB                    | 100,00                   |
| Azelis Finland               | Finland              | OY                    | 100,00                   |
| Azelis Latvia                | Latvia               | SIA                   | 100,00                   |

**12. Inventories**

|   |                   |                   |
|---|-------------------|-------------------|
| Work in progress                        | 1.087.600         | 0                 |
| Manufactured goods and goods for resale | 37.791.682        | 40.225.677        |
| <b>Inventories in total</b>             | <b>38.879.282</b> | <b>40.225.677</b> |

**13. Prepayments**

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Prepaid Insurance                     | -63.429        | 93.492         |
| Prepaid Utilities                     | 192.158        | 264.466        |
| <b>Balance at the end of the year</b> | <b>128.729</b> | <b>357.958</b> |

**14. Provisions for deferred tax**

|  |                |                |
|--|----------------|----------------|
| Balance at the beginning of the year           | 396.206        | 535.487        |
| Change in deferred tax in the income statement | 98.019         | -139.281       |
| <b>Balance at the end of the year</b>          | <b>494.225</b> | <b>396.206</b> |

The deferred tax asset is mainly calculated based on a temporary difference between financial and tax depreciation. The Company expect to be able to realize the tax asset through future income.

**15. Contributed capital**

|          | <u>Number</u> | <u>Par value DKK</u> | <u>Nominal value DKK'000</u> |
|----------|---------------|----------------------|------------------------------|
| A-shares | 1             | 3000,00              | 3.000                        |

## Notes

2016

2015

**16. Statement of changes in equity**

|                                   | Contributed<br>capital | Retained<br>earnings | Total              |
|-----------------------------------|------------------------|----------------------|--------------------|
| Equity, beginning balance         | 3.000.000              | 143.049.858          | 146.049.858        |
| Retained Earnings 2016            |                        | 8.283.273            | 8.283.273          |
| Exchange rate adjustments, equity |                        | -21.804              | -21.804            |
|                                   | <b>3.000.000</b>       | <b>151.311.327</b>   | <b>154.311.327</b> |

The share capital has remained unchanged for the last 5 years.

**17. Short term payables**

|  |                   |                   |
|--|-------------------|-------------------|
| VAT and duties   | 534.350           | 597.336           |
| Wages and salaries, personal income taxes, social security costs, ect. | 11.418.457        | 8.200.157         |
| Other payables   | 8.667.033         | 11.561.293        |
|  | <b>20.619.840</b> | <b>20.358.786</b> |

**18. Deferred income**

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Payables to employees                 | 14.169           | 0                |
| Payables to employees                 | 2.719.507        | 2.340.259        |
| <b>Balance at the end of the year</b> | <b>2.733.676</b> | <b>2.340.259</b> |

**19. Contingent liabilities**

The Company is jointly taxed with the other enterprises in the group and are jointly and severally liable for the taxes that concern the joint taxation.

The total amount appears from the annual report of Azelis Nordic Holding ApS which is the administration company in the joint taxation. (Can be omitted in the administration company)

**20. Collaterals and securities**

Azelis Denmark A/S has provided a guarantee for the subsidiary Azelis Finland OY as security for their agreement with the Finnish Customs authorities.

**21. Ownership**

The company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Azelis Nordic Holding ApS  
Lundtoftegårdsvej 95, 2800 Kgs. Lyngby

## Notes

2016

2015

**22. Collaterals and commitments regarding rent- and leaseagreements, not in the balance sheet**

DKK'000

|                     |               |               |
|---------------------|---------------|---------------|
| Rent commitments    | 9.502         | 11.848        |
| Operational leasing | 4.277         | 3.208         |
|                     | <b>13.779</b> | <b>15.056</b> |

**23. Fees for auditors elected on the general meeting**

|                         |                |                |
|-------------------------|----------------|----------------|
| Statutory audit         | 164.263        | 167.360        |
| Other assurance reports | 0              | 0              |
| Tax consultancy         | 122.600        | 0              |
|                         | <b>286.863</b> | <b>167.360</b> |

**24. Consolidation****Consolidation**

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

Atlas Holding S.A  
19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg