Ahpla ApS

CVR-No. 28 86 59 61

Annual Report for 2016

The Annual Report has been presented
and approved at the Annual General
Meeting of the Company
on 29/5 2017

Bjarke Sanbeck

(Chairman)

Table of contents

Company Information

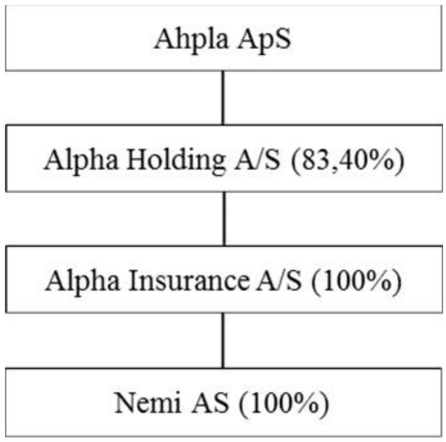
The Company	Ahpla ApS c/o Harbour House Sundkrogsgade 21 DK-2100 København Ø	
	Telephone:	+45 70 25 25 95
	Fax:	+45 70 26 25 95
	Registration No.:	28 86 59 61
	Established:	1 July 2005
	Financial year:	1 January - 31 December
Board of Directors	Leif Corinth-Hansen (chairman) Anne Helge Bo Lundqvist Henrik Heideby	
Board of Executives	Bo Lundqvist	
Auditor	Beierholm Statsautoriseret Revisionspartnerselskab Knud Højgaards Vej 9, 1. 2860 Søborg	

Management's Report

Main activity

Ahpla ApS is a holding and investment company. The Ahpla Group consists of Ahpla ApS, Alpha Holding A/S, Alpha Insurance A/S, Nemi Forsikring AS (Norway). Additionally the Group has a branch office in Norway.

The group structure of the Ahpla Group consists of the following entities:



The year's result and development of the company

The financial year 2016 resulted in a loss for the Ahpla Group of DKK -20.5 million against a loss of DKK -14.1 million in 2015. The technical result was DKK -67.6 million in 2016 against DKK -7.8 million compared to 2015.

Return on investments for 2016 was DKK -0.1 million against DKK 18.9 million in 2015.

The net profit for the year 2016 of DKK -20.5 million is not satisfactory.

New Executive Order on accounting in affiliated companies

The new executive order comprises changes to the accounting for and measurement of insurance contracts, hereunder introducing the new terms risk margin on insurance contracts and future profit margin on insurance contracts. The executive order also includes changes to the presentation in the financial statements and the introduction of a new interest rate curve, calculated be the European Insurance and Occupational Pension Authority (EIOPA) is introduced.

The change in accounting policies in the affiliated companies related to future profit margin and had no effect on the income, total assets or equity at 31.12.2015 or 31.12.2016. In 2015, Group DKK 14.7 million was reclassified from “Change in premium reserve” to “Change in future profit and risk margin”. At 31.12.2015, Group DKK 59.6 million was reclassified from “Premium provisions, gross” to “Future profit”.

Further in 2015, the change in accounting policies related to risk margin has increased the “Net profit before tax” by Group DKK 2.3 million and the “Net profit for the year” Group 0.5 million. At 01.01.2015, the equity in the affiliated companies was decreased by DKK 37.5 million and the total assets by DKK 2.7 million. In 2016, the “Change in risk margin” increased the “Net profit before tax” Group DKK 6.4 million and the “Net profit for the year” and equity at 31.12.2016 in the affiliated companies by DKK 1.4 million.

Management's Report

Dividend

The Board of Directors proposes no dividends for 2016.

Insurance activities Group

In 2016, the gross premium income increased by DKK 35.9 million (2.0%) to DKK 1,817.9 million. Insurance premiums ceded decreased in 2016 by 0.5%, which resulted in premium income for own account increasing from DKK 775.0 million in 2015 to DKK 816.2 million in 2016, an increase of DKK 41.2 million.

Gross claims incurred amounted to DKK 1,524.8 million in 2016 compared to DKK 1,275.2 million in 2015. Recoveries from reinsurers increased by DKK 145.6 million (17.4%) compared with 2015. Costs of claims net of reinsurance increased by DKK 104.0 million to DKK 542.4 million.

The insurance operating cost decreased by DKK 15.3 million compared to 2015. In 2016, the insurance operating costs amounted to DKK 355.8 million compared to DKK 371.1 million in 2015.

The combined ratio has increased to 103.7 in 2016 from 100.5 in 2015. The increased combined ratio stems from an increased gross claim ratio of 83.2 compared to 70.6 in 2015 and a increase in the expense ratio from 32.6 in 2015 to 33.2 in 2016 and a decrease in reinsurance ratio from -2.7 in 2015 to -12.7 in 2016.

Development in subsidiary companies

Alpha Holding A/S

The result of Alpha Holding A/S is a loss of DKK -23.3 million in 2016 compared to a loss of DKK -31.0 million in 2015.

Alpha Insurance A/S

Alpha Insurance A/S has license to write almost all classes of general insurance business in most western European countries.

The Alpha Insurance Group consists of Alpha Insurance A/S, Nemi Forsikring AS (Norway). Additionally, in 2016, the Group had a branch office in Norway.

The gross premium income of Alpha Insurance Group amounts to DKK 1,818.0 million in 2016 compared with DKK 1,782.0 million for the same period last year. The technical result amounts to DKK -67.6 million against DKK million -7.8 in 2015. The year's result is a loss of DKK -16.6 million against DKK -21.4 million in 2015.

The technical result was affected negative by more than DKK 200 million to strengthen the Norwegian workers compensation provisions and as a result of change in the Ogden rate for discounting UK personal injury claims.

Management's Report

Nemi Forsikring AS

Nemi Forsikring AS is a Norwegian general insurance company, which provides commercial and private insurance policies in Norway.

The result of Nemi Forsikring AS is a loss of DKK -16.3 million in 2016 compared to a loss of DKK -64.4 million in 2015.

The 2016 result is not satisfactory.

Branch office

The Norwegian branch office had a loss of DKK -6.6 million in 2016 compared to a profit of DKK 8.8 million in 2015.

Investment business

The group’s investment business consists of investment in subsidiary companies and associated companies as well as investment in other financial assets.

The Alpha Group operates with a careful investment strategy and investments are mainly made in AAA-rated goverment bonds and AAA-rated listed mortgage credit bonds. In 2016, the return of investments after insurance technical interest was a profit of DKK 30.3 million against a profit of DKK 12.5 million in 2015.

Unusual circumstances

The annual report is not affected by unusual circumstances.

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.

Expectations for 2017

The Alpha Group expects a positive development of the Groups activity level, with a consequent increase in premium income, as well as a satisfactory insurance result for 2017.

Risk Management

Management and minimizing of business risks is an important and fundamental part of how the company conducts its business and the company’s Board of Directors sets the overall risk policy. The company’s management and minimizing of business risks is divided into the following general categories:

• Financial Risk
• Insurance Risk
• Market Risk
• Credit Risk
• Operational Risk

Management's Report

Financial Risk

The company's target is to maintain adequate capital to absorb the risks that arise from the company's operations. The company has no interest in accumulating capital in excess of what is required for operations and for natural growth, as this would be an inefficient way of hedging risk.

It is the company's policy to hedge against risks arising from the company's activities or to limit such risks to a level that allows the company to maintain normal operations and implement its planned measures even in the case of highly unfavourable developments.

The Board of Directors determines the overall risk policies and limits.

Insurance Risk

The insurance risks assumed include the acceptance and follow-up of policies, claims handling, reserving risk and reinsurance risk. The company assesses insurance risk based on statistical risk type analyses, which are incorporated in pricing. To limit the risk the company has established necessary and relevant procedures for all major business processes and implements follow-ups and control hereof. The financial statement is influenced by estimates that affect assets, debt, and the result for the period and future periods. The estimates are most important for premium and claims provisions, especially for the branches with long tail business such as Workmens Compensation Insurance.

The size of the claims reserves to cover future payment of losses that have occurred is determined both through individual assessment of each claim and actuarial calculations.

An important part of the company's risk management is the use of reinsurance. In order to have sufficient protection against natural disaster risks, this exposure is measured constantly. The company's retention is limited to a maximum of 10% of its capital.

Market Risk

Market risk represents the risk of losses due to changes in the market value of the company's assets and liabilities, as a result of changes in market conditions. Market risk includes among other elements, changes in interest rates, equities and currencies.

The limits for these financial risks are fixed by the Financial Supervisory Board. In practice, the Company handles the investment portfolio, both in relation to the liquidity as well as the long term investments. There are established policies and procedures for the maximum investment risk and there is monthly reporting to the Board of Directors and the Management.

Management's Report

Credit risk
Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations.

The company is exposed to credit risk in both its insurance and investment business. Within insurance, the reinsurance companies' ability to pay is the most important risk factor. This risk is minimized by the purchase of reinsurance cover from reinsurance companies with a minimum rating of A- (S&P), or by the retention of deposits equal to the premium provisions and claims provisions.

To limit the risk in the investment business the investments are made in bonds and shares with high credit ratings, which is also the case for deposits with credit institutions.

Operational risk
Operational risk is the risk of incurring a loss due to insufficient or faulty procedures or human or systematic errors. Operational risk includes the risk of breakdowns in the IT systems.

In practice, this work is organized through a structure of policies, procedures and guidelines that cover the various aspects of the company's operations.

For all main areas, there are established policies and procedures, which are frequently controlled and changed if necessary.

The Company's business continuity plan and IT safety plan have been approved by the Financial Supervisory Authority and reviewed by the Company's auditors.

The Board of Directors have decided that the entire Board of Directors will be members of the Accounting Committee.

In compliance with Section 31 in the Accountants Act, it is decided that the Board of Directors will take care of the business in the Audit Committee.

Board of Directors organization

Every year the Board of Directors evaluates their work and qualifications to ensure that all members of the Board of Directors are sufficiently competent and skilled. The Board of Directors is specially focused on qualifications for: management experience, economic experience, insurance experience, accounting experience, finance experience, eperience of Mergers and Acquisitions and international experience. For diversity the Board of Directors has decided on the strategy that 10 % of the members of the Board of Directors should be women within a period of 4 years.

Management's Report

Wage policy

The Board of Directors decides the wage policy for Alpha Group. The Group only uses fixed salaries. Extraordinary efforts can be paid by one-off fees or bonuses. If a member of the Board, the CEO or another person receives a one-off fee, this fee will be settled according to the financial act § 77a. The Board of Directors decides the wage policy once a year.

Employees traning and knowledge

The Alpha Group aims to ensure that the management of the organization is based on a framework which includes the deep rooting of common values, a common business understanding and the shared responsibility for creating value for customers by differentiating itself from competitors through the development of individual employees.

The Group aims to be a dynamic environment where each employee is committed, seeks influence and assumes independent responsibility for the organization and execution of his or her duties. In developing our business, it is essential that we are able to attract and retain qualified employees.

Financial Highlights, Group

DKK Million	2016	2015	2014	2013	2012
Gross premium income	1.818	1.782	1.984	1.988	1.907
Gross claims incurred	-1.525	-1.275	-1.351	-1.178	-1.198
Bonus and premium discounts	14	25	6	-6	-19
Total insurance operating, costs, net of reinsurance	-356	-371	-380	-473	-401
Result of ceded business	233	48	-39	-39	-42
Insurance technical result	-68	-8	4	67	33
Result on investments after insurance technical interest	30	12	-42	-16	-30
Net profit for the year	-21	-14	-20	57	-
Run-off result	-101	-13	-91	47	-40
Total insurance technical provisions	2.269	2.096	2.028	2.128	2.323
Total insurance assets	1.335	1.251	1.174	973	903
Total equity	82	103	145	159	148
Total assets	3.087	2.814	3.100	3.068	3.171
Key figures:					
Gross claims ratio	83,2%	70,6%	67,9%	59,4%	63,0%
Expense ratio	33,2%	32,6%	30,2%	35,8%	33,2%
Reinsurance ratio	-12,7%	-2,7%	2,0%	2,0%	2,2%
Combined ratio	103,7%	100,5%	100,1%	97,2%	98,4%
Operating ratio	103,7%	100,4%	99,8%	96,6%	98,2%
Relative run off results	-16,8%	-2,0%	-10,8%	4,5%	-4,1%
Return on equity in percent	-22,7%	-11,3%	-13,2%	37,1%	0,1%

Definition

Gross claim ratio
(Gross claims paid / Gross premium income) * 100

Expense ratio
(Total insurance operating costs / Gross premium income) * 100

Reinsurance ratio
(Result of ceded business / Gross premium income) * 100

Combined ratio
(Gross claims ratio + Expense ratio + Reinsurance ratio)

Operation ratio
(Combined ratio where premium income is added to the allocated return on investments)

Relative run-off results
(Run-off results compared to reserves as at the beginning of the run off)

Return on equity
(Results for the year / the average equity) * 100

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ahpla ApS for the financial year 1 January – 31 December 2016.

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

It is our opinion that the consolidated financial statements and the parent company 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 consolidated cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position. It is also our opinion that the Management's review gives a true and fair view of developments in the Group's and the Parent Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

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

Copenhagen, 29 May 2017

Board of Executives

Bo Lundqvist

Board of Directors

Leif Corinth-Hansen (Chairman)	Anne Helge
Bo Lundqvist	Henrik Heideby

Independent Auditors' Report

To the capital owners of Ahpla ApS

Opinion

We have audited the consolidated financial statements and parent company financial statements of Ahpla ApS for the financial year 01.01.16 - 31.12.16, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act.

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.16 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.16 - 31.12.16 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 parent company financial statements” section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent Auditors' Report

Auditor’s responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements and parent company 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.

• Conclude on the appropriateness of management’s use of the going concern basis of accounting in preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditors' Report

• 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.

Statement regarding the management’s review

Management is responsible for management’s review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management’s review and, in doing so, consider whether management’s review is materially inconsistent with the consolidated financial statements and parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management’s review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

Copenhagen, 29 May 2017

Beierholm
Statsautoriseret Revisionspartnerselskab
Registration No.: 32 89 54 68

Mads Thomsen
State Authorized Public Accountant

Income Statement for 1 January - 31 December

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note		Group 2016 (DKK '000)	Group 2015 (DKK '000)
-	-	1,3	Gross premiums	1.926.755	1.728.934
-	-		Insurance premiums ceded	-1.031.013	-938.530
-	-		Change in premium reserve	-40.868	38.404
-	-		Change in future profit and risk margin	-67.942	14.688
-	-		Change in reinsurer's share of premium provisions	29.290	-68.512
-	**-**		**Premium income, net of reinsurance**	**816.222**	**774.984**
-	**-**		**Insurance technical interest**	**-**	**1.492**
-	-		Gross claims paid	-1.231.491	-1.286.805
-	-		Reinsurance cover received	773.149	670.207
-	-		Change in gross claims provisions	-299.725	9.347
-	-		Change in risk margin	6.438	2.288
-	-		Change in reinsurers' share of claims provisions	209.202	166.518
-	**-**		**Cost of claims, net of reinsurance**	**-542.427**	**-438.445**
-	**-**		**Bonus and premium discounts**	**14.471**	**25.288**
-	-		Acquisition costs	-422.459	-406.788
-	-	4	Administrative expenses	-185.823	-182.415
-	-		Reinsurance commissions and profit participations with reinsurers	252.466	218.123
-	**-**	3	**Insurance operating costs, net of reinsurance**	**-355.816**	**-371.080**
-	**-**		**Insurance technical result**	**-67.550**	**-7.762**

Income Statement for 1 January - 31 December

Parent company				Group	
2015 (DKK '000)	2016 (DKK '000)	Note		2016 (DKK '000)	2015 (DKK '000)
-25.854	-19.437		Income from participating interests in affiliated companies	-	-
-	-		Income from participating interests in associated companies	625	389
13.184	313		Interest income and dividend etc.	14.882	31.028
-	-	5	Currency and marketable securities adjustments	5.019	12.554
-1.865	-1.669		Interest expenses	-20.155	-23.205
-	-		Administrative expenses related to investment activities	-1.355	-1.901
-14.535	**-20.793**		**Return on investments**	**-984**	**18.865**
-	-		**Insurance technical interest and currency adjustment**	31.312	-6.400
-14.535	**-20.793**		**Return on investments after insurance technical interest**	**30.328**	**12.465**
-229	-53		Other income/expenses	-2.469	-2.250
-14.764	**-20.846**		**Net profit before tax**	**-39.691**	**2.452**
688	311	6	Tax	15.285	-21.674
-14.076	**-20.535**		**Net profit for the year**	**-24.406**	**-19.222**
			Minority interest's share of profit	3.871	5.146
			Ahpla ApS' share of profit	**-20.535**	**-14.076**
			Proposed distribution of net results		
-13.030	-19.437		Reserve equity method		
-1.046	-1.098		Retained earnings		
-14.076	**-20.535**		**Distributed, total**		

Total income for 1 January - 31 December

Parent company				Group	
2015 (DKK '000)	2016 (DKK '000)	Note		2016 (DKK '000)	2015 (DKK '000)
-14.076	-20.535		Net profit for the year	-20.535	-14.076
-11.538	8.815		Currency adjustments in affiliated companies abroad	8.815	-11.538
-9.297	-9.387		Adjustment to the opening balance in affiliated company	-9.387	-9.297
-20.835	-572		Other total income	-572	-20.835
-34.911	**-21.107**		**Total income for the year**	**-21.107**	**-34.911**

Balance Sheet as at 31 December

Assets

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note		Group 2016 (DKK '000)	Group 2015 (DKK '000)
-	-		Software	42.376	36.635
-	**-**	7	**Intangible assets, total**	**42.376**	**36.635**
-	-		Office equipment etc.	4.153	4.193
-	**-**	8	**Tangible assets, total**	**4.153**	**4.193**
161.384	141.376	9	Interest in affiliated companies	-	-
-	-	10	Interest in associated companies	1.063	813
161.384	**141.376**		**Interest in affiliated and associated companies, total**	**1.063**	**813**
-	-		Bonds	474.079	560.044
-	-		Banks	110.944	86.070
-	-		Shares	130.866	67.512
-	**-**		**Other financial investments assets, total**	**715.889**	**713.626**
161.384	**141.376**		**Investments assets, total**	**716.952**	**714.439**
-	-		Reinsurers share of premium provisions	209.940	250.335
-	-	15	Reinsurers share of claims provisions	1.125.266	1.000.196
-	**-**		**Reinsurers share of provisions for insurance contracts, total**	**1.335.206**	**1.250.531**

Balance Sheet as at 31 December

Assets

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note		Group 2016 (DKK '000)	Group 2015 (DKK '000)
-	-		Amounts receivables from policy holders	578.450	535.391
-	-		Amounts receivables from intermediaries	13.165	17.383
-	**-**		**Amounts receivables from direct insurance, total**	**591.615**	**552.774**
-	-		Amounts receivables from insurance undertaking	266.513	128.497
5.288	3.768		Amounts receivables from affiliated companies	-	-
-	-		Other amounts receivables	53.681	48.784
5.288	**3.768**		**Amounts receivables**	**320.194**	**177.281**
5.288	**3.768**		**Amounts receivables, total**	**2.247.015**	**1.980.586**
-	-		Receivable company tax	-	-
-	-		Current tax	419	-
1.604	1.659	6	Deferred tax asset	39.120	35.265
-	-		Cash and bank deposits	14	12
-	-		Other assets	4.836	4.587
1.604	**1.659**		**Other assets, total**	**44.389**	**39.864**
-	-		Accrued interest income	3.639	5.086
-	-		Other prepayments	28.416	33.448
-	**-**		**Prepayments and accrued income, total**	**32.055**	**38.534**
168.276	**146.803**		**Total assets**	**3.086.940**	**2.814.250**

Balance Sheet as at 31 December

Liabilities and equity

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note		Group 2016 (DKK '000)	Group 2015 (DKK '000)
500	500		Share capital	500	500
106.134	86.126		Reserve equity method	-	-
-3.905	-5.004		Retained earnings	81.122	102.229
102.729	81.622		**Equity, before minority interest**	81.622	102.729
-	-	11	**Minority interest**	28.144	32.122
102.729	**81.622**		**Equity, total**	**109.766**	**134.851**
-	-	12	**Subordinated loan capital**	**241.618**	**242.531**
-	-		Premium provisions, gross	353.722	394.780
-	-		Future profit	127.382	59.617
-	-	14	Claims provisions, gross	1.752.122	1.599.616
-	-		Risk margin	35.676	42.256
-	-		**Technical provisions, total**	**2.268.902**	**2.096.269**
-	-	6	Deferred tax liability	-	-
-	-		Pension obligations	2.354	2.208
-	-		Other provisions	115	-
-	-		**Provisions**	**2.469**	**2.208**
-	-		**Reinsurance deposits**	**12.325**	**26.180**

Balance Sheet as at 31 December

Liabilities and equity

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note		Group 2016 (DKK '000)	Group 2015 (DKK '000)
-	-		Amounts payables in connection with direct insurance	50.797	23.293
-	-		Amounts payables in connection with reinsurance	186.633	120.370
38.907	30.062		Amounts payables to credit institutions	58.496	62.209
15.614	16.536		Amounts payables to affiliated companies	-	-
10.897	18.564		Payable company tax	18.564	20.403
129	19		Other payables	93.097	54.270
65.547	**65.181**		**Liabilities other than provisions, total**	**407.587**	**280.545**
-	**-**		**Accruals and deferred income**	**44.272**	**31.666**
168.276	**146.803**		**Liabilities and equity, total**	**3.086.939**	**2.814.250**
		13	Information on staff and remuneration		
		16	Contingent liabilities etc.		
		17	Related parties, etc.		

Equity

(DKK '000) Parent company	Share capital	Reserve equity method	Proposed dividend	Retained earnings	Total
Equity 1 January 2015	**250**	**171.230**	**-**	**-26.609**	**144.871**
Change in accounting policy in affiliated companies	-	-31.231	-	-	-31.231
Adjusted Equity 1 January 2015	**250**	**139.999**	**-**	**-26.609**	**113.640**
Adjustment to the opening balance in affiliated	-	-9.297	-	-	-9.297
Currency adjustments in affiliated companies	-	-11.538	-	-	-11.538
Distribution of profit	-	-13.030	-	-1.046	-14.076
Total income for the year 2015	**-**	**-33.865**	**-**	**-1.046**	**-34.911**
Increase of capital	250	-	-	23.750	24.000
Equity 31 December 2015	**500**	**106.134**	**-**	**-3.905**	**102.729**
Adjustment to the opening balance in affiliated	-	-9.385	-	-1	-9.386
Currency adjustments in affiliated companies	-	8.814	-	-	8.814
Distribution of profit	-	-19.437	-	-1.098	-20.535
Total income for the year 2016	**-**	**-20.008**	**-**	**-1.099**	**-21.107**
Equity 31 December 2016	**500**	**86.126**	**-**	**-5.004**	**81.622**

Amount of one share DKK 1. Total shares 500.000

Equity

(DKK '000) Group	Share capital	Reserve equity method	Proposed dividend	Retained earnings	Total
Equity 1 January 2015	**250**	**-**	**-**	**144.621**	**144.871**
Change in accounting policy in affiliated companies	-	-	-	-31.231	-31.231
Adjusted Equity 1 January 2015	**250**	**-**	**-**	**113.390**	**113.640**
Adjustment to the opening balance in affiliated	-	-	-	-9.297	-9.297
Currency adjustments in affiliated companies	-	-	-	-11.538	-11.538
Distribution of profit	-	-	-	-14.076	-14.076
Total income for the year 2015	**-**	**-**	**-**	**-34.911**	**-34.911**
Increase of capital/Group contribution	250	-	-	23.750	24.000
Equity 31 December 2015	**500**	**-**	**-**	**102.229**	**102.729**
Adjustment to the opening balance in affiliated	-	-	-	-9.386	-9.386
Currency adjustments in affiliated companies	-	-	-	8.814	8.814
Distribution of profit	-	-	-	-20.535	-20.535
Total income for the year 2016	**-**	**-**	**-**	**-21.107**	**-21.107**
Equity 31 December 2016	**500**	**-**	**-**	**81.122**	**81.622**

Cash flow, Group

	2016 (DKK '000)	2015 (DKK '000)
Net profit before tax	-39.691	2.452
Income from participating interests in associated companies	-625	-389
Dividend from affiliated and associated companies	375	874
Adjustment in affiliated companies	-	-12.824
Depreciation	10.473	6.315
Changes in working capital	44.039	-248.981
Currency adjustment	39.347	-28.470
Paid tax	-	122
Cash flow from operations	**53.918**	**-280.901**
Investments		
Purchase/Sale of intangible assets	-13.164	-19.453
Purchase/Sale of tangible assets	-1.782	-2.808
Purchase/Sale of financial assets	-9.422	268.973
Cash flow relating to investments	**-24.368**	**246.712**
Financing		
Increase of capital	-	24.000
Capital increase in affiliated companies	-	40.754
Change in subordinated loans	-913	-39.665
Cash flow relating to financing	**-913**	**25.089**
Change in cash	28.638	-9.100
Cash at the begining	23.861	32.961
Cash at the end	**52.499**	**23.861**

Cash flow, Group

Notes

	2016 (DKK '000)	2015 (DKK '000)
Change in working capital		
Change in amounts receivables	-181.756	83.912
Change in reinsurers share of premium and claims provisions	-84.675	-76.941
Change in prepayments	6.230	-2.105
Change in amounts payable	132.595	-244.583
Change in premium and claims provisions	172.634	24.061
Change in other provisions and reinsurance deposits	-988	-33.325
	44.039	**-248.981**

Notes

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)		Group 2016 (DKK '000)	Group 2015 (DKK '000)
		Note 1 - Gross premiums		
		Geographical division of gross premiums:		
-	-	Denmark	216.969	276.576
-	-	Other EU countries	1.036.238	857.603
-	-	Other countries	673.548	594.755
-	-		**1.926.755**	**1.728.934**
		Note 2 - Claims		
-	-	Gross run-off results	**-323.202**	**-12.699**
-	-	Run-off results at own account	**-101.378**	**-13.293**

	Number of claims	Average claims	Claims rate
The development in claims can be specified as follows (Group):			
Sickness and accident insurance	250	78.509	0,3%
Workers compensation insurance	2.373	123.499	24,6%
Motor liability insurance	6.826	52.208	2,6%
Motor own damage insurance	25.829	17.315	20,8%
Marine, aviation and goods insurance	55	364.341	2,3%
Fire and contents insurance (privat)	3.705	39.667	3,3%
Fire and contents insurance (commercial)	3.892	16.609	6,9%
Liability insurance	1.635	62.285	35,6%
Credit and surety insurance	47	158.596	1,6%
Legal expenses insurance	246	24.266	0,2%
Other direct insurance and proportional reinsurance	3.306	18.663	1,5%

Notes

Note 3 - Specifications on Insurance classes

Group	Sickness and accident insurance		Workers compensation insurance		Motor liability insurance		Motor own damage insurance		Marine, aviation and goods insurance		Fire and contents insurance (private)	
DKK million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Gross premiums	26,1	31,7	205,1	263,6	505,3	256,2	534,7	328,4	25,1	16,8	164,5	133,4
Gross premium income	27,1	31,3	202,8	240,5	427,9	286,5	449,9	377,5	24,7	6,6	158,8	121,6
Gross claims incurred	-19,6	-21,2	-293,0	-181,0	-356,4	-283,2	-447,2	-381,1	-20,0	0,8	-147,0	-108,5
Gross insurance operating costs	-3,4	-4,8	-65,2	-47,4	-128,6	1,2	-110,7	-6,3	-4,9	0,3	-25,6	4,7
Profit of ceded business	4,1	-0,8	66,0	10,3	72,3	50,6	114,3	72,8	-1,1	-3,0	11,4	-3,1
Technical interest f.o.a.	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0
Insurance technical result	9,3	4,8	-165,3	-47,9	38,2	13,0	30,8	18,7	0,2	-1,0	-0,8	0,5

Group	Fire and contents insurance (commercial)		Liability insurance		Credit and surety insurance		Legal expenses insurance		Other direct insurance and proportional reinsurance		Total	
DKK million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Gross premiums	189,6	186,4	72,8	149,1	37,4	43,9	82,2	188,2	83,8	131,2	1.926,8	1.728,9
Gross premium income	201,8	185,5	110,9	199,3	38,2	43,1	87,1	189,6	88,7	100,3	1.818,0	1.782,0
Gross claims incurred	-64,6	-106,2	-101,9	-113,5	-7,5	-2,2	-6,0	-20,3	-61,7	-59,1	-1.524,8	-1.275,4
Gross insurance operating costs	-55,4	-24,6	-2,3	-30,9	-13,5	-10,8	-72,3	-136,7	-111,8	-115,9	-593,8	-371,1
Profit of ceded business	-33,0	-17,2	22,5	-39,6	-10,1	-11,1	-6,2	-7,5	-7,1	-3,6	233,0	47,8
Technical interest f.o.a.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,7	0,0	1,4
Insurance technical result	58,2	8,6	33,1	24,6	9,7	11,5	7,9	34,4	-88,7	-75,2	-67,6	-7,8

Notes

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note 4 - Administrative expenses	Group 2016 (DKK '000)	Group 2015 (DKK '000)
		Audit fee:		
-	-	KPMG P/S	1.245	1.063
85	85	Beierholm Statsautoriseret Revisionspartnerselskab	85	85
-	-	Others	-	501
85	**85**	**Total**	**1.330**	**1.649**
		Fee for other assurance services:		
47	-	KPMG P/S	-	164
47	**-**	**Total**	**-**	**164**
		Note 5 - Currency and marketable securities adjustments		
-	-	Gains and losses as a result of changes in the interest rate used for discounting of claims provision	-	-3.747
-	-	Shares	43.414	18.054
-	-	Units in investment associations	-	-2.148
-	-	Bonds	-1.726	-10.042
-	-	Currency adjustments	-36.669	10.437
-	**-**		**5.019**	**12.554**

Notes

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	**Note 6 - Tax on net results**	Group 2016 (DKK '000)	Group 2015 (DKK '000)
-	-	Current tax	-	9.506
-1.628	-	Tax regarding joint taxation	-	-1.628
1.177	-1	Adjustment concerning previous years	-1	1.177
-	-	Adjustment of deferred tax, previous years	-15.198	15.278
-237	-310	Change in deferred tax	-86	-2.659
-688	**-311**		**-15.285**	**21.674**
		Total tax on total income for the year can be explained ad follows:		
-14.764	**-20.846**	Profit before tax	**-39.691**	**2.452**
25.854	19.437	Reversal of income from Group entities and branch	22.956	39.587
-	-	Recognition of additional tax loss, carried forward from Group entities	15.198	-
11.090	**-1.409**	**Total income**	**-1.537**	**42.039**
23,5%	22,0%	Applicable tax rate	22,0%	23,5%
2.606	**-310**	**Tax calculated on total income**	**-338**	**9.879**
		Tax on permanent differences:		
-	-	Income not subject to tax	-137	-91
-	-	Expenses disallowed for tax purposes	389	384
150	-	Change in tax rate	-	150
2.756	**-310**	**Tax on total income for the year**	**-86**	**10.322**
1.177	-1	Adjustment of tax relating to previous years	-1	1.177
-1.628	-	Tax regarding joint taxation	-	-1.628
-	-	Adjustment of deferred tax, previous years	-15.198	15.278
-	-	Adjustment of expenses non deferred tax	-	-3.475
2.305	**-311**	**Tax expense**	**-15.285**	**21.674**

Notes

Note 6 - Tax on net results, continued

Deferred tax can be specified as follows:

Parent company

Deferred tax	**1/1 2016** (DKK '000)	**Adjustment of the year** (DKK '000)	**31/12 2016** (DKK '000)
Tax loss carried forward	-1.604	-55	-1.659
	-1.604	**-55**	**-1.659**

Recognized as:

Deferred tax asset	-1.659
	-1.659

Group

Deferred tax	**1/1 2016** (DKK '000)	**Adjustment of the year** (DKK '000)	**31/12 2016** (DKK '000)
Equipment etc.	-116	41	-75
Software	468	-632	-164
Amounts receivables from policy holders	4.076	0	4.076
Tax loss carried forward	-39.693	-3.264	-42.957
	-35.265	**-3.855**	**-39.120**

Recognized as:

Deferred tax asset	-39.120
	-39.120

Notes

Note 7 - Intangible assets

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)		Group 2016 (DKK '000)	Group 2015 (DKK '000)
Software		**Note 7 - Intangible assets**	**Software**	
-	-	Cost at 1 January 2016	76.320	59.860
-	-	Currency adjustment on opening balance sheet	3.169	-2.993
-	-	Additions	13.164	19.453
-	**-**	**Cost at 31 December 2016**	**92.653**	**76.320**
-	-	Depreciation at 1 January 2016	39.685	37.108
-	-	Currency adjustment on opening balance sheet	2.143	-2.113
-	-	Depreciation for the year	8.449	4.690
-	**-**	**Depreciation at 31 December 2016**	**50.277**	**39.685**
-	**-**	**Net asset value at 31 December 2016**	**42.376**	**36.635**

Note 8 - Tangible assets

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)		Group 2016 (DKK '000)	Group 2015 (DKK '000)
Office equipment		**Note 8 - Tangible assets**	**Office equipment**	
-	-	Cost at 1 January 2016	21.065	19.194
-	-	Currency adjustment on opening balance sheet	973	-937
-	-	Addtions	1.782	2.808
-	**-**	**Cost at 31 December 2016**	**23.820**	**21.065**
-	-	Depreciation at 1 January 2016	16.872	16.019
-	-	Currency adjustment on opening balance sheet	771	-772
-	-	Depreciation for the year	2.024	1.625
-	**-**	**Depreciation at 31 December 2016**	**19.667**	**16.872**
-	**-**	**Net asset value at 31 December 2016**	**4.153**	**4.193**

Notes

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	**Note 9 - Interest in affiliated companies**	Group 2016 (DKK '000)	Group 2015 (DKK '000)
45.005	55.250	Cost at 1 January 2016	-	-
10.245	-	Additions	-	-
55.250	**55.250**	**Cost at 31 December 2016**	-	-
171.230	106.134	Adjustments at 1 January 2016	-	-
-31.231	-	Change in accountin policy	-	-
-9.297	-9.385	Adjustment to the opening balance in affiliated company	-	-
-11.538	8.814	Currency adjustment of the opening equity in affiliated company	-	-
-	-	Holding of subsidiary own shares		
-28.411	-19.437	Net profit for the year	-	-
2.557	-	Adjustment of net profit for the year in connection with the capital increase	-	-
12.824	-	Adjustment in connection with the capital increase	-	-
106.134	**86.126**	**Adjustments at 31 December 2016**	-	-
161.384	**141.376**	**Net asset value at 31 December 2016**	-	-

	Alpha Holding A/S
Registered Office	Copenhagen
Equity interest	83,40%
Share of net profit for the year	-19.437
Share of equity	141.376

Notes

Parent company 2015 (DKK '000)	Parent company 2016 (DKK '000)	Note 10 - Interest in associated companies	Group 2016 (DKK '000)	Group 2015 (DKK '000)
-	-	Cost at 1 January 2016	281	281
-	**-**	**Cost at 31 December 2016**	**281**	**281**
-	-	Adjustments at 1 January 2016	532	1.017
-	-	Net profit for the year	625	389
-	-	Distributed dividend	-375	-874
-	**-**	**Adjustments at 31 December 2016**	**782**	**532**
-	**-**	**Net asset value at 31 december 2016**	**1.063**	**813**

	Alpha Sales Group A/S
Registered Office	Copenhagen
Equity interest	25%
Share of net profit for the year	625
Share of equity	1.063

Parent company 2015	Parent company 2016	**Note 11 - Minority interests**	Group 2016	Group 2015
-	-	Minority interests at 1 January	32.122	19.700
-	-	Share of group contribution	-	-
-	-	Share of equity adjustments	-107	-8.515
-	-	Share of profit	-3.871	-5.146
-	-	Share of subsidiary own shares	-	-
-	-	Share of adjustment in connection with the capital increase	-	26.083
-	**-**		**28.144**	**32.122**

Notes

Note 12 - Subordinated loan capital

The subordinated loan capital, in the group, is DKK 242 million. One loan of DKK 93 million. The interest rate for the loan is 7% pro anno. The subordinated loan is free of amortization until 31 October 2020. At this time the terms for repayment will be settled.

Second loan of DKK 149 million. The interest rate for the loan is 9% pro anno plus the Euribor 3 months rate. The subordinated loan is free of amortization until 31 December 2024. At this time the terms for repayment will be settled.

The loan respects payment to all other creditors in the group before the loan will be settled.

Parent company			Group	
2015 (DKK '000)	2016 (DKK '000)	**Note 13 - Information on staff and remuneration**	2016 (DKK '000)	2015 (DKK '000)
		Total staff costs comprose:		
-	-	Wages and salaries	83.463	72.448
-	-	Pension plans	4.836	4.530
-	-	Expenses to social security and other staff costs	5.488	13.146
-	-		**93.787**	**90.124**
-	-	Risk taker	6.248	6.271
-	-	Board of Executives	6.179	6.179
-	-	Board of Directors	5.603	4.205
-	-		**18.030**	**16.655**
1	1	Members of the Executive Board	1	1
4	4	Members of the Board	5	5
0	0	Average number of employees	134	124

The Group primarily uses fixed salaries and has not paid one-off fees or bonuses in 2016. Alpha Group has identified the Chief Executive Office in Alpha Insurance as the Risk taker. The Risk taker signs on all risks.

Notes

Note 13 - Information on staff and remuneration, continued

Remuneration to the board of directors

Board of Directors - total remuneration Group (DKK'000)

	Total 2016	Total 2015
Jens Erik Christensen	900	900
Bo Lundqvist	750	750
Leif Corinth-Hansen	150	150
Thomas Dahl Fredslund	375	375
Bjarke Sanbeck Nilsson	375	375
Morten Helge	750	750

The Board of Directors does not have any bonus or options and does not have any redundancy scheme.

Board of Executives - total remuneration Group (DKK'000)

	Year	Remuneration	Pension	Benefits	Total
Leif Corinth-Hansen	2016	6.021	118	110	6.248
Morten Helge	2016	0	0	0	0
Bo Lundqvist	2016	0	0	0	0
Leif Corinth-Hansen	2015	6.021	118	78	6.217
Morten Helge	2015	0	0	0	0
Bo Lundqvist	2015	0	0	0	0

Parent company			Group	
Insurance year through 2015 (DKK '000)	**Insurance year 2016 (DKK '000)**		**Insurance year 2016 (DKK '000)**	**Insurance year through 2015 (DKK '000)**
		Note 14 - Claims provisions, gross		
-	-	1 January	-	1.599.616
-	-	Gross claims incurred	1.215.678	315.539
-	-	Claims paid	-553.608	-677.883
-	-	Currency adjustments	-5.489	-141.731
-	**-**	**31 December**	**656.581**	**1.095.541**

Notes

Insurance year through 2015 (DKK '000)	Insurance year 2016 (DKK '000)	**Note 15 - Reinsurers share of claims provisions**	Insurance year 2016 (DKK '000)	Insurance year through 2015 (DKK '000)
-	-	1 January	-	1.000.196
-	-	Change in claims provisions	765.589	216.762
-	-	Claims paid	-315.422	-457.727
-	-	Currency adjustments	-2.415	-81.717
-	-	**31 December**	**447.752**	**677.514**

Parent company			Group	
2015 (DKK '000)	2016 (DKK '000)	**Note 16 - Contingent liabilities, etc.**	2016 (DKK '000)	2015 (DKK '000)
-	-	Rent commitments	24.511	27.673
-	-		**24.511**	**27.673**
		The following assets are registrered as provision of security for the technical provisions:		
-	-	Shares	130.572	67.283
-	-	Interest in affiliated companies	160.772	-
-	-	Bonds and accrued interests	363.624	565.046
-	-	Banks and deposits	76.523	79.690
-	-	Receivables	1.163.295	1.142.416
-	-		**1.894.786**	**1.854.435**

Alpha Insurance A/S has made a letter of intent to Nemi Forsikring AS to give further capital if needed for Nemi Forsikring AS to fulfill the requirements for solvency.

Notes

Note 17 - Related parties, etc.

Related parties to Ahpla ApS comprise the following:

Controlling interest

No one.

Other related undertakings

ABH ApS	Shareholder
FamCO-HA ApS	Shareholder
Bo Lundqvist Holding ApS	Shareholder
Anker-Svendsen ApS	Shareholder
Alpha Holding A/S	Subsidiary Company
Alpha Insurance A/S	Affiliated Company
Nemi Forsikring AS	Affiliated Company

	2016	2015
Claims handling agreement	2.716	2.411

Transactions between Alpha Insurance and affiliated companies are conducted on an arm’s length basis.

Intra-group transactions:
Administration fee, etc. is fixed on a cost-recovery basis. Intra-group accounts are offset and carry interests on market terms.

Transactions with group companies have been eliminated in the consolidated financial statements in accordance with the accounting policies.

Other related parties
Alpha Insurance has entered a broker agreement on market terms with Beta Re GmbH on certain agency contracts. Brokerage for this service amounts to TDKK 6,565 (2,488).

Alpha Insurance has entered into binding authority agreements with Beta Aviation ApS and Lima Agency Ltd. on market terms. Commission paid in relation to these agreements amounts to TDKK 2,844 (2,013) and TDKK 5,840 (3,002) respectively.

Notes

Note 17 - Related parties, etc., continued

Ownership

The following shareholders are registered in the register of shareholders as owners of least 5 % of the voting rights or at least 5 % of the share capital.

ABH ApS
c/o Anne Helge
Dreyersvej 42
DK-2960 Rungsted Kyst

FamCO-HA ApS
c/o Leif Corinth-Hansen
Skodsborg Strandvej 39
2942 Skodsborg

Bo Lundqvist Holding ApS
Birkevej 23
3460 Birkerød

Anker-Svendsen ApS
Lille Fredensvej 12
2920 Charlottenlund

Administration fees, etc. are settled on a cost recovery basis. The consolidated accounts are offset and earn interest on market terms. The companies in the Alpha Group have entered into reinsurance contracts based on market terms. Transactions with subsidiary company have been eliminated in the consolidated accounts, in accordance with the accounting policies applied.

Accounting policies

The Annual Report of Ahpla ApS for 1 January - 31 December 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act provisions applying to a medium Class C company. The accounting policies utilised are unchanged from last year.

The Annual Report Act’s Order on Schemes is waived, because the consolidated accounts are essentially in respect of subsidiaries carrying on insurance business. As a result, it has been decided instead to adopt the Scheme requirements in the Accounting Order for insurance companies.

Changes to accounting policies for the affiliated companies

Alpha Group har implemented the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Occupational Pension Funds. The executive order introduces a number of changes to the accounting treatment of insurance contracts.

The new executive order comprises changes to the accounting for and measurement of insurance contracts, hereunder introducing the new terms risk margin on insurance contracts and future profit margin on insurance contracts. The executive order also includes changes to the presentation in the financial statements and the introduction of a new interest rate curve, calculated be the European Insurance and Occupational Pension Authority (EIOPA) is introduced.

The change in accounting policies in the affiliated companies related to future profit margin and had no effect on the income, total assets or equity at 31.12.2015 or 31.12.2016. In 2015, Group DKK 14.7 million was reclassified from “Change in premium reserve” to “Change in future profit and risk margin”. At 31.12.2015, Group DKK 59.6 million was reclassified from “Premium provisions, gross” to “Future profit”.

Futher in 2015, the change in accounting policies related to risk margin has increased the “Net profit before tax” by Group DKK 2.3 million and the “Net profit for the year” Group 0.5 million. At 01.01.2015, the equity in the affiliated companies was decreased by DKK 37.5 million and the total assets by DKK 2.7 million. In 2016, the “Change in risk margin” increased the “Net profit before tax” Group DKK 6.4 million and the “Net profit for the year” and equity at 31.12.2016 in the affiliated companies by DKK 1.4 million

Risk margin on insurance contracts

The risk margin is the amount, so that the technical provision is consistent with a market value in such a way that the value of technical provisions correspond to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations.

Future profit margin

The future profit margin is the difference between the premium provision pro rata temporis principle and the present value of the best estimate of future payments of the liabilities of claims not yet incurred.

Accounting policies

Recognition and measurement
Income is recognised in the Income Statement as earned, including value adjustments of financial assets and liabilities. All expenses including depreciation/amortisation and impairment claims are recognised in the Income Statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow out of the Company and when the measurement of the value of the liability is reliable.

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

Certain financial assets and liabilities are measured at amortised cost where a constant effective interest is recognised over the maturity. Amortised cost is stated as original cost less any principal repayments and with the addition/deduction of the cumulative amortisation of any difference between cost and nominal amount.

Allowances are made for predictable claims and risks that arise before the presentation of the Interim Report and that confirm or invalidate circumstances that existed at the balance sheet date.

Consolidated financial statements
The consolidated financial statements comprise the parent company Alpha Insurance A/S and subsidiaries controlled by the parent company. Control is achieved where the parent company directly or indirectly holds more than 50 per cent of the voting rights or is otherwise able to exercise or actually exercise control. If the parent company holds more than 50 per cent without the ability to exercise control of the entity the interests are recognized as "Shares" under "Other financial investment assets".

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

The consolidated financial statements are prepared by adding together uniform items and eliminating intra-group income and expenses, investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated companies.

Newly acquired or newly formed companies are recognised in the consolidated financial statements from the date of acquisition. Companies sold or discontinued are recognised in the consolidated income statement up to the time of sale or discontinuance.
Newly acquired subsidiaries are accounted for using the purchase method of accounting, according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired companies are measured at fair value at the time of acquisition.

Accounting policies

Consolidated financial statements (continued)

Negative differences between the cost of the acquisition and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised in the income statement at the time of acquisition.

Minority interests are recognised at the time of acquisition at the proportionate share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

Gains or losses on the disposal or discontinuance of subsidiaries are calculated as the difference between the selling price and the book value of net assets at the time of sale as well as anticipated expenses relating to sale.

Foreign currency

Transactions denominated in foreign currencies are converted at the exchange rates at the dates of transaction. Exchange differences arising between the rate on the date of transaction and the rate on the payment day are recognised in the Income Statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are converted by applying the exchange rates at the balance sheet date. Differences arising between the rate at the balance sheet date and the rate at the date of the arising of the receivable or payable are recognised in the Income Statement under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the rate of the date of transaction.

The Income Statement

Premium income

Gross premiums are listed as the year's payable premiums stemming from insurance agreements which pertain to the financial year.

Reinsurance contracts

Reinsurance contracts are defined as insurance contracts entered into with reinsurers under which the company is fully or partially compensated for losses on one or more insurance contracts issued by the company. Alpha Insurance uses reinsurance as a normal part of its business for the purpose of limiting possible losses through the spreading of risk. Reinsurance does not change the company’s liabilities towards the policyholders. Conclusion of reinsurance contracts therefore means that the company is exposed to credit risk as far as receivables from reinsurers are concerned.

Accounting policies

Claims

Paid gross claims are listed as the year's paid claims including internal and external expenses of inspection and evaluation of damages and various direct and indirect expenses related to the treatment of occurred damages.

Bonus and rebates

The premium amounts repaid or to be repaid to policyholders are recognized as bonus and rebates when the repayment amount is determined on the basis of the claims experience during the financial year for the individual insurance contract or a portfolio of insurance contracts based on criteria laid down prior to beginning of the accounting period or when the insurance contracts are taken out. The provision for bonuses and rebates includes expected amounts payable to policyholders based on their claims experience during the accounting period.

Acquisition costs

Acquisition costs are listed as costs related to purchase and renew of the portfolio.

The majority of the business written is distributed by intermediaries and is based on, so-called account solutions. The account solution business model means that the result of the insurance business is shared with the respective intermediaries.

An insurance technical profit under these agreements represents a duty for the Company to pay additional commissions to the intermediary and a technical loss will give the Company a right to claim an amount from said intermediaries mainly in the form of the right to assume future profitable business from the intermediary. The duty to pay commission is accrued as payables to brokers and the income will be accrued to the extend this is earned on business in force. The account solution does not in any way limit the amount if risk transfer towards the original insured within the compulsory insurance classes.

Administrative expenses

Administrative expenses are listed as the costs related to the administration of the company's portfolio. The administrative expenses are allocated to they cover the period.

Insurance technical interest

Part of the profit or loss from investment operations relates to the insurance operations and is therefore transferred to this part of the income statement.

The transferral is the change in insurance provisions at own account due to discounting, including unwind, using the interest rate curve from EIOPA including Volatility Adjustment.

Accounting policies

Interest income and dividend

Profit or loss from investment operations include the interest earned in the financial year on bonds, bank, deposits and receivables as well as dividends received on investments.

Currency and marketable securities adjustments

Currency and marketable securities adjustments include both realised and unrealised gains and losses on the sale and value adjustment of securities and other financial contracts as well as realised and unrealised foreign exchange gains and losses.

Tax

Tax for the period includes current tax and changes in deferred tax and is listed in the income statement with the ratio referring to the net profit/loss for the period and recognised in the equity with the ratio referring to entries with direct reference to the equity.

Current tax liabilities and current tax receivables, are respectively listed in the Balance Sheet as calculated tax on the period's taxable income, adjusted for prepaid tax.

Deferred tax is assessed in respect of all temporary differences between the carrying amount and the tax value of the assets and liabilities. Deferred tax assets including the tax value of tax losses to be carried forward are recognised in the Balance Sheet at the value on which the assets are expected to be realised, either by setting off in the deferred tax liabilities or as net assets.

The company is jointly taxed with its Parent Company. The jointly taxed companies participate in the Tax Prepayment Scheme.

The Balance Sheet

Immaterial assets

Software is measured at cost less accumulated depreciation. Depreciation is made under the straight-line method over the expected useful life of the asset which is estimated to be 7 years.

Equipment

Equipment is measured at cost less accumulated depreciation. Depreciation is made under the straight-line method over the expected useful lives of the assets:

Office equipment etc.	3-5 years

Accounting policies

Leases

Leases related to tangible assets of which the Company assumes all material risks and rewards of ownership (finance leases) are measured in the Balance Sheet as assets. On initial recognition, the assets are valued at computed cost equal to fair value or (if lower) at the (net) present value of future lease payments. In the computation of the (net) present value either the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets held under finance leases are depreciated as other similar tangible assets.

The capitalised residual lease obligation is recognised in the Balance Sheet as a liability other than provisions and the interest element in the lease payment is recognised in the Income Statement over the lease term.

All other lease agreements are considered as operating leases. Lease payments under operating leases and other rental agreements are recognised in the Income Statement over the term of the agreements.

The Company's total obligation related to operating leases and rental agreements is stated under contingent assets and liabilities etc.

Investment assets

Participating interests in affiliated companies

The proportionate share of the individual subsidiaries' results before tax is recognised in the parent's income statement. The parent's share of the subsidiaries' tax is recognised under tax on profit/loss on ordinary activities.

Holdings in group undertakings are recognised in the balance sheet at the proportionate share of the companies' financial equity value calculated in accordance with the parent's accounting policies.

Net revaluation of investments in subsidiaries and associates is transferred under equity to reserves for net revaluation by the equity method to the extent the financial value exceeds the acquisition price.

Acquisition or establishment of new companies are recognised in the annual report from the date of acquisition.

Positive differences (goodwill) between acquisition price and the value of acquired assets and liabilities are recognised under participating interests in affiliated companies and amortised over their estimated economic lives. The financial value of goodwill is assessed currently and written down in the income statement where the financial value exceeds the expected future net income from the company or

Accounting policies

Securities

Securities are initially measured at initial fair value on the transaction date and subsequently measured at fair value (market price) at the balance sheet date or at cost less writedowns if the market price is unavailable. Purchases and sales of securities are recognised at the trade date.

Insurance assets

Reinsurers share of premium provisions and claims provisions are computed according to the coverage according to the underlying reinsurance contracts in force. The measurement is based on the same assumptions as applied in calculating provisions for unearned premiums and claims provisions.

Receivables and prepayments

Receivables are measured at amortised cost which usually equals nominal value. Provisions made for bad debts reduce the value.

Prepayments comprise incurred expenses related to the following financial year.

Intercompany

Business transactions between group companies are conducted on market-based conditions or on a cost-covering basis.

Dividends

Dividends expected distributed for the year are shown as a separate item under equity. A proposed dividend is recognised as a liability on approval by the Annual General Meeting.

Provisions for unearned premiums and claims provisions

Provisions for uearned premiums are calculated as the present value of the best estimat of future payments of the liabilities of claims not yet incurred.

Claims provisions are calculated as the present value of the best estimate of the future payments of the liabilities of all claims incurred, whether or not such claims have been filed.

Both premium and claims provisions also include an accrual for future expenses for the administration, mitigation, inspection and assessment of claims related to the end of year claims provisions.

Accounting policies

Provisions for unearned premiums and claims provisions (continued)

A risk margin is calculated by the cost of capital method, so that the technical provision is consistent with a market value in such a way that the value of technical provisions correspond to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations.

Case provisions are estimated from the information which is known at the time of preparing the financial statements.

The claims provisions are determined taking the interest rate (discounting) into account, using the interest rate curves from EIOPA including volatility adjustment. External data are used for estimates for the future cash flow.

The premium provisions are calculated by the simplification in the guidelines in solvency II.

Gains and losses on the run-off of claims provisions from previous years are included in the claims incurred.

Liabilities other than provisions

Financial debt, debt to reinsurers and other debts are measured at amortised cost corresponding to nominal value.