# Gebr. Heinemann Retail ApS

c/o Københavns Lufthavn, Vestvej 6, 2770 Kastrup

CVR no. 29 60 55 56

## Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:

31/5.2017 Annette Egnoni
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working world

## Contents

## Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Gebr. Heinemann Retail ApS for the financial year 1 January - 31 December 2016.

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

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

Further, in my opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Kastrup, 31 May 2017
Executive Board:

Annette Engmose
CEO

## Independent auditor's report

**To the shareholder of Gebr. Heinemann Retail ApS**

### Opinion

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

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

### Basis for opinion

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

### Management's responsibilities for the financial statements

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

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

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

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

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

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

## Independent auditor's report

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

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

### Statement on Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 31 May 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan C. Olsen
State Authorised Public Accountant

# Management's review

## Company details

| | |
|---|---|
| Name | Gebr. Heinemann Retail ApS |
| Address, Postal code, City | c/o Københavns Lufthavn, Vestvej 6, 2770 Kastrup |
| CVR no. | 29 60 55 56 |
| Registered office | Tårnby |
| Financial year | 1 January - 31 December |
| Executive Board | Annette Engmose, CEO |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark |
| Bankers | Nordea Bank Danmark A/S<br>Danske Bank A/S |

# Management's review

## Financial highlights

| DKK'000 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 1,017,822 | 1,008,625 | 958,100 | 868,242 | 856,992 |
| Gross margin | 463,596 | 97,718 | 84,665 | 63,033 | 11,267 |
| Operating profit/loss | 359,937 | -7,029 | -11,066 | -9,025 | -18,470 |
| Net financials | 97 | -3,886 | -3,488 | -2,852 | 314 |
| **Profit/loss for the year** | **361,334** | **-10,915** | **-14,554** | **-11,877** | **-18,156** |
| Total assets | 179,326 | 163,040 | 214,007 | 261,258 | 75,957 |
| Investment in property, plant and equipment | -956 | -3,677 | 6,301 | 76,337 | 537 |
| Equity | 105,442 | -255,892 | -244,977 | -230,423 | -218,547 |
| **Financial ratios** | | | | | |
| Operating margin | 35.4% | -0.7% | -1.2% | -1.0 % | -2.2 % |
| Gross margin | 45.5% | 9.7% | 8.8% | 7.3% | 1.3% |
| Return on assets | 210.3% | -3.7% | -4.7% | -5.4% | -26.0% |
| Solvency ratio | 58.8% | -157.0% | -114.5% | -88.2% | -287.7% |
| Average number of employees | 295 | 294 | 284 | 249 | 239 |

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

# Management's review

## Management commentary

### Business review

Since 1 March 2007, the Company had the concession to carry on tax and duty free sales of spirits, tobacco, confectionery, perfume and cosmetics at Copenhagen Airports through six tax free shops. Following successful negotiations with Copenhagen Airports, a new 5 year contract was signed in June 2012 effective from 1 March 2013.

### Recognition and measurement uncertainties

Reference is made to note 2 in the financial statements regarding uncertainty of the valuation of the Company's property plant and equipment.

### Financial review

In 2016, the Company's revenue amounted to DKK 1,017,822 thousand against DKK 1,008,625 thousand last year. The income statement for 2016 shows a profit of DKK 361,334 thousand against a loss of DKK -10,915 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 105,442 thousand.

The profit for the year is positivley affected by a transfer pricing adjustment with the Parent Company of DKK 359 mio. Reference is made to note 4.

In respect of revenue, the results for the year were according to expectations. A shift in customer structure towards more sales to passengers travelling inside the EU has resulted in higher cost of sales. However, the results before tax were below expectations because costs of sales were not met. The main reason can be found in the costs for the implementation of the "single pricing concept" and an increasing share of customers travelling inside EU buying a larger share of discounted articles, increasing operational costs.

### Special risks

The Company is mainly exposed to fluctuations in passenger numbers. An increase in passenger numbers is the key for the business growth as the stores are only accessible for customers with a valid boarding pass. The mix of passengers is decisive for the growth potential as non-EU customers have a significantly higher spending and the generated revenue is not subject to excise duties.

As the Company is operating shops in the airport environment, strikes in airlines leading to flight cancellations and measures implemented around security on board of airplanes have had and can also in the future effect the business.

The Company is not exposed to financial or credit risk. Major deviations of currencies can have a significant impact though on customer spending of foreign nationalities.

### Research and development activities

The Company is not involved in research and development activities around the products sold in the shops, but are engaged in initiatives to increase penetration and satisfaction of the customers.

# Management's review

## Management commentary

### Statutory CSR report

We know that our business activities affect the environment as well as the lives of many people, especially those of our employees and customers. We also know that we have the means to contribute to positive developments of society. We accept this significant corporate responsibility and strive to live up to its demands.

The purpose of the strategy is to create a strong link between corporate responsibility and our core business. Our materiality and risk assessment has helped us to focus our efforts on issues the most material to our core business and our key stakeholders.
Our corporate responsibility activities help us to do business responsibly while focusing on our vision and mission, by living our brand values - Surprising - Service oriented and Personal - and thereby creating value for our customers and business.

We at Gebr. Heinemann Retail follow the market trends closely in order to ensure that we are always prepared to meet the demands of our customers.

Gebr. Heinemann Retail is part of the Gebr. Heinemann Group, which has a CSR policy which describes the principles and values which the Company follows. For the statutory CSR report please refer to: www.gebr-heinemann.de/en/download/28124/eng-GB

### Account of the gender composition of Management

The Company has no Board of Directors.

The Executive Board consisted of two persons, a man and a woman, in the financial year 2016.

The Company has a non discriminating equality policy with a focus on personal skills required for each job profile at all levels of other management levels. Women and men have equal opportunities within the Company. However, we will work to improve and counterbalance the underrepresented gender. In doing this, we will always strive to ensure that there is at least one of each gender among the final three candidates for promotion and recruitment for other management positions. Additionally we are working on talent management, career development, training, etc., for the underrepresented gender. The proportion of managers from the underrepresented gender is unchanged during 2016.

### Events after the balance sheet date

After the balance sheet date the Company has entered a new 5-year concession contract with Københavns Lufthavne A/S effective from 1 March 2018. Reference is made to note 3 for further details.

Other than above no events materially affecting the Company's financial position have occurred subsequent to the financial year end.

### Outlook

Revenues are expected to increase by 6,5% and EBIT is expected at 0,5% of revenue. The expected improvements of the overall business are, besides the implementation of numerous initiatives, to increase the gross margin and turnover, based on a positive outlook for a growing passenger number departing out of Copenhagen airport.

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

### Income statement

| Note | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| | **Revenue** | 1,017,822 | 1,008,625 |
| | Cost of sales | -118,973 | -475,476 |
| 5 | Other operating income | 18,697 | 17,714 |
| | Other external expenses | -453,950 | -453,145 |
| | **Gross margin** | 463,596 | 97,718 |
| 6 | Staff costs | -81,597 | -83,349 |
| 7 | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -22,053 | -21,040 |
| 8 | Other operating expenses | -9 | -358 |
| | **Profit/loss before net financials** | 359,937 | -7,029 |
| 9 | Financial income | 971 | 575 |
| 10 | Financial expenses | -874 | -4,461 |
| | **Profit/loss before tax** | 360,034 | -10,915 |
| | Tax for the year | 1,300 | 0 |
| | **Profit/loss for the year** | 361,334 | -10,915 |

# Financial statements for the period 1 January - 31 December

## Balance sheet

| Note | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Fixed assets** | | |
| 11 | **Intangible assets** | | |
| | Acquired intangible assets | 27 | 52 |
| | | 27 | 52 |
| 12 | **Property, plant and equipment** | | |
| | Other fixtures and fittings, tools and equipment | 12,056 | 21,326 |
| | Leasehold improvements | 14,035 | 25,978 |
| | | 26,091 | 47,304 |
| | **Total fixed assets** | 26,118 | 47,356 |
| | **Non-fixed assets** | | |
| | **Inventories** | | |
| | Finished goods and goods for resale | 21,811 | 22,239 |
| | | 21,811 | 22,239 |
| | **Receivables** | | |
| | Receivables from group entities | 17,765 | 0 |
| 15 | Deferred tax assets | 1,300 | 0 |
| | Other receivables | 16,046 | 13,711 |
| 13 | Deferred income | 27,913 | 53,627 |
| | | 63,024 | 67,338 |
| | Cash | 68,373 | 26,107 |
| | **Total non-fixed assets** | 153,208 | 115,684 |
| | **TOTAL ASSETS** | 179,326 | 163,040 |

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

### Balance sheet

| Note | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| 14 | Share capital | 31,000 | 31,000 |
| | Retained earnings | 74,442 | -286,892 |
| | **Total equity** | 105,442 | -255,892 |
| | **Provisions** | | |
| | Other provisions | 3,535 | 3,535 |
| 16 | **Total provisions** | 3,535 | 3,535 |
| | **Liabilities** | | |
| | **Current liabilities** | | |
| | Trade payables | 50,879 | 46,758 |
| | Payables to group entities | 0 | 349,025 |
| | Other payables | 19,470 | 19,614 |
| | | 70,349 | 415,397 |
| | **Total liabilities other than provisions** | 70,349 | 415,397 |
| | **TOTAL EQUITY AND LIABILITIES** | 179,326 | 163,040 |

1 Accounting policies
2 Recognition and measurement uncertainties
3 Events after the balance sheet date
4 Special items
17 Contractual obligations and contingencies, etc.
18 Contingent assets
19 Collateral
20 Related parties
21 Fee to the auditors appointed by the Company in general meeting

# Financial statements for the period 1 January - 31 December

## Statement of changes in equity

| | DKK'000 | Share capital | Retained earnings | Total |
|---|---|---|---|---|
| | Equity at 1 January 2016 | 31,000 | -286,892 | -255,892 |
| 22 | Transfer, see "Appropriation of profit/loss" | 0 | 361,334 | 361,334 |
| | **Equity at 31 December 2016** | 31,000 | 74,442 | 105,442 |

# Financial statements for the period 1 January - 31 December

## Cash flow statement

| Note | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| | Profit/loss for the year | 361,334 | -10,915 |
| 23 | Adjustments | -316,160 | 47,577 |
| | Cash generated from operations (operating activities) | 45,174 | 36,662 |
| 24 | Changes in working capital | 5,491 | 7,706 |
| | Cash generated from operations (operating activities) | 50,665 | 44,368 |
| | Interest received, etc. | 971 | 575 |
| | Interest paid, etc. | -874 | -4,461 |
| | **Cash flows from operating activities** | 50,762 | 40,482 |
| | Additions of property, plant and equipment | -956 | -3,677 |
| | Disposals of property, plant and equipment | 68 | 0 |
| | **Cash flows to investing activities** | -888 | -3,677 |
| | Proceeds of debt, group entities | -7,608 | -43,762 |
| | **Cash flows from financing activities** | -7,608 | -43,762 |
| | **Net cash flow** | 42,266 | -6,957 |
| | Cash and cash equivalents at 1 January | 26,107 | 33,064 |
| 25 | **Cash and cash equivalents at 31 December** | 68,373 | 26,107 |

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies

The annual report of Gebr. Heinemann Retail ApS for 2016 has been presented in accordance with the provisions applying to large reporting class C enterprises under the Danish Financial Statements Act.

#### Changes in accounting policies

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

1. In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

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

#### Reporting currency

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

#### Foreign currency translation

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

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

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue at the time of delivery and when risks passes to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

#### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

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

### Notes to the financial statements

1 Accounting policies (continued)

#### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

#### Other external expenses

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

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

#### Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|---|---|
| Acquired intangible assets | 5 years |

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|---|---|
| Other fixtures and fittings, tools and equipment | 5 years |
| Leasehold improvements | 5 years |

#### Financial income and expenses

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

#### Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Heinemann Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Company is the management company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

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

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

Tax for the year comprises current corporation tax , joint taxation contributions for the year and changes in deferred tax for the year - including changes resulting from changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

## Balance sheet

### Intangible assets

Other intangible assets include other acquired intangible assets.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

### Impairment of fixed assets

Intangible assets and property, plant and equipment are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

### Inventories

Inventories are measured at cost in accordance with the weighted average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

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

### Notes to the financial statements

1 Accounting policies (continued)

#### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Cash

Cash comprise cash and short-term securities which are readily convertible into cash and subject only to minor risks of changes in value.

#### Provisions

Provisions comprise expected expenses relating to leasehold restoration. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

#### Income taxes

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

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

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

#### Liabilities

Other liabilities are measured at net realisable value.

#### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

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

### Notes to the financial statements

1 **Accounting policies (continued)**

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

**Segment information**

Segment information has not been disclosed pursuant to section 96(1) of the Danish Financial Statements Act as Management is of the opinion that such disclosure is of significant interest to its competitors and, therefore, could be highly detrimental to the Company.

**Financial ratios**

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

| | |
|---|---|
| Operating margin | $\frac{\text{Operating profit x 100}}{\text{Revenue}}$ |
| Gross margin ratio | $\frac{\text{Gross margin x 100}}{\text{Revenue}}$ |
| Return on assets | $\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$ |
| Solvency ratio | $\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$ |

2 **Recognition and measurement uncertainties**

Based on budgets and business plans, Management expects to report positive operating results throughout the period to expiration of the concession agreement on 28 February 2018. Consequently, the concession contract covering the period from 1 March 2013 to 28 February 2018 is not deemed to be onerous.

3 **Events after the balance sheet date**

After the balance sheet date the Company has entered a new 5-year concession contract with Københavns Lufthavne A/S effective from 1 March 2018.

Other than above no events materially affecting the Company's financial position have occurred subsequent to the financial year end.

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

### Notes to the financial statements

4 **Special items**

In February 2016, the Company received approval from SKAT to do a rescission relating to transfer pricing for 2008-2014 (purchase of goods from the Parent Company). This means that a secondary adjustment between the Company and the Parent Company equal to the increase in the taxable income for 2008-2014 of total DKK 359,182 thousand has been made. The rescission has been accounted for as a change in accounting estimates. Consequently, the payment of DKK 359,182 thousand from the Parent Company has been recognised in the income statement as a reduction of cost of sales. Thus, recognition has affected the profit and equity positively by DKK 359,182 thousand for 2016.

| | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| 5 | **Other operating income** | | |
| | Advertising income | 18,534 | 17,447 |
| | Other operating income | 95 | 267 |
| | Gain on the sale of property, plant and equipment | 68 | 0 |
| | | 18,697 | 17,714 |
| | | | |
| 6 | **Staff costs** | | |
| | Wages/salaries | 68,511 | 69,061 |
| | Pensions | 8,379 | 8,484 |
| | Other social security costs | 1,956 | 1,949 |
| | Other staff costs | 2,751 | 3,855 |
| | | 81,597 | 83,349 |
| | Average number of full-time employees | 295 | 294 |

Total remuneration to Management in 2016 amounted to DKK 3,046 thousand. Pursuant to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed in 2015.

| | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| 7 | **Amortisation/depreciation of intangible assets and property, plant and equipment** | | |
| | Amortisation of intangible assets | 25 | 24 |
| | Depreciation of property, plant and equipment | 22,028 | 21,016 |
| | | 22,053 | 21,040 |

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

### Notes to the financial statements

8 **Other operating expenses**

Other operating expenses include losses on the sale of property, plant and equipment.

| | DKK'000 | 2016 | 2015 |
|---|---|---|---|
| 9 | **Financial income** | | |
| | Exchange gain | 600 | 518 |
| | Other financial income | 371 | 57 |
| | | 971 | 575 |
| 10 | **Financial expenses** | | |
| | Interest expenses, group entities | 550 | 3,358 |
| | Exchange losses | 324 | 699 |
| | Other financial expenses | 0 | 404 |
| | | 874 | 4,461 |

11 **Intangible assets**

| DKK'000 | Acquired intangible assets |
|---|---|
| Cost at 1 January 2016 | 800 |
| Cost at 31 December 2016 | 800 |
| Impairment losses and amortisation at 1 January 2016 | 748 |
| Amortisation/depreciation in the year | 25 |
| Impairment losses and amortisation at 31 December 2016 | 773 |
| **Carrying amount at 31 December 2016** | 27 |

12 **Property, plant and equipment**

| DKK'000 | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total |
|---|---|---|---|
| Cost at 1 January 2016 | 53,059 | 55,604 | 108,663 |
| Additions in the year | 846 | 110 | 956 |
| Disposals in the year | -451 | 0 | -451 |
| Cost at 31 December 2016 | 53,454 | 55,714 | 109,168 |
| Impairment losses and depreciation at 1 January 2016 | 31,733 | 29,626 | 61,359 |
| Amortisation/depreciation in the year | 9,975 | 12,053 | 22,028 |
| Reversal of amortisation/depreciation and impairment of disposals | -310 | 0 | -310 |
| Impairment losses and depreciation at 31 December 2016 | 41,398 | 41,679 | 83,077 |
| **Carrying amount at 31 December 2016** | 12,056 | 14,035 | 26,091 |

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

### Notes to the financial statements

**13 Prepayments**

Prepayments include accrual of expenses relating to subsequent financial years, including concession fee which is recognised in the income statement on a straight-line basis starting from 1 March 2013. The concession contract terminates on 28 February 2018.

**14 Share capital**

The Company's share capital has remained DKK 31,000 thousand over the past 5 years.

| DKK'000 | 2016 | 2015 |
|---|---|---|
| **15 Deferred tax** | | |
| Deferred tax at 1 January | 0 | 0 |
| Adjustments to profit and loss for the year | -1,300 | 0 |
| **Deferred tax at 31 December** | -1,300 | 0 |

Basis for recognition is that the tax asset is expected to be used by other companies in the Danish joint taxation.

**16 Provisions**

Other provisions consist of provisions for re-establishments, totalling DKK 3,535 thousand, which are due at the termination of the existing concession contract on 28 February 2018.

**17 Contractual obligations and contingencies, etc.**

**Other contingent liabilities**

| DKK'000 | 2016 | 2015 |
|---|---|---|
| Other contingent liabilities | 410,750 | 747,014 |
| | 410,750 | 747,014 |

Other contingent liabilities consist of a concession agreement which gives the Company the right to carry on trade at Copenhagen Airports, but which also imposes obligations on the Company through to expiry of the contract on 28 February 2018.

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012. The total tax at 31 December 2016 amounted DKK 0.

**Other financial obligations**

Other rent and lease liabilities:

| DKK'000 | 2016 | 2015 |
|---|---|---|
| Rent and lease liabilities | 16,018 | 29,780 |

Rent payments concern a contract which is non-cancellable until 28 February 2018.

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

### Notes to the financial statements

18 **Contingent assets**

The Company has a tax asset of approximately DKK 6.2 million that was not recognised in the balance sheet.

19 **Collateral**

No assets were pledged as collateral or otherwise charged at 31 December 2016.

20 **Related parties**

Gebr. Heinemann Retail ApS' related parties comprise the following:

**Parties exercising control**

| Related party | Domicile | Basis for control |
|---|---|---|
| Gebr. Heinemann SE & Co. KG | Koreastraße 3, Hamburg, Germany | Participating interest (sole shareholder) |

**Information about consolidated financial statements**

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|---|---|---|
| Gebr. Heinemann SE & Co. KG | Koreastraße 3, Hamburg, Germany | +49 40 301020 |

**Related party transactions**

Gebr. Heinemann Retail ApS was engaged in the below related party transactions:

| DKK'000 | 2016 | 2015 |
|---|---|---|
| Purchase of goods from Parent Company | 396,087 | 392,836 |
| Interest expenses to Parent Company | 550 | 3,357 |
| | | |
| Receivables from Parent Company | 17,521 | 0 |
| Receivables from Gebr. Heinemann Copenhagen A/S | 244 | 233 |
| Payables to Parent Company | 0 | 349,258 |

Transfer pricing adjustment between the Company and the Parent Company is disclosed in note 3.

**Information on the remuneration to management**

Information on the remuneration to Management appears from note 6, "Staff costs".

| DKK'000 | 2016 | 2015 |
|---|---|---|
| 21 **Fee to the auditors appointed by the Company in general meeting** | | |
| Statutory audit | 237 | 234 |
| Assurance engagements | 129 | 125 |
| Tax assistance | 1,065 | 1,622 |
| Other assistance | 221 | 115 |
| | 1,652 | 2,096 |

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

### Notes to the financial statements

| DKK'000 | 2016 | 2015 |
|---|---|---|
| **22 Appropriation of profit/loss** | | |
| **Recommended appropriation of profit/loss** | | |
| Retained earnings/accumulated loss | 361,334 | -10,915 |
| | 361,334 | -10,915 |

| DKK'000 | 2016 | 2015 |
|---|---|---|
| **23 Adjustments** | | |
| Amortisation/depreciation and impairment losses | 22,053 | 21,040 |
| Gain/loss on the sale of non-current assets | -59 | 358 |
| Financial income | -971 | -575 |
| Financial expenses | 874 | 4,461 |
| Tax for the year | -1,300 | 0 |
| Rescission relating to transfer pricing adjustment | -359,182 | 0 |
| Adjustment of prepayment | 22,293 | 22,293 |
| Other adjustments | 132 | 0 |
| | -316,160 | 47,577 |
| **24 Changes in working capital** | | |
| Change in inventories | 428 | 368 |
| Change in receivables | 1,087 | 11,173 |
| Change in trade and other payables | 3,976 | -3,835 |
| | 5,491 | 7,706 |
| **25 Cash and cash equivalents at year-end** | | |
| Cash according to the balance sheet | 68,373 | 26,107 |
| | 68,373 | 26,107 |