

Gebr. Heinemann Retail ApS

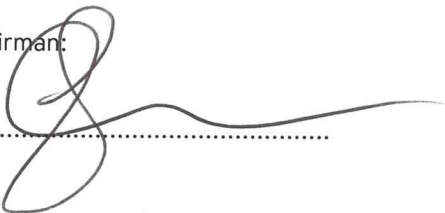
c/o Københavns Lufthavn, Vestvej 6, 2770 Kastrup

CVR no. 29 60 55 56

Annual report 2017

Approved at the Company's annual general meeting on 31 May 2018

Chairman:



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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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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 2018

Executive Board:



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Esben Keller
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 2017, which comprise 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 2017 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2017 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 scepticism 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the 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 the 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 the work we have performed, 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 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jan C. Olsen
State Authorised Public Accountant
MNE no.: mne33717



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	Esben Keller, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea Bank Danmark A/S Danske Bank A/S

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	1,041,292	1,017,822	1,008,625	958,100	868,242
Gross margin	117,232	470,804	105,866	85,853	63,033
Operating profit/loss	7,306	367,145	1,119	-9,878	-9,025
Net financials	-103	97	-3,886	-3,488	-2,852
Profit/loss for the year	3,770	368,542	-2,767	-13,366	-11,877
Financial ratios					
Total assets	208,148	195,871	172,376	215,195	261,258
Investment in property, plant and equipment	-12,560	-956	-3,677	6,301	76,337
Equity	125,757	121,987	-246,556	-243,789	-230,423
Operating margin	0.7%	36.1%	-0.7%	-1.2 %	-2.1 %
Gross margin	11.3%	46.3%	10.5%	9.0%	7.3%
Return on assets	3.6%	199.4%	0.6%	-4.1%	-5.4%
Equity ratio	60.4%	62.3%	-143.0%	-113.3%	-88.2%
Average number of employees	308	295	294	284	249

The comparative figures in the financial highlights have been changed for 2014-2016 due to material misstatement.

Management's review

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 - 28 February 2018.

Recognition and measurement uncertainties

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

Financial review

In 2017, the Company's revenue amounted to DKK 1,041,292 thousand against DKK 1,017,822 thousand last year. The income statement for 2017 shows a profit of DKK 3,770 thousand against a profit of DKK 368,542 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 125,757 thousand. The decrease in profit compared to last year is attributable to the fact that the profit for 2016 was affected by a transfer pricing adjustment with the Parent Company of DKK 359 million.

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 the EU buying a larger share of discounted articles, increasing operational costs.

During the year, it was established that the Company in prior years and as well as in 2017 has paid too much in excise duties on goods imported to Denmark due to incorrect setup in the Company's ERP system. As a consequence, the Company's cost of sales in prior years' financial statements have been overstated, and the financial statements for 2016 did not give a true and fair view. Therefore, the error has been corrected as a material misstatement by restating the comparative figures and opening equity figures in the financial statements for 2017. Therefore, the error has been corrected as a material misstatement by restating the comparative figures, including the financial highlights, and opening equity figures in these financial statements. Reference is made to note 1 for a further description, including effect on prior years' profit for the year and equity.

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 in connection with the products sold in the shops, but is engaged in initiatives to increase penetration and satisfaction of the customers.

Management's review

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 that are 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 has a CSR policy which describes the principles and values which the Company follows. For the statutory CSR report, please refer to Appendix 1.

Account of the gender composition of Management

The Company has no Board of Directors.

In the financial year 2017, the Executive Board consisted of two persons, a man and a woman.

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 has remained unchanged during 2017.

Events after the balance sheet date

On 1 March 2018, the new concession contract with Københavns Lufthavne A/S became effective. The contract covers the period from 1 March 2018 - 28 February 2023.

As mentioned in the financial review, the Company has in prior years and as well as in 2017 paid too much in excise duties. In March, the Company received the total amount from the Danish tax authorities.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year end.

Outlook

Revenues are expected to increase by 5,2% and EBIT is expected at 1,3% 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 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Revenue	1,041,292	1,017,822
	Cost of sales	-476,124	-111,765
5	Other operating income	20,000	18,697
	Other external expenses	-467,936	-453,950
	Gross margin	117,232	470,804
6	Staff costs	-87,717	-81,597
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-22,191	-22,053
7	Other operating expenses	-18	-9
	Profit before net financials	7,306	367,145
8	Financial income	435	971
9	Financial expenses	-538	-874
	Profit before tax	7,203	367,242
10	Tax for the year	-3,433	1,300
	Profit for the year	3,770	368,542

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
11	Intangible assets		
	Acquired intangible assets	0	27
		0	27
12	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	2,524	12,056
	Leasehold improvements	2,015	14,035
	Leasehold improvements in progress	11,531	0
		16,070	26,091
	Total fixed assets	16,070	26,118
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	16,264	21,811
		16,264	21,811
	Receivables		
	Receivables from group entities	34,867	17,760
15	Deferred tax assets	0	1,300
	Other receivables	42,359	32,596
13	Prepayments	5,982	27,913
		83,208	79,569
	Cash	92,606	68,373
	Total non-fixed assets	192,078	169,753
	TOTAL ASSETS	208,148	195,871

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	31,000	31,000
	Retained earnings	94,757	90,987
	Total equity	<u>125,757</u>	<u>121,987</u>
	Provisions		
	Other provisions	3,535	3,535
16	Total provisions	<u>3,535</u>	<u>3,535</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	55,021	50,879
	Payables to group entities	1,100	0
	Income taxes payable	2,581	0
	Other payables	20,154	19,470
		<u>78,856</u>	<u>70,349</u>
	Total liabilities other than provisions	<u>78,856</u>	<u>70,349</u>
	TOTAL EQUITY AND LIABILITIES	<u>208,148</u>	<u>195,871</u>

- 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 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2016	31,000	-286,892	-255,892
	Correction of material misstatement	0	9,337	9,337
	Adjusted equity at 1 January 2016	31,000	-277,555	-246,555
22	Transfer, see "Appropriation of profit"	0	368,542	368,542
	Equity at 1 January 2017	31,000	90,987	121,987
22	Transfer, see "Appropriation of profit"	0	3,770	3,770
	Equity at 31 December 2017	31,000	94,757	125,757

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit for the year	3,770	368,542
23	Adjustments	47,914	-316,160
	Cash generated from operations (operating activities)	51,684	52,382
24	Changes in working capital	245	-1,717
	Cash generated from operations (operating activities)	51,929	50,665
	Interest received, etc.	0	971
	Interest paid, etc.	-12	-874
	Cash flows from operating activities	51,917	50,762
	Additions of property, plant and equipment	-12,560	-956
	Disposals of property, plant and equipment	883	68
	Cash flows to investing activities	-11,677	-888
	Proceeds of debt, group entities	-16,007	-7,608
	Cash flows from financing activities	-16,007	-7,608
	Net cash flow	24,233	42,266
	Cash and cash equivalents at 1 January	68,373	26,107
25	Cash and cash equivalents at 31 December	92,606	68,373

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Gebr. Heinemann Retail ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies applied by the Company are consistent with those of last year.

Material misstatements

During the year, it was established that the Company in prior years and as well as in 2017 has paid too much in excise duties on goods imported to Denmark due to an error in the Company's ERP system. As a consequence, the Company's cost of sales in prior years' financial statements have been overstated, and the financial statements for 2016 did not give a true and fair view. Therefore, the error has been corrected as a material misstatement by restating the comparative figures and opening equity figures in the financial statements for 2017.

As a consequence of the correction, cost of sales has been adversely effected by a decrease in 2014 of DKK 1.2 million, 2015 of DKK 8.2 million and 2016 of DKK 7.2 million. At 28 February 2017, accumulated other receivables have increased by DKK 16.5 million. At 1 March 2017, opening equity has been adversely effected by DKK 16.5 million.

Reference is made to the management's review.

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 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
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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 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 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.

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

Liabilities

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

2 Recognition and measurement uncertainties

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

3 Events after the balance sheet date

On 1 March 2018 the new concession contract with Københavns Lufthavne A/S became effective. The contract covers the period from 1 March 2018 - 28 February 2023.

As mentioned in the management's review, the Company has in prior years and as well as in 2017 paid too much in excise duties. In March, the Company received the total amount from the Danish tax authorities.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year end.

Financial statements 1 January - 31 December

Notes to the financial statements

4 Special items

In February 2016, the Company received approval from the Danish tax authorities (SKAT) to carry out a recession relating to transfer pricing for the years 2008-2014 (purchase of goods from Parent Company). This means that a secondary adjustment between the Company and the Parent Company, equal to the increase of taxable income for the years 2008-2014 totalling 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, the recognition has affected profit and equity positively by DKK 359,182 thousand for 2016.

DKK'000	2017	2016
5 Other operating income		
Advertising income	19,692	18,534
Other operating income	0	95
Gain on the sale of property, plant and equipment	308	68
	<u>20,000</u>	<u>18,697</u>
6 Staff costs		
Wages/salaries	74,690	68,511
Pensions	8,694	8,379
Other social security costs	1,730	1,956
Other staff costs	2,603	2,751
	<u>87,717</u>	<u>81,597</u>
Average number of full-time employees	<u>308</u>	<u>295</u>
Remuneration to members of management:		
Executive board	3,218	3,046
	<u>3,218</u>	<u>3,046</u>

7 Other operating expenses

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

DKK'000	2017	2016
8 Financial income		
Exchange gain	435	600
Other financial income	0	371
	<u>435</u>	<u>971</u>
9 Financial expenses		
Interest expenses, group entities	0	550
Exchange losses	526	324
Other financial expenses	12	0
	<u>538</u>	<u>874</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
10 Tax for the year		
Estimated tax charge for the year	2,438	0
Deferred tax adjustments in the year	1,300	-1,300
Tax adjustments, prior years	-305	0
	<u>3,433</u>	<u>-1,300</u>

11 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2017	800
Disposals in the year	-112
Cost at 31 December 2017	<u>688</u>
Impairment losses and amortisation at 1 January 2017	773
Amortisation/depreciation in the year	11
Amortisation/depreciation and impairment of disposals in the year	-96
Impairment losses and amortisation at 31 December 2017	<u>688</u>
Carrying amount at 31 December 2017	<u>0</u>

12 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Leasehold improvements in progress	Total
Cost at 1 January 2017	53,454	55,714	0	109,168
Additions in the year	990	39	11,531	12,560
Disposals in the year	-2,412	0	0	-2,412
Cost at 31 December 2017	<u>52,032</u>	<u>55,753</u>	<u>11,531</u>	<u>119,316</u>
Impairment losses and depreciation at 1 January 2017	41,398	41,679	0	83,077
Amortisation/depreciation in the year	10,122	12,059	0	22,181
Amortisation/depreciation and impairment of disposals in the year	-2,012	0	0	-2,012
Impairment losses and depreciation at 31 December 2017	<u>49,508</u>	<u>53,738</u>	<u>0</u>	<u>103,246</u>
Carrying amount at 31 December 2017	<u>2,524</u>	<u>2,015</u>	<u>11,531</u>	<u>16,070</u>

Financial statements 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	2017	2016
15 Deferred tax		
Deferred tax at 1 January	-1,300	0
Adjustments to profit/loss for the year	1,300	-1,300
Deferred tax at 31 December	0	-1,300

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	2017	2016
Other contingent liabilities	1,664,781	410,750
	1,664,781	410,750

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.

In connection with the new contract with Københavns Lufthavn A/S for the period 1 March 2018 - 28 February 2023, according to the contract, the Company must make investments of a minimum of DKK 60 million relating to leasehold improvements.

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	16,886	16,018

Rent payments concern a contract which is non-cancellable until 28 February 2023.

Financial statements 1 January - 31 December

Notes to the financial statements

18 Contingent assets

The Company has a tax asset of approximately DKK 5.1 million that was not recognised in the balance sheet.

19 Collateral

No assets were pledged as collateral or otherwise charged at 31 December 2017.

20 Related parties

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

Parties exercising control

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

Significant influence

<u>Related party</u>	<u>Domicile</u>	<u>Basis for significant influence</u>
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Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
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:

<u>DKK'000</u>	<u>2017</u>	<u>2016</u>
Purchase of goods from Parent Company	397,094	396,087
Interest expenses to Parent Company	0	550
Receivables from Parent Company	33,016	17,521
Receivables from Gebr. Heinemann Copenhagen A/S	302	244
Receivables from Heinemann Scandinavia ApS	1,549	0
Payables to Gebr. Heinemann Copenhagen A/S	1,100	0

Information on the remuneration to management

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

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
21 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	243	237
Assurance engagements	133	129
Tax assistance	370	1,065
Other assistance	153	221
	<u>899</u>	<u>1,652</u>
22 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	3,770	368,542
	<u>3,770</u>	<u>368,542</u>
23 Adjustments		
Amortisation/depreciation and impairment losses	22,192	22,053
Gain/loss on the sale of non-fixed assets	-291	-59
Financial income	0	-971
Financial expenses	12	874
Tax for the year	3,433	-1,300
Rescission relating to transfer pricing adjustment	0	-359,182
Adjustment of prepayment	22,296	22,293
Other adjustments	272	132
	<u>47,914</u>	<u>-316,160</u>
24 Changes in working capital		
Change in inventories	5,547	428
Change in receivables	-11,606	-6,121
Change in trade and other payables	6,304	3,976
	<u>245</u>	<u>-1,717</u>
25 Cash and cash equivalents at year-end		
Cash according to the balance sheet	92,606	68,373
	<u>92,606</u>	<u>68,373</u>

Gebr. Heinemann Retail Denmark

Corporate Responsibility Report 2017

Dear Reader,

In Gebr. Heinemann Retail Denmark, we are 352 employees who on a daily basis manage sales for 6 Tax Free stores at Copenhagen Airport.

We are part of the global Gebr. Heinemann group, headquartered in Hamburg, Germany

Gebr. Heinemann, founded in 1879, is one of the top players on the international travel retail market and the leader on the European market. It is the only family-run business among the global players of the travel retail industry. In the retail sector, the company operates more than 330 Heinemann Duty Free & Travel Value shops, fashion label boutiques under license and concept shops at 79 airports in 29 countries, along with shops at border crossings and aboard cruise liners. In total, the retail operation now serves more than 40 million customers across approximately 140,000 square meters of retail space every year. Gebr. Heinemann has 6,000 employees around the world.

Heinemann Retail Denmark knows 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.

Our corporate responsibility activities help us to do business responsibly while focusing on our vision and mission - and thereby creating value for our customers and business.

This report constitutes the first comprehensive corporate responsibility report for and only for Gebr. Heinemann Retail Denmark in accordance with the Danish Financial Statements Act, articles 99a and b.

I hope you enjoy reading through this report to learn more about Gebr. Heinemann Retail Denmark and our focus on corporate responsibility.

Annette Engmose, HR Director

Our vision

We turn travelers into customers and customers into friends.

...and our mission

We give our customers a World Class Experience.

Our business model and corporate responsibility

In Gebr. Heinemann Retail Denmark, we take corporate responsibility serious.

In the figure on the right, we have illustrated very briefly the main corporate responsibility risks related to the value chain.

Our corporate responsibility strategy and reporting focus on our tax free stores at Copenhagen Airport (CPH) since that is of direct responsibility of Gebr. Heinemann Retail Denmark and consequently, where our ability to impact positively is greatest.

To learn more about the CR policy and the global engagement of Gebr. Heinemann as holding company, please see its CR Report 2016 on <http://www.gebr-heinemann.de/en/Philosophy>.

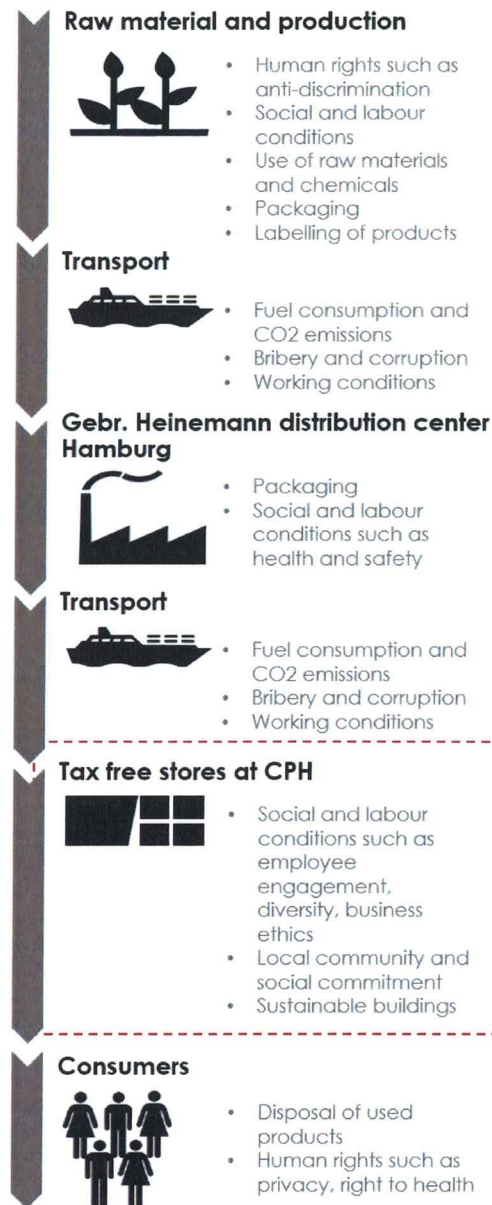


Figure: Corporate responsibility risks related to Gebr. Heinemann value chain

Our strategic approach to Corporate Responsibility

In Gebr. Heinemann Retail Denmark we have adopted a strategic approach to corporate responsibility. The strategy focuses on minimizing risks and enhancing the business potential of our retail business.

The purpose of the strategy is to create a strong link between corporate responsibility and our core business.

We have developed our corporate responsibility strategy on the basis of a materiality and risk assessment. We have among others assessed risks related to social and labor conditions, human rights, environment and climate as well as anti-corruption.

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 strategy is illustrated in the figure below.

On the following pages we describe our four focus areas in more details.

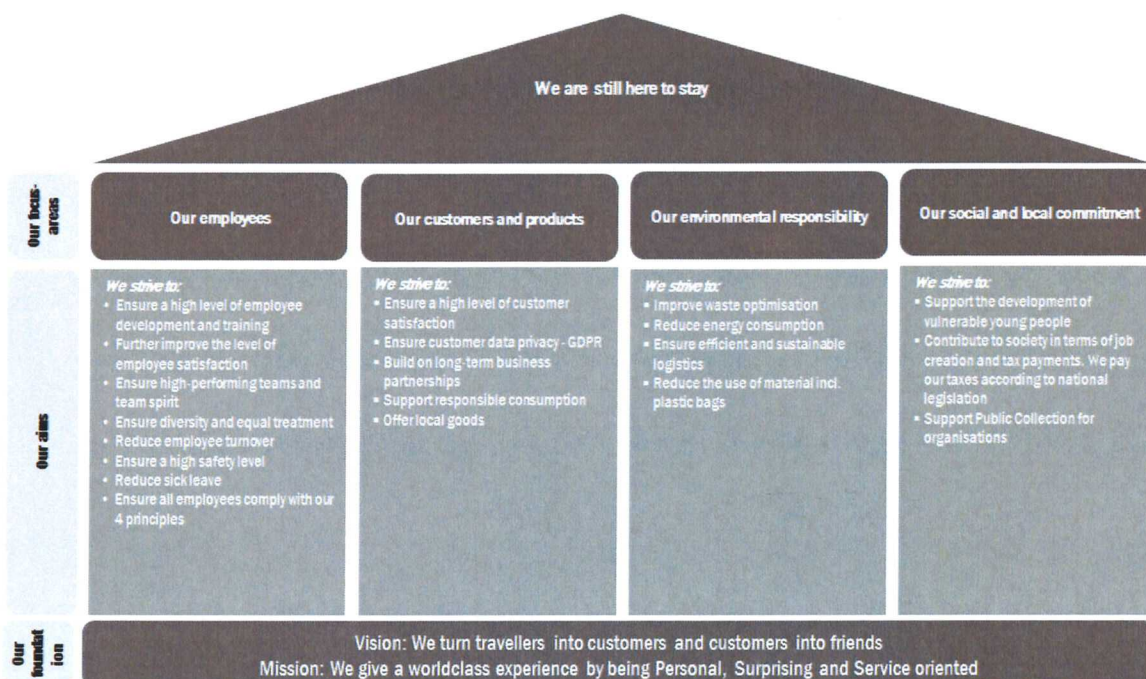


Figure: Gebr. Heinemann Retail Denmark Corporate Responsibility Strategy

Our Employees

At Gebr. Heinemann Retail Denmark we care about our employees, as they are the heart of our operations. We wish to attract and retain the most skillful and engaged employees by having focus on a pleasant working culture. This means that we encourage our employees to grow by giving: pride, success, development, security, long-term prospect, family- and team spirit together with a common identity through our values as a company.

We have an ambition of having high performing teams, to ensure that the customers get a personal World Class Experience. Furthermore, we strive to have a low employee turnover and low absence due to illness.

We at Gebr. Heinemann Retail Denmark continuously work on updating and specifying our national guidelines related to business ethics. In 2018, we will assess the possible needs of specifying our guidelines related to gift and entertainments.

What have we done?

In order to reach our ambitions, we have had great focus on the development of our employees throughout 2017.

Creating the right setting for our employees to grow and develop is not only in the interest of our employees, but also to Gebr. Heinemann Retail Denmark. By offering training to our leaders and employees, we not only build the

competencies of our employees, but also ensure that they are better suited to give our customers a personal World Class Experience.

In the last couple of years our leaders have completed a leadership program at Niels Brock business school. 219 of our employees have completed CASC Academy 5 Star Host Program and obtained 5 full stars.

Through training of our employees, we are able to secure an ongoing development of our employees' competencies and make them more involved in the future of Gebr. Heinemann Retail Denmark.

In order to ensure a strong team spirit among our employees we have organized our employees in teams who follow the same working schedule. This has created a sense of joint responsibility within each team.

We have initialized a logbook of magic moments describing magic moments in the interaction with our employees and our customers. This initiative support our team spirit as well as our exceptional customer service.

More than a job

Working at Gebr. Heinemann Retail Denmark is more than a job. It is an opportunity to become part of a global family of 6,000.

Gebr. Heinemann Retail Denmark seeks to create a sense of family spirit in the workplace – making employees feel secure and welcome. In 2017, we held the annual family day, bringing the families of our employees together and socializing during a variety of activities.

The great effort we put into making Gebr. Heinemann Retail Denmark a good place to work also comes to show in our culture survey conducted together with Intenz - a Nordic consultancy within organizational development. In our latest culture survey we scored 4.14 in "Performance" and 4.29 in "Importance" out of 5¹.

Even though we strive to make the best working conditions for our employees, we have an employee turnover of 32% - which we consider too high. Reducing the employee turnover ratio will continue to hold our focus in 2018 – together with building an embracing and exciting workplace.

Diversity and equal treatment

At Gebr. Heinemann Retail Denmark, we are strong supporters of equal treatment to all, and we have a non-discriminating equality policy with a focus on personal skills required for each job profile at all levels.

We have a very diverse team, including employees with many different backgrounds and nationalities. In order for us to meet our customer's needs, we have among others established a Chinese Culture team as a part of our sales team.

A diverse gender composition is very important to us, as it brings a better working environment more prone to innovation and growth.

We strive to ensure that women and men have equal opportunities within the company. Accordingly, in 2017 we have had an equal gender balance in our management team consisting of 2 women and 2 men.

Gebr. Heinemann Retail Denmark has no Board of Directors – and therefore no target for the underrepresented gender.

OUR EMPLOYEES

SUMMARY OF RESULTS 2017

Employee turnover	32%
Absence due to illness	5,62%
Loss Time Injury LTI	29 days
Employees completed 5 Star Host training program	219
Gender balance at management level: 2 women and 2 men	
Culture Survey 2016:	
Performance	4.14
Importance	4.29

"Being part of the global Talent Management program has been a huge personal development for me. It has given me self-confidence, Learned a lot of what it really means to present yourself in the right way and lead through others."

Christa Håkonsson, Shop Manager



¹ Survey done 2016 by Intenz

Our Customers and Products

Our customers are our most important stakeholders – which is also clearly portrayed in our company vision: *“We turn travelers into customers and customers into friends.”*

In order to make this happen, we at Gebr. Heinemann Retail Denmark prioritize the customer above all, seeking to ensure a high level of customer satisfaction. Putting the customer first, means creating an environment that is pleasant, calm and trustworthy whilst offering a product range that meet our customers' demands.

Customer in focus

In 2017, we have had focus on our employee's hosting capabilities as described in the section “Our Employees” – making our employees even more capable to deliver great customer service. The criteria for success is not only a sale, but that the traveler leaves satisfied – with all their needs fulfilled and return again as a customer.

Mystery Shoppers organized by Copenhagen Airports provide us with feedback on their shopping experience and thus customer service. In 2017, our Mystery Shopping Score in our main shop was 93%, which was 2% higher than in 2016. Our mystery shopping ranking was 43 of 135 in 2017 – less good than in 2016 where we were ranked 32. Ensuring a high level of customer satisfaction is of course an ongoing process – and the customer will continue to be the focus of our operations.

Dealing with boarding passes of hundreds of thousands of customers each year, means dealing with huge amounts of customer data. This poses a risk in terms of customer data privacy, which is something we at Gebr. Heinemann Retail Denmark take very seriously, and are following the terms of Privacy Regulations. In 2017 we have started

a more transparent access, so we will meet the demands for GDPR in 2018.

Responsible products and sales

Some of our customers are becoming increasingly conscious about the products we market at our stores. Especially we see an increasing demand for skin care products free of parabens as well as more eco-labeled, environmentally tested cosmetics. We also aim to have local brands and product in our shops.

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

At our stores, we market spirits and tobacco. We are committed to support a culture of responsible consumption of spirits and tobacco. We apply to the Code of Conduct for Duty-Free and Travel Retail Sales of Alcohol from ETRC - The European Travel Retail Confederation

OUR CUSTOMERS AND PRODUCTS

SUMMARY OF RESULTS 2017

Mystery Shopping score	93%
Mystery shopping ranking	43 of 135

“In 2017, I got the opportunity to develop my skills at Heinemann. I applied for a maternity leave position as a Shop coordinator on the sales floor and was lucky enough to get it. Since I was employed as Shop coordinator, I have learned more about the business operation, the work with the employees, and the work on the sales floor and the world class service we provide to our guests.”

Sarah Noor, Shop Coordinator



Environment and Climate

At Gebr. Heinemann Retail Denmark we seek to preserve the environment and climate and reduce our negative environmental impact. In that sense, we are continuously working to improve energy efficiency in our stores. Furthermore, we strive to reduce our amount of waste and increase recyclable share.

Energy efficiency

Copenhagen Airport collects data regarding energy consumption in the airport. Through collaboration with Copenhagen Airport we continuously monitor our energy consumption and in order to identify potential savings.

In the end of 2017, we began the rebuild of our Main shop, we changed more than two third of ceiling inbuilt shop light from "regular" dischargeable light to LED. The remaining third had been changed earlier.

Reduction is about 30% of power and doubled lifetime of LED.

Additional we implemented in all new fixtures LED shelf lights instead of the former fluorescent tubes. Each shelf level reduction from 18 Watt to 3-4 Watt (means more or less 5 times per axis).

Approximately 95% of our products are distributed from the Gebr. Heinemann Group distribution center in Hamburg. Our logistics is based on the just-in-time principle. The logistics are optimized with fewer deliveries – meaning more products are stacked. Gebr. Heinemann Group is responsible for transport from distribution center to our stores at Copenhagen Airport. Thus, transport is outside scope of this report.

Waste management

When selling large quantities of products, it is inevitable to produce a vast amount of waste. In a continuous dialog with

Copenhagen Airport, we seek to optimize our waste management by strategically placing waste stations around the airport, making waste separation much more effective.

We have monthly meetings with Copenhagen airport about waste sorting. In 2017 we have introduced a container for glass and electrical items in addition to the already existing containers for plastic, cardboard and household waste. We separate waste to enable a high level of waste recycling.

During our refurbishment we have had an agreement with Copenhagen Airport about containers for construction waste, so it was sorted correctly.

Likewise, in 2017 we had a meeting with Tårnby commune, where all our warehouse areas have been reviewed in relation to handling and sorting waste.

In our stores, we deliver approximately 2.850.000 plastic bags to our customers annually. In 2018, we will assess possibilities of reducing this amount.

ENVIRONMENT AND CLIMATE

SUMMARY OF RESULTS 2017

Water Consumption	2,661 m ³
Energy Consumption:	1,337,079 MWh

Our Social and Local Commitment

Social and local commitment is an important focus area for Gebr. Heinemann Retail Denmark. We recognize that we have an impact on the Danish society. We engage locally and we contribute to society in terms of job creation and tax payments.

In addition to our 390 employees in our stores at Copenhagen Airport we in 2017 offered 3 vulnerable young people a job opportunity. This initiative is a part of our collaboration with local authorities/job placements and the community center *Fisken*, which supports young people in vulnerable positions in order to ensure these people a good and healthy start into the job market.

Our Warehouse team contributed to the homeless people in Copenhagen by painting their shelter café. In December 30 volunteers Heinemann Retail staff served Christmas dinner for the users of the shelter café.

For many years we have had a collection box for Childrens' Cancer Foundation, in which we for 2017 collected DKK 85.907,00. In 2017 Gebr. Heinemann Retail also created collection box for the volunteer organization GirlTalk. GirlTalk is a nonprofit organization for girls between 12-24 years who needs someone to talk to, when everything seems difficult. For Girl Talk we collected DKK 50,000.

We contribute to the society, which we are a part of, and pay our taxes according to national legislation. To make sure that we pay our taxes according to national legislation, we have internal procedures in place.

Thank You for reading the CR report. We kindly emphasize the CR report only is representing the initiatives and thoughts of the Management Group of Gebr. Heinemann Retail Copenhagen, Denmark.

"Last summer all employees in the warehouse decided, that we would help to make a small effort for the users of the Men's Shelter house. We arranged with the daily Manager, that they needed a hand to shine up their café. So June 21st 2017 we went and worked with their volunteers to make their cafe a cozy area.

We were lucky to repeat the success at their annual Christmas lunch. However, with 30 volunteer colleagues from different areas.

It was a pleasure to greet a lot of the users of the place - and one thing we all thought, was that we are all so privileged that when the day is over, we all have our own safe home to come home to, while the shelter users continue their hard life on the street."

Michael Medina, Warehouse Assistant

