
Solstra Investments A/S
Lautrupsgade 7, 3. tv, DK-2100 Copenhagen Ø

Annual Report for 2017

CVR No 32 14 71 35

The Annual Report has
been presented and
adopted at the Annual
General Meeting of the
Company on 4 June 2018.

Mette Kapsch



pwc

Contents

	Page
Reports	
Management's Statement	3
Independent Auditor's Report	4
Company Information	7
Financial Highlights	8
Management's Review	9
Consolidated Financial Statements	
Income Statement 1 January – 31 December	11
Consolidated Statement of Comprehensive Income 1 January – 31 December	12
Balance Sheet 31 December – Assets	13
Balance Sheet 31 December – Liabilities and Equity	14
Statement of Changes in Equity	15
Cash Flow Statement	16
Notes to the Financial Statements	17
Parent Company Financial Statements	
Income Statement 1 January – 31 December	45
Balance Sheet 31 December – Assets	47
Balance Sheet 31 December – Liabilities and Equity	48
Statement of Changes in Equity	49
Notes to the Financial Statements	50

Management's Statement

The Board of Directors and Executive Board have today considered and adopted the Annual Report of Solstra Investments A/S for the financial year 1 January - 31 December 2017.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with additional Danish disclosure requirements. Management's Review is also prepared in accordance with Danish disclosures requirements

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 January - 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

We recommend that the Annual Report be adopted by the Annual Shareholders' Meeting.

Copenhagen, 4 June 2018

Executive Board



Johan Ewald Lorentzen

Board of Directors

Vincent Marie Georges Fernand Luc de Cannière
Chairman



Henrik Gram



Johan Ewald Lorentzen

Independent Auditor's Report

To the Shareholders of Solstra Investments A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of the Solstra Investments-Group for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been

prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group's and the Parent 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 Group or the Parent 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 these financial statements.

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

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 4 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Torben Jensen

State Authorised Public Accountant

mne18651



Claus Carlsson

State Authorised Public Accountant

mne29461

Company Information

The Company

Solstra Investments A/S
Lautrupsgade 7, 3. tv
DK-2100 Copenhagen Ø

CVR no: 32 14 71 35

Financial period: 1 January - 31 December

Financial year: 8th financial year

Municipality of reg. office: Copenhagen

Board of Directors

Vincent Marie Georges Fernand Luc de Cannière (Chairman)
Johan Ewald Lorentzen
Henrik Gram

Executive Board

Johan Ewald Lorentzen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of Solstra Holdings Cyprus Ltd. As a result of the legislation in Cyprus, the Consolidated Financial Statements are not published.

Financial Highlights

Group

	2017	2016	2015	2014	2013
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Revenue	1,638,855	1,156,373	916,946	669,237	660,081
Gross profit	102,862	187,092	133,693	71,050	105,077
Depreciation and amortisation	(70,807)	(77,683)	(71,761)	(50,682)	(40,782)
Profit before financial items	246,267	595,828	559,321	254,204	683,674
Financial income and expenses	(66,157)	(268,918)	(105,797)	(172,596)	(54,961)
Profit before tax	180,110	326,910	453,524	81,608	628,713
Net profit for the year	92,805	228,456	432,051	52,176	633,205
Balance sheet					
Balance sheet total	2,606,927	4,272,854	4,157,168	3,156,513	3,007,653
Equity	886,546	1,209,990	1,028,712	3,156,513	821,690
Production property	463,220	437,699	437,634	453,617	569,704
Hotel property	0	1,433,368	2,300,512	1,444,841	1,321,504
Investment property	1,172,144	1,166,765	903,669	888,515	769,866
Credit institution	846,738	2,144,297	2,141,671	1,394,514	1,402,690
Investment in PPE	(119,185)	(75,313)	(85,532)	(63,473)	(47,092)
Cash flows					
<i>Cash flows from:</i>					
Operating activities	(30,949)	(218,761)	(2,203)	68,231	150,833
Investing activities	1,594,856	990,074	(175,814)	(64,104)	93,673
Financing activities	(1,817,491)	(282,865)	92,458	5,695	(327,710)
Change in cash and cash equivalents	(253,584)	488,448	(62,062)	9,821	(83,204)
No of employees	753	696	653	462	510
Ratios					
Gross margin	6%	16%	15%	10%	16%
Profit margin	15%	52%	61%	36%	104%
Return on assets	7%	14%	15%	8%	25%
Solvency ratio	34%	28%	25%	25%	27%
Return on equity	11%	20%	47%	6%	93%

The financial ratios have been prepared in accordance with the latest "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's review

Main activity

Solstra Investment A/S is an investment company primarily focused on the property market, secondarily on the Scandinavian hotel and retail market.

Development in the year

At the end of the year, Solstra Investments Group's equity amounted to DKK 886,546k, (2016: DKK 1,209,990k) corresponding to a solvency ratio of 40% (2016: 28%), including non-controlling interests.

The Group had a profit in 2017 of DKK 92,805k (DKK 228,456k in 2016) which is not comparable to last year due to divestments and mixture of full year versus only part-year effects in other investments. The result is furthermore affected by the dividends received from the sale of the Bella SKY property. Management is very satisfied with the continued positive development, which is in line with expectations. In 2018, Management will continue to focus on the optimisation of the existing portfolio as well as on new investments.

In Management's opinion, the Group's capital resources and liquidity are satisfying.

Solstra Investments current portfolio consists of the BCHG Holding Group, which includes strong hospitality assets as the fully modern trade fair and convention centre Bella Center Copenhagen, Comwell Conference Center Copenhagen, Forum Copenhagen, the operation of the AC Hotel Bella Sky Copenhagen and the operation of the Marriott Hotel Copenhagen.

In 2017 BCHG Holding Group has generated a very satisfactory development on both top- and bottom line with a revenue of DKK 953,776k, a gross profit of DKK 119,304k and a net profit of DKK 119,674k. The positive development in gross profit is mainly due to a significant increase in the number of sold rooms and operational efficiency.

Furthermore, the portfolio includes Bellakvarter A/S, which has developed a masterplan for approximately 200.000 square meter land area on which approximately 300.000 square metres of new office buildings and private homes shall be constructed.

By the end of 2017 more than 160 families have moved to Bellakvarter and a further 60,000 square metres of residential buildings are in progress.

In total appr. 800 units have been constructed/are under construction at the end of 2017.

Moreover, the Group has activities within retail fashion wear in Denmark, production and sale of exclusive chocolate products and logistics properties.

Management is very satisfied with its investments, and continue to execute its development plans for the Group intending to realising significant growth rates in the years to come. To further support this development, the Group is looking for more relevant expansion and investment opportunities in the Nordic region.

Market risks

Management believes that the hotel and congress market will be stable in 2018 and is thus comfortable with the outlook on this part of the portfolio. The risk of non-leasing and vacancies on the remaining properties has not been covered. There are some factors which affect the risk of non-leasing and vacancies, including the location, condition and rent level of the property as well as the macroeconomic development of the geographical area in question. The Group is comfortable with the quality of the Group's properties, including their condition and unique location, and focuses on maximising rental income and reducing any involuntary vacancies. This is done in close cooperation with local estate agents and property managers.

Interest rate risks

The Group is exposed to the interest rate risk on the part of the Group's debts which is not hedged by financial instruments. In 2017, the Group's senior debt was mainly hedged in mortgage banks, and so it will be in 2018. In Management's opinion, this is the optimal structure at present.

Corporate social responsibility

The Group has not prepared policies for corporate social responsibility. However, the portfolio company BC Hospitality Group A/S (through the annual of accounts of BCHG Holding A/S) has published a larger CSR report on the business activities.

Diversity

The Group pursues a policy of providing equal opportunities for both genders at all levels in the Group.

When choosing between equally qualified candidates, the diversity among the employees will be taken into consideration, as it is the aim that both genders attain a representation at management levels of at least 25%.

Solstra Investments has defined a target that by 2020, at least one member of the Board of Directors or the management must belong to the under-represented gender. However, this target must not rank above the other competency requirements in the nomination of board candidates. The Board of Directors currently consists of three male members. However, several of the portfolio companies have female representation at both the Board of Director and the management level.

Subsequent events

The Group has not experienced any significant subsequent events after 31 December 2017, which have an impact on the consolidated financial statements.

Income Statement of 1 January – 31 December

Group	Note	2017	2016
		DKK '000	DKK '000
Revenue	3	1,638,855	1,156,373
Cost of goods sold		(775,982)	(331,395)
Other external costs		(399,995)	(325,321)
Staff expenses	4	<u>(360,016)</u>	<u>(312,565)</u>
Gross profit		102,862	187,092
Other operating income, net	5	214,212	486,419
Depreciation and amortisation	6	<u>(70,807)</u>	<u>(77,683)</u>
Profit before financial income and expenses		246,267	595,828
Financial income	7	1,267	5,158
Financial expenses	8	<u>(67,424)</u>	<u>(274,076)</u>
Profit before tax		180,110	326,910
Tax on profit for the year	9	<u>(87,305)</u>	<u>(98,454)</u>
Net profit for the year		<u>92,805</u>	<u>228,456</u>
Attributable to			
Shareholders in Solstra Investments A/S		71,746	213,747
Non-controlling interests		<u>21,059</u>	<u>14,709</u>
		<u>92,805</u>	<u>228,456</u>

Consolidated Statement of Comprehensive Income 1 January – 31 December

	2017 DKK '000	2016 DKK '000
Group		
Net profit for the year	92,805	228,456
<u>Items that will not be reclassified to profit or loss</u>		
Fair value adjustment of property	22,792	107,418
Tax of fair value adjustment	(5,014)	(23,632)
<u>Items that may be reclassified to profit or loss</u>		
Recycling of prior years' fair value adjustments on cash flow hedges	610	140,840
Tax of fair value adjustment	(134)	(25,021)
Other comprehensive income	18,254	199,605
Total comprehensive income for the year	111,059	428,061
 Profit is attributable to		
Shareholders in Solstra Investments A/S	86,696	381,278
Non-controlling interests	24,363	46,783
	111,059	428,061

Balance Sheet 31 December - Assets

Group	Note	<u>2017</u>		<u>2016</u>	
		DKK '000		DKK '000	
Assets					
Non-current assets					
Software	10	378		32	
Completed development projects	11	<u>236</u>		<u>530</u>	
Intangible assets		<u>614</u>		<u>562</u>	
Leasehold improvements	12	18,788		6,437	
Equipment	13	84,553		171,494	
Production properties	14	463,220		437,699	
Hotel properties	15	0		1,433,368	
Investment properties	16	<u>1,172,144</u>		<u>1,166,765</u>	
Tangible assets		<u>1,738,705</u>		<u>3,215,763</u>	
Deposits	17	<u>65,292</u>		<u>27,444</u>	
Financial assets		<u>65,292</u>		<u>27,444</u>	
Non-current assets		<u>1,804,611</u>		<u>3,243,769</u>	
Inventories	18	352,307		361,627	
Trade receivables	19	107,161		86,227	
Other receivables	20	46,885		31,836	
Derivative financial instruments	26	6,604		6,452	
Cash and cash equivalents	21	<u>289,359</u>		<u>542,943</u>	
Current assets		<u>802,316</u>		<u>1,029,085</u>	
Total assets		<u>2,606,927</u>		<u>4,272,854</u>	

Balance Sheet 31 December – Liabilities and Equity

Group	Note		
		2017 DKK '000	2016 DKK '000
Liabilities and equity			
Share capital		100,500	100,500
Retained earnings		786,046	1,109,490
Proposed dividend for the year		<u>0</u>	<u>0</u>
Equity		<u>886,546</u>	<u>1,209,990</u>
Non-controlling interests	22	170,863	246,432
Provision for deferred tax	23	260,902	236,355
Other provisions		14,165	695
Credit institutions	26	621,170	1,738,146
Deposits	24	<u>15,923</u>	<u>24,399</u>
Non-current liabilities		<u>912,160</u>	<u>1,999,595</u>
Credit institutions	26	225,568	406,151
Trade payables		129,940	133,434
Prepayments received from customers		92,411	57,387
Derivative financial instruments		0	0
Deposits	24	25,772	71,406
Work in progress	25	79,331	48,624
Company tax		861	0
Other payables		<u>83,475</u>	<u>99,834</u>
Current liabilities		<u>637,358</u>	<u>816,836</u>
Total liabilities and equity		<u>2,606,927</u>	<u>4,272,854</u>

Statement of Changes in Equity

Group

	Share Capital DKK '000	Other reserves DKK '000	Retained earnings DKK '000	Proposed dividend for the year DKK '000	Total equity DKK '000
At 1 January 2016	100,500	0	928,212	0	1,028,712
Interim dividend paid	0	0	(200,000)	0	(200,000)
Net profit for the year	0	0	213,747	0	213,747
Other comprehensive income for the year	0	0	167,531	0	167,531
At 31 December 2016	100,500	0	1,109,490	0	1,209,990
Transaction with minority interest	0	0	9,860	0	9,860
Interim dividend paid	0	0	(420,000)	0	(420,000)
Net profit for the year	0	0	71,746	0	71,746
Other comprehensive income for the year	0	0	14,950	0	14,950
At 31 December 2017	100,500	0	786,046	0	886,546

	2017 DKK '000	2016 DKK '000
Share capital at 1 January	100,500	100,500
Capital increase	0	0
Share capital at 31 December	100,500	100,500

The share capital consists of 100,500,002 shares of a nominal value of DKK 1. No shares carry any special rights.

	2017 DKK '000	2016 DKK '000
Number of shares at 1 January	100,500	100,500
Capital increase	0	0
Number of shares at 1 January	100,500	100,500

Cash Flow Statement 1 January – 31 December

Group	Note	2017	2016
		DKK '000	DKK '000
Profit before financial income and expenses		246,267	595,828
Adjustments for income statement items without cash effect	34	(129,934)	(427,985)
Change in working capital	35	<u>(72,723)</u>	<u>(46,347)</u>
Cash flow from operating activities before financial items		<u>43,610</u>	<u>121,496</u>
Financial income received		1,267	0
Financial expenses paid		<u>(67,424)</u>	<u>(346,570)</u>
Cash flow from operating activities before tax		<u>(22,547)</u>	<u>218,761</u>
Corporate tax paid		<u>(8,402)</u>	<u>(346,570)</u>
Cash flow from operating activities before tax		<u>(30,949)</u>	<u>218,761</u>
Purchase of intangible assets		(454)	(75,313)
Purchase of tangible assets		(114,057)	(25,341)
Sale of tangible assets		<u>1,709,367</u>	<u>1,097,041</u>
Cash flow from investing activities		<u>1,594,856</u>	<u>996,387</u>
Repayment of mortgage		(1,334,795)	(440,105)
Mortgage obtained		37,236	357,240
Capital contribution from non-controlling interest		21,544	
Dividend paid		<u>(541,476)</u>	<u>(200,000)</u>
Cash flow from financing activities		<u>(1,817,491)</u>	<u>(282,865)</u>
Change in cash and cash equivalents		(253,584)	488,448
Cash and cash equivalents at 1 January		<u>542,943</u>	<u>54,495</u>
Cash and cash equivalents at 31 December		<u>289,359</u>	<u>542,943</u>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		<u>289,359</u>	<u>542,943</u>
Cash and cash equivalents at 31 December		<u>289,359</u>	<u>542,943</u>

Notes to the Financial Statements

Group

Note 1	Accounting policies for the Financial Statements	18
Note 2	Significant accounting estimates and assessment	26
Note 3	Revenue	28
Note 4	Staff expenses	28
Note 5	Other operating income, net	28
Note 6	Depreciation and amortisation	28
Note 7	Financial income	28
Note 8	Financial expenses	29
Note 9	Tax on profit for the year	29
Note 10	Software	30
Note 11	Completed development projects	30
Note 12	Leasehold improvements	30
Note 13	Equipment	31
Note 14	Production properties	32
Note 15	Hotel properties	33
Note 16	Investment properties	33
Note 17	Deposits	34
Note 18	Inventories	35
Note 19	Trade receivables	35
Note 20	Other receivables	36
Note 21	Cash and cash equivalents	36
Note 22	Non-controlling interests	36
Note 23	Deferred tax	36
Note 24	Deposits	37
Note 25	Work in progress	37
Note 26	Financial obligations	37
Note 27	Fair value hierarchy	39
Note 28	Recognised fair value measurements	40
Note 29	Collateral	41
Note 30	Contingent liabilities and other financial obligations	41
Note 31	Financial risk	42
Note 32	Related party transactions	44
Note 33	Fees to statutory auditors	44
Note 34	Cash flow statement, adjustments for income statement items without cash effect	44
Note 35	Cash flow statement, change in working capital	45

Note 1 – Accounting policies for the Financial Statements

The Annual Report of Solstra Investments A/S Group for 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and additional Danish requirements applying to presentation of Annual Reports of large enterprises of reporting class C, of the Danish Executive Order on Adoption of IFRSs issued pursuant to the Danish Financial Statements Act.

The accounting policies applied remain unchanged from last year.

Solstra Investments A/S is a public limited company and its registered office is in Copenhagen, Denmark.

Implementation of new standards, amendments and interpretations

The Company has implemented the following amendments or new standards (IFRS) for the financial year 2017:

- Annual improvements (2014-2016). The annual improvements imply a number of minor amendments to IFRS:
 - IFRS 12: A few disclosure requirements under IFRS 12 also applicable to interests classified as held for sale, held for distribution or as discontinued operations under IFRS 5.
- IAS 12: The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- IAS 7: The amendments clarify that following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Solstra Investment A/S has assessed the effect of the new standards, amendments and interpretations, and concluded that all standards, amendments and interpretations effective for financial years beginning on or after 1 January 2017 are either not relevant to the Solstra Investment Group or have no significant effect on the Financial Statements of Solstra Investment Group.

New standards, amendments and interpretations adopted but not yet effective

The following new standards, amendments and interpretations of relevance to the Solstra Investment Group have been adopted by the IASB and adopted by the EU. The standards are not yet effective and will therefore not be implemented in the Annual Reports until they take effect.

- IFRS 15 "Revenue from Contracts with Customers" new standard on revenue recognition. The standard may potentially affect revenue recognition in a number of areas depending on the industry in which the entity operates, including:
 - The timing of revenue recognition
 - Recognition of variable consideration
 - Allocation of revenue from multi-element arrangements
 - Recognition of revenue from licence rights

- Up-front fees
- Additional disclosure requirements

The standard will be effective for financial years beginning on or after 1 January 2018.

- IFRS 9: "Financial Instruments" - on the measurement and classification of financial assets and liabilities. The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Entities taking the fair value option are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. The standard will be effective for financial years beginning on or after 1 January 2018.

Solstra Investment Group is currently assessing the effect of the new standards.

The IASB has issued the following new standards, amendments and new interpretations which could be relevant to Solstra Investment Group, but which have not yet been adopted by the EU:

- IFRS 16: "Leases". New standard on the accounting treatment of leases. Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset on the balance sheet. The standard will be effective for financial years beginning on or after 1 January 2019.
- IFRS 15: Clarifications concerning the identification of performance obligations, principal versus agent considerations and licence considerations. The amendment will be effective for financial years beginning on or after 1 January 2018.
- IAS 40: The amendments clarify the use of the provisions of IAS 40, Investment Property, on transfers to and from investment property. The amendments will be effective for financial years beginning on or after 1 January 2018.
- Annual improvements (2014-2016). The annual improvements imply a number of minor amendments to IFRS:
 - IAS 28: The option to measure at fair value through profit or loss an investment in an associate or a joint venture held by an entity that is a venture capital organisation is available for each investment in an associate or joint venture on an investment-by-investment basis. The amendments will be effective for financial years beginning on or after 1 January 2018.

Solstra Investment Group expects to implement these new standards, amendments and interpretations when they take effect. Solstra Investment Group is currently assessing the effect of the new standards.

Presentation currency and functional currency

The Annual Report is presented in Danish kroner. The functional currency is Danish kroner.

Translation policies

A functional currency is determined for the enterprise. The functional currency is the currency used in the primary economic environment in which the enterprise operates. Transactions in other currencies than the functional currency are on initial recognition translated to the functional currency at the exchange rates prevailing at the date of the transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Consolidation policies

The Consolidated Financial Statements comprise the Parent Company Solstra Investments A/S and the underlying subsidiaries Copenhagen Chocolate Factory ApS, CCF Properties ApS, Magillum Investments ApS, Magillum Avedøre A/S, Scandinavian Design & Retail A/S, Investeringselskabet BTPL ApS, Bella Solstra Holding A/S, Bella Solstra A/S, ATPPD Kalvebod A/S, Bellakvarter A/S, Bellakvarter Projektselskab A/S, BCHG Holding A/S, BC Hospitality Group A/S and BCHG Properties A/S.

The subsidiaries' financial statements have been prepared in accordance with the same accounting policies as applied by the Parent Company. Where differences between the accounting policy in the subsidiary and the Parent Company have occurred, on top postings have been made to eliminate these differences.

The Consolidated Financial Statements have been prepared based on the financial statements of the individual enterprises by combining items of a uniform nature and subsequently eliminating intercompany income and expenses, shareholdings, dividends as well as realised and unrealised profits and losses on transactions between the consolidated enterprises. Unrealised losses are eliminated in the same way as unrealised profits to the extent that no impairment takes place.

The Parent Company's investments in subsidiaries are set off against the proportionate share of the subsidiary's fair value of identifiable net assets and recognised contingent liabilities at the time of acquisition.

Income statement

Revenue

Revenue primarily consists of income from hotel rooms; conferences; rental income from booths; other rental income; income from setting up and arranging booths and meeting facilities; electricity, IT, tele and AV deliveries; services (parking, security, inspection of tickets etc.), as well as restaurant and catering services. For 2017 income also include the sale of constructed properties in the Bellakvarter Area as well as work in progress concerning construction contracts for third parties.

Revenue from the sale of goods is recognised at the time of holding the event or meeting. Revenue from delivery of services is recognised at the rate of delivering the service. Revenue from the sale of properties is recognised when delivery has taken place. Work in progress is recognised based on percentage of completion method. Revenue is determined less VAT, charges, payments to co-suppliers and discounts.

Cost of goods sold

Cost of goods sold comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance etc. as well as operation, administration and management of factories.

Value adjustment of investment property

The Group's investment property is measured at fair value and the value adjustments are recognised in the income statement.

Depreciation and impairment losses

Depreciation of property, plant and equipment is calculated on a straight-line basis based on cost and below assessment of the expected useful lives of the assets:

	<u>Useful life (years)</u>
Production buildings (incl. hotel property)	100
Exhibition and convention centres, auditoriums etc.	10-50
Other fixtures and operating equipment	1-15

Leasehold improvements are depreciated over the remaining lease term. Land and investment property are not depreciated.

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Depreciation is determined in consideration of the asset's residual value and reduced by any impairment losses. The residual value is determined at the date of acquisition and is assessed annually. If the residual value exceeds the carrying amount of the asset, depreciation ceases. Property, plant and equipment are derecognised on disposal or when no economic benefits are expected to flow to the Group in connection with use or disposal of the asset. Any gains or losses arising on derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the income statement on derecognition of the asset.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts relating to the financial year. Financial income and expenses comprise interest, dividends, realised exchange adjustments, amortisation of mortgage loans as well as repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year less the portion of tax related to changes in equity. Current and deferred tax attributable to changes in equity is recognised directly in equity. The Group is jointly taxed with group enterprises. The tax effect of the joint taxation

is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation).

Jointly taxed companies which have paid too much tax are compensated as a minimum according to applicable rates for interest reimbursement by the administration company, just as jointly taxed companies with outstanding tax as a maximum pay a charge in accordance with applicable rates for interest charges to the administration company.

Balance sheet

Property and equipment

Property, plant and equipment comprise leasehold improvements, fixtures and operating equipment, property as well as assets in the course of construction.

Leasehold improvements

Leasehold improvements as well as fixtures and operating equipment are measured at original acquisition cost plus subsequent additions less accumulated depreciation and impairment losses. The acquisition cost of combined assets is divided into separate components that are depreciated individually if the useful life of each component varies. Subsequent expenses, e.g. from replacing components in an asset, are recognised in the carrying amount of the asset in question when it is probable that the occurrence of costs will result in future economic benefits for the Group. The replaced components are derecognised in the balance sheet and the carrying amount is transferred to the income statement. All other expenses for ordinary repairs and maintenance are recognised in the income statement as incurred.

An impairment test is carried out regarding leasehold improvements, fixtures and operating equipment if there are indications of impairment. The impairment test is performed for each asset and group of assets, respectively. The assets are written down to the higher of the asset's or group of assets' value in use and net selling price (recoverable amount) if this is lower than the carrying amount.

Properties and equipment

Properties are on the balance sheet divided into investment properties, production properties and hotel properties. Investment properties comprise show rooms, office leases and undeveloped and logistic buildings. Production properties comprise auditoriums, meeting facilities, halls and production/logistic facilities. The balance sheet value of properties comprises buildings and related site.

Investment property and production property are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. After initial recognition, properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Other equipment is measured at purchase cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Revaluations or reversals of revaluations less deferred tax concerning production and hotel properties are recognised in other comprehensive income under revaluation reserves. To the extent that an impairment loss on the same revalued asset was previously recognised in profit and loss, a reversal of that impairment loss is also recognised in the profit and

loss. Impairment losses at a value below cost are recognised in the income statement. Value adjustment of investment property is recognised as a separate item in the income statement.

Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The cost of goods for resale, raw materials and consumables equals landed cost. The net realisable value of inventories is calculated as the amount expected to be generated by sale in the process of normal operations with a deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum. Building plots have been transferred to the fair value at year end.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions are determined on the basis of an individual assessment of the receivables that are estimated to be risky.

Equity

Distributable reserves are transferred to retained earnings as they are considered free reserves. Included in Other reserves/retained earnings is the hedging reserve that includes changes in the fair value of derivatives classified and qualifying as cash flow hedges. This practice was applicable until 31 December 2012. Proposed dividend is presented as a separate item under equity. Dividend is recognised as a liability at the time of declaration. Purchase and sale of own shares are recognised directly in equity under distributable reserves.

Dividend

Dividend distribution for the year proposed by Management is disclosed as a separate equity item.

Provisions

Provisions are recognised when – in consequence of an event occurred before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Taxes payable and deferred tax

Current tax liabilities are recognised on the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Deferred tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, except for temporary differences arising on the date of acquisition of assets and liabilities and which neither affect profit/loss nor the taxable income.

In cases where the determination of the tax base may be performed based on different taxation rules, deferred tax is measured based on Management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under long-term assets at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Adjustment is made of deferred tax concerning the elimination of unrealised intercompany profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Financial debts

Financial debts are recognised initially as the proceeds received net of transaction expenses occurred. Subsequently, interest-bearing debt is measured at amortised cost determined based on the effective interest rate at the time of borrowing. The remaining debt is measured at amortised cost, corresponding to nominal debt outstanding.

The amortisations from the original loans have been transferred to the new loans together with the new amortised costs, and will be amortised over the term of the new loans.

Derivative financial instruments

Derivative financial instruments, including cash flow hedges through interest rate swaps after tax, are recognised at fair value. Amortisation and changes in the fair values of derivative financial instruments are recognised in the income statement until the hedged transaction expires. If the hedged transaction results in an asset or a liability, the accumulated market value adjustment is recognised in the cost of the asset or liability, and if the transaction results in an income or a cost, the accumulated market value adjustment is recognised under financial items in the income statement together with the hedged item. Accumulated value adjustments of hedging instruments (interest rate swap) recognised in accordance with the hedging provisions in special reserve under equity and carried via the statement of comprehensive income are amortised as the interest rate swap is settled.

Cash flow statement

The cash flow statement shows the cash flows for the year, changes for the year in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented indirectly and are calculated as the net profit/loss for the year adjusted for changes in non-cash operating items, changes in working capital, paid financial items and paid corporation tax.

Cash flows from investing activities comprise payments in connection with purchase and sale of property, plant and equipment as well as securities attributable to investing activities.

Cash flows from financing activities comprise dividend distribution to shareholders, capital increases and reductions as well as raising of loans and repayment of interest-bearing debt.

Cash and cash equivalents comprise "Cash at bank and in hand" and short-term securities with an insignificant risk of value changes that can readily be turned into cash.

Financial ratios

The financial ratios have been prepared in accordance with the latest "Recommendations & Financial Ratios 2017" issued by the Danish Society of Financial Analysts.

Gross margin:

Gross profit (contribution margin) / Revenue * 100

Profit margin:

Net profit before financial income and expenses / Revenue * 100

Return on assets:

Net profit before financial income and expenses / Average assets * 100

Solvency ratio:

Equity/Assets * 100

Return on equity:

Net profit for the year/Average equity * 100

Note 2 – Significant accounting estimates and assessments

On application of the Group's accounting policies as described in note 1, Management is required to perform assessments and use estimates as well as prepare assumptions for the carrying amount of assets and liabilities, which cannot be directly derived from other sources. These estimates and assumptions are based on historical experience and other relevant factors. The actual outcome may differ from these estimates.

The performed estimates and underlying assumptions are reassessed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the change takes place and in future accounting periods if the change effects on both current and subsequent accounting periods.

In connection with the practical application of the described accounting policies, Management has performed the following significant accounting assessments which have affected the financial statements.

Fair value adjustment of properties

Investment, production and hotel properties are measured at fair value. Value adjustment of investment properties are charged to the income statement and value adjustment of production properties are charged to other comprehensive income.

To provide an indication of the reliability of the input used in determining fair value, the Group has classified its financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 27 – Fair value hierarchy

At the end of each reporting period, Management updates their assessment of the fair value of each property, taking into account the most recent market conditions and independent valuation reports. Management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, Management considers information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income and a capitalisation rate derived from an analysis of market evidence.

The measurements contain several elements based on Management's estimate of current market conditions, including discount rate, capital structure and growth rate. For a detailed description of estimated assumptions and sensitivity analysis, please refer to current asset notes.

Fair value measurements are performed unchanged based on the capitalised value of Management's statement of expected annual cash generated from operations in a going concern context based on the required market rate of return.

All resulting fair value estimates for properties are included in level 3 the Fair value hierarchy in Note 27 – Fair value hierarchy.

Capital structure

Management anticipates to have sufficient liquidity at its disposal to support the Group's ordinary activities, payment of the Group's financial commitments and ordinary investments and consequently, the financial statements are presented under the going concern assumption. The cash resources have been determined by available operating and cash budgets for the Group approved by the Board of Directors.

	2017 DKK '000	2016 DKK '000
Note 3 – Revenue		
Sale of services	742,237	863,943
Sale of goods	706,545	233,959
Work in progress	<u>190,072</u>	<u>58,472</u>
	<u>1,638,855</u>	<u>1,156,373</u>

Note 4 – Staff expenses

Wages and salaries	309,467	283,216
Pensions, defined contribution plans	22,555	20,599
Social security costs	5,900	6,818
Other staff related costs	<u>22,093</u>	<u>1,932</u>
	<u>360,016</u>	<u>312,565</u>

Average number of employees	<u>753</u>	<u>696</u>
------------------------------------	-------------------	-------------------

The Board of Directors and Executive Board do not receive remuneration.

Note 5 – Other operating income, net

Reversal of previous years impairment	0	2,900
Fair value adjustment on investment properties	36,681	406,601
Other	<u>177,531</u>	<u>76,918</u>
	<u>214,212</u>	<u>486,419</u>

Note 6 – Depreciation and amortisation

Software	108	54
Completed development projects	294	379
Leasehold improvements	3,146	3,212
Equipment	36,422	40,080
Production properties	24,012	16,127
Hotel properties	<u>6,825</u>	<u>17,831</u>
	<u>70,807</u>	<u>77,683</u>

Note 7 – Financial income

Fair value adjustment of interest rate swap	503	5,158
Other financial income	<u>764</u>	<u>0</u>
	<u>1,267</u>	<u>5,158</u>

	2017	2016
	DKK '000	DKK '000
Note 8 – Financial expenses		
Interest to group enterprises	0	0
Fair value adjustment of interest rate swap	0	76,487
Reclassification of previous fair value adjustments on the interest swap	0	140,840
Other financial expenses	<u>75,182</u>	<u>64,744</u>
Less: Finance costs capitalised within investment property (Note 16)	<u>(7,940)</u>	<u>(7,995)</u>
	<u>67,424</u>	<u>274,076</u>

The capitalised borrowing compromise finance costs relates to the development of Bellakvarter and are estimated at the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 3.45%.

Note 9 – Tax on profit for the year

Current corporate tax	11,197	0
Adjustment of previous years taxes	0	1,410
Change in deferred tax	<u>81,256</u>	<u>146,085</u>
	<u>92,453</u>	<u>147,495</u>
Distributed as follows:		
Income tax expense	87,305	98,454
Tax on other comprehensive income	<u>5,148</u>	<u>48,653</u>
	<u>92,453</u>	<u>(147,107)</u>

The effective tax rate is computed as followed, in %

Danish tax rate	22	22
Non-taxable income/expenses	1	0
Effect of write down tax assets	10	0
Effect of non-capitalised deferred tax	<u>15</u>	<u>8</u>
Effective tax rate	<u>48</u>	<u>30</u>

	<u>2017</u> DKK '000	<u>2016</u> DKK '000
Note 10 – Software		
At 1 January	995	995
Additions	454	0
Disposals	<u>(484)</u>	<u>0</u>
At 31 December	<u>965</u>	<u>995</u>
Accumulated depreciation		
At 1 January	963	909
Depreciation for the year	108	54
Disposals	<u>(484)</u>	<u>54</u>
At 31 December	<u>587</u>	<u>963</u>
Carrying amount at 31 December 2017	<u>378</u>	<u>32</u>

Note 11 – Completed development projects

At 1 January	1,929	1,929
Additions	<u>0</u>	<u>0</u>
At 31 December	<u>1,929</u>	<u>1,929</u>
Accumulated depreciation		
At 1 January	1,399	1,020
Depreciation for the year	<u>294</u>	<u>379</u>
At 31 December	<u>1,693</u>	<u>1,399</u>
Carrying amount at 31 December 2017	<u>236</u>	<u>530</u>

Note 12 – Leasehold improvements

At 1 January	49,196	48,521
Additions	16,259	1,306
Disposals	<u>(1,626)</u>	<u>(631)</u>
At 31 December	<u>63,829</u>	<u>49,196</u>
Accumulated depreciation		
At 1 January	42,759	40,105
Depreciation for the year	3,146	3,212
Reversal of depreciation of divested assets	<u>(864)</u>	<u>(558)</u>
At 31 December	<u>45,041</u>	<u>42,759</u>
Carrying amount at 31 December 2016	<u>18,788</u>	<u>6,437</u>

	<u>2017</u> DKK '000	<u>2016</u> DKK '000
Note 13 – Equipment		
At 1 January	331,576	306,354
Additions from acquisitions	0	0
Additions	17,692	48,787
Disposals	<u>(144,118)</u>	<u>(23,565)</u>
At 31 December	<u>205,150</u>	<u>331,576</u>
Depreciation		
At 1 January	160,082	142,895
Depreciation	36,422	40,080
Reversal of depreciation of divested assets	<u>(75,907)</u>	<u>(22,893)</u>
Depreciation at 31 December	<u>120,597</u>	<u>160,082</u>
Carrying amount at 31 December 2016	<u>84,553</u>	<u>171,494</u>
<i>Finance lease assets</i>	<u>6,826</u>	<u>8,631</u>

Of the finance lease assets the short term assets amount to DKK 2,587k.

	2017 DKK '000	2016 DKK '000
Note 14 – Production properties		
Halls/Auditoriums/Meeting facilities		
Costs		
At 1 January	594,122	608,930
Additions	26,738	1,842
Transferred to undeveloped land	(0)	(16,650)
Disposals	<u>0</u>	<u>0</u>
At 31 December	<u>620,860</u>	<u>594,122</u>
Revaluation		
At 1 January	56,167	25,166
Transferred to undeveloped land	(0)	(47,694)
Revaluation	22,795	78,695
Reversal of previous revaluation	<u>0</u>	<u>0</u>
At 31 December	<u>78,962</u>	<u>56,167</u>
Depreciation		
At 1 January	212,590	196,463
Depreciation	24,012	16,127
Reversal of depreciation of divested assets	<u>0</u>	<u>0</u>
Depreciation at 31 December	<u>236,602</u>	<u>212,590</u>
Carrying amount at 31 December 2016	<u>463,220</u>	<u>437,699</u>
Difference between carrying amount at 31 December and carrying amount if the revaluation was not entered	<u>78,962</u>	<u>56,167</u>

Production property

The fair value of production property as of 31 December is determined by discounting expected cash flows by a discount rate of 7.4% (2016: 7,4%). Income from production comprises income from events, including a specific projection of rent, additional sales as well as catering split up into fairs, meetings, conferences, conventions, concerts, company events etc.

Sensitivity – value adjustment of production property

Value adjustment of property depends on the development in the discount rate, expected cash flow and expected growth rate.

In the case of production activity, a change in the discount rate of +/- 0.25 percentage point, or a permanent change in results before tax of +/- DKK 2.5 million will affect the assessment value by +/- DKK 25-30 million and +/- DKK 60 million, respectively. The sensitivity related to fluctuations in the growth rate of +/- 0.25 percentage point affects the assessment value by +/- DKK 10-15 million.

	2017 DKK '000	2016 DKK '000
Note 15 – Hotel properties (Production property)		
Cost		
At 1 January	1,599,394	2,195,149
Additions from acquisitions	0	0
Additions	0	6,728
Disposals	<u>(1,599,394)</u>	<u>(602,483)</u>
At 31 December	<u>0</u>	<u>1,599,394</u>
Value adjustments		
At 1 January	0	264,967
Revaluation	0	238,100
Disposals	<u>(0)</u>	<u>(503,067)</u>
At 31 December	<u>0</u>	<u>0</u>
Depreciation		
Impairment losses and depreciation at 1 January	166,026	159,604
Depreciation for the year	6,825	17,831
Reversal of previous years impairment	(172,845)	(2,900)
Disposals	<u>(0)</u>	<u>(8,509)</u>
Depreciation at 31 December	<u>0</u>	<u>166,026</u>
Carrying amount at 31 December 2017	<u>0</u>	<u>1,433,368</u>

The Bella Sky Hotel property was sold 30 June 2017.

**Note 16 – Investment properties
Undeveloped land area and Rental**

Costs		
At 1 January	574,418	508,303
Additions	58,496	16,650
Transferred from production properties	(3,648)	49,465
Disposals	<u>(114,967)</u>	<u>49,465</u>
At 31 December	<u>514,299</u>	<u>574,418</u>
Value adjustments		
At 1 January	592,347	395,366
Transferred from production properties	0	47,694
Revaluation	51,148	196,433
Disposals	12,000	0
Transferred to Inventories, Property held for sale	<u>2,350</u>	<u>(47,146)</u>
At 31 December	<u>657,845</u>	<u>592,347</u>
Carrying amount at 31 December 2017	<u>1,172,144</u>	<u>1,166,765</u>

Undeveloped land area (m²)

241k

252k

Land development costs related to building rights: DKK 15,979k

Transferred back from inventory: DKK 1,298k (ref note 18)

Undeveloped land area

The fair value of 241k square metres amounting to DKK 385 million at 31 December 2017 (2016: DKK 327 million) is determined by an estimated m² price multiplied by the actual m² from the approved masterplan less a deduction of the profit margin or supplementary purchase price on undeveloped land as stated in the conveyance deed.

Rental property

The fair value of investment properties at 31 December is determined by discounting expected cash flows by a discount rate of 4.4% (2016: 4.4%) as well as an assumption of return for the investment property which is 8.5%. Income from lease activities comprises income from long-term office leases and show rooms, including a specific projection of expected rent per lease as well as the divestment value of undeveloped sites.

Sensitivity – value adjustment of investment property

Value adjustment of property depends on the development in the discount rate, expected cash flow and expected growth rate.

In case of renting activity, a change in the discount rate of a +/- 0.25 percentage point or a permanent change in results before tax of +/- DKK 2.5 million. The sensitivity related to fluctuations in the growth rate of +/- 0.25 percentage point will affect the land assessment value by +/- DKK 10 million.

The estimated m² fair value is set in cooperation with external real estate appraiser. At start up of building plots, the related fair value are transferred to inventory, property held for sale and under development.

Note 17 – Deposits

	<u>2017</u> DKK '000	<u>2016</u> DKK '000
Cost at 1 January	27,444	2,103
Additions	37,848	25,341
Disposals	<u>0</u>	<u>0</u>
Cost at 31 December	<u>65,292</u>	<u>27,444</u>

Note 18 – Inventories

	2017 DKK '000	2016 DKK '000
Property held for sale and under development		
At 1 January	347,617	152,958
Additions, transfer from investment property	1,298	47,146
Additions, properties under construction	548,178	180,128
Disposals	<u>(557,908)</u>	<u>(32,615)</u>
At 31 December	<u>339,185</u>	<u>347,617</u>
<i>Developed land area in progress (square metres)</i>	48,737	50,914
Inventories		
Raw materials and consumables	759	729
Work in progress	467	868
Finished goods	<u>11,896</u>	<u>12,413</u>
At 31 December	<u>13,122</u>	<u>14,010</u>
<i>Cost of sales (from finished goods)</i>	653,523	418,175
Carrying amount at 31 December 2016	<u>352,307</u>	<u>361,627</u>

Note 19 – Trade receivables

Trade receivables	110,045	89,378
Provision for doubtful receivables	<u>(2,884)</u>	<u>(3,151)</u>
	<u>107,161</u>	<u>86,227</u>
Trade receivables from related companies	<u>0</u>	<u>0</u>
	<u>107,161</u>	<u>86,227</u>

Write downs which included the above receivables have developed as follows:

At 1 January	3,151	2,565
Change in provision	<u>(267)</u>	<u>586</u>
At 31 December	<u>2,884</u>	<u>3,151</u>

In addition receivables at 31/12 were overdue, but not impaired as follows:

Up to 30 days	35,079	17,316
Between 30 days and 90 days	32,513	9,728
Over 90 days	<u>6,450</u>	<u>5,256</u>
Overdue net receivables at 31 December	<u>74,042</u>	<u>32,300</u>

	2017 DKK '000	2016 DKK '000
Note 20 – Other receivables		
Prepaid expenses	16,513	7,703
Other receivables	<u>32,329</u>	<u>24,133</u>
Other receivables at 31 December	<u>48,842</u>	<u>31,836</u>

Note 21 – Cash and cash equivalents

Restricted cash at bank amounting to DKK 22 million per 31 December 2017.

Note 22 – Non-controlling interests

1 January	246,432	199,649
Additions/disposals for the year	21,544	0
Paid dividend	(121,476)	0
Net profit for the year	21,059	14,709
Other comprehensive income for the year	<u>3,304</u>	<u>32,074</u>
Non-controlling interests at 31 December	<u>170,863</u>	<u>246,432</u>

	2017 DKK '000	2016 DKK '000
Note 23 – Deferred tax		
Deferred tax at 1 January	236,355	250,732
Tax from sold property	(56,709)	(160,462)
Adjustments in deferred tax	76,241	194,738
Adjustments in deferred tax of other comprehensive income	<u>5,015</u>	<u>(48,653)</u>
Deferred tax at 31 December	<u>260,902</u>	<u>236,355</u>

	Deferred tax asset 2017 DKK '000	Deferred tax liability 2017 DKK '000	Deferred tax asset 2016 DKK '000	Deferred tax liability 2016 DKK '000
Tangible assets	0	259,768	0	294,647
Receivables	572		211	0
Long-term debt	992		259	0
Other payables	0	2,698	549	0
Tax loss	0		<u>57,272</u>	0
Total deferred tax	<u>1,564</u>	<u>262,466</u>	<u>58,291</u>	<u>294,647</u>

Tax losses are recognised in deferred tax assets to the extent that the losses are expected to be utilised in future taxable profits.

	2017 DKK '000	2016 DKK '000
Note 24 – Deposits		
Cost at 1 January	95,805	17,845
Additions	0	77,960
Disposals	<u>(54,110)</u>	<u>0</u>
Cost at 31 December	<u>41,695</u>	<u>95,805</u>
Non-current 31 December	15,923	24,399
Current 31 December	<u>25,772</u>	<u>71,406</u>
	<u>41,695</u>	<u>95,805</u>

Note 25 – Work in progress

Selling price of work in progress	248,544	58,472
Payments received on account	<u>(327,875)</u>	<u>(107,096)</u>
	(79,331)	(48,624)

Recognised in the balance sheet as follows:

Prepayments received recognised in debt	<u>(79,331)</u>	<u>(48,624)</u>
	<u>(79,331)</u>	<u>(48,624)</u>

Note 26 – Financial obligations

Receivables and cash at amortised cost

Deposits	65,292	33,757
Trade receivables	107,161	86,227
Other receivables	53,289	31,836
Cash	<u>289,359</u>	<u>542,943</u>
Receivables and cash, total	<u>515,101</u>	<u>694,763</u>

The carrying amount of financial assets is a good approximation for the fair value.

Financial obligations at amortised cost

Credit institutions	846,738	2,144,296
Deposits	41,695	95,805
Trade payables	129,803	133,434
Other payables	<u>83,475</u>	<u>99,834</u>
Loans and receivables, total	<u>1,101,711</u>	<u>2,473,368</u>

Financial obligations at fair value through other comprehensive income

Interest rate swap	<u>6,604</u>	<u>6,452</u>
--------------------	--------------	--------------

The fair value of the interest rate swaps is recognised according to the accounting principles of investment activities. In 2017 DKK 610k net was recognised as financial income (2016: DKK 140,840k). The interest rate swaps expires in 2030.

Financial obligations, total	<u><u>1,101,711</u></u>	<u><u>2,473,368</u></u>
-------------------------------------	-------------------------	-------------------------

Financial obligations at amortized cost

Within 1 year	464,303	742,066
Between 1 and 5 years	180,584	868,694
Between 5 and 10 year	181,931	531,186
Between 10 and 15 years	138,244	329,158
More than 15 years	<u>143,821</u>	<u>136,648</u>
Gross value at 31 December	1,108,885	2,607,751
Of this amortisation and interest	(7,174)	(134,383)
Financial obligations at amortised cost at 31 December	<u><u>1,101,711</u></u>	<u><u>2,473,368</u></u>

Financial obligations constitute a gross value which is determined as the sum of interest and repayment of payables as regards loan creditors, trade creditors and other payment obligations due in the intervals indicated. Liabilities with no fixed maturity, including overdraft facilities, deposits etc. are recognised as due within 1 year.

	<u>2017</u>	<u>2016</u>
	DKK '000	DKK '000
Financial obligations at fair value		
Within 1 year	484,025	724,842
Between 1 and 5 years	176,961	803,826
Between 5 and 10 year	180,268	499,993
Between 10 and 15 years	137,534	315,015
More than 15 years	<u>122,921</u>	<u>129,693</u>
Fair value at 31 December	<u><u>1,101,711</u></u>	<u><u>2,473,368</u></u>

Financial obligations also constitute a gross value which is determined exclusive of interest and inclusive of exchange losses etc. when early repaid.

To eliminate the risk of fluctuations in interest payments, interest rate swap agreements have been entered into as regards the Group's long-term mortgage loans. The Group has entered into the following swap contracts:

- Nordea - DKK 483 million CIBOR6 interest rate at a fixed interest rate of 0.809%, which expires on 30 December 2030.
- Nordea - DKK 107 million CIBOR6 interest rate at a fixed interest rate of 1.090%, which expires on 30 December 2030.
- Nordea - DKK 59 million CIBOR3 interest rate at a fixed interest rate of 0.293%, which expires on 30 September 2026.

In case of early repayment of the Group's floating-rate mortgage loans hedged by fixed-rate interest rate swaps, the cost payable on redemption will be subject to supplementary payment of the discounted present value of interest rate differences between the borrowing rate and the swap interest

rate until maturity of the interest rate swap. Consequently, the positive fair value of interest rate swaps at 31 December 2017 is included in the balance sheet under short-term receivables. The calculated present value based on expected interest rate differences is determined by the provider of the interest rate swaps.

In 2017, a positive DKK 6,604k and an expense of DKK 610k (2016: Expense DKK 140,840) were recognised under financial items in the income statement because of the swap contracts entered into. Fair value adjustments are recognised under financial items in the income statement and in other comprehensive income:

	2017			2016		
	Adjusted through profit and loss DKK '000	Adjusted through other comprehensive income DKK '000	Fair value DKK '000	Adjusted through profit and loss DKK '000	Adjusted through other comprehensive income DKK '000	Fair value DKK '000
Interest rate swap, gross	5,652	0	5,652	(460)	0	(460)
Interest rate swap, gross	280	503	280	(5,992)	140,840	(5,992)
Interest rate swap, gross	672	0	672	1,294	0	0
	6,604	503	6,604	(5,158)	140,840	(6,452)

	2017		
	Level 1 DKK '000	Level 2 DKK '000	Level 3 DKK '000

Note 27 – Fair value hierarchy

Disclosures about assets and liabilities determined at fair value

Financial assets, market value of interest rate swap 6,604¹⁾

Assets measured at fair value

Investment property	1,172,144
Production property	463,220
Hotel property	0

Liabilities measured at fair value

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

	2016		
	Level 1	Level 2	Level 3
	DKK '000	DKK '000	DKK '000
Disclosures about assets and liabilities determined at fair value			
<i>Liabilities measured at fair value</i>			
Financial liabilities, negative market value of interest rate swap		6,452 ¹⁾	
<i>Assets measured at fair value</i>			
Investment property			1,166,765
Production property			437,699
Hotel property			1,433,368

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Investment property comprises showrooms, office leases, storage building and undeveloped sites. Production property comprises auditoriums, conference facilities and halls. The fair value of property comprises properties including land. Properties are measured at fair value without the assistance of an external real estate appraiser. The capitalised value (NPV) is allocated on negotiable assets, primarily property. Cash flows are determined according to the DCF model (Discounted Cash Flow).

Cash flows are based on an operating forecast prepared by the Group's Management. Following a five-year forecast period, a 'terminal operating year' is calculated, which is adjusted by an annual growth rate of 2% going forward (2016: 2%). Please refer to note 1 for additional information on fair value measurement. Main assumptions applied in the five-year forecast period:

1) The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The value is in accordance with the information from Nordea.

	2017	2016
	DKK '000	DKK '000
Note 28 – Recognised fair value measurements		
<i>Investment properties</i>		
Rental income etc. year 1	41,239	43,343
Average annual revenue growth 2018-2022 (2016: 2017-2021)	1.50%	1.50%
Annual idle rent	6-10%	6-10%
Growth rate from 2023, estimated (2016: 2022)	2.00%	1.50%
Net initial yields used	8.50%	8.50%
<i>Production property</i>		
Revenue etc. year 1	369,483	323,014
Average annual revenue growth 2018-2022 (2016: 2017-2021)	2%	2%
Growth rate from 2023, estimated (2016: 2022)	2%	2%

Note 29 – Collateral

The following assets have been provided as collateral for debt to credit institutions:

Production and investment property, carrying amount	<u>1,635,364</u>	<u>3,037,832</u>
	<u>1,635,364</u>	<u>3,037,832</u>

Further pledge of shares in subsidiaries and bank accounts have been entered into as collateral.

Collateral has been provided through the following:

Mortgage, Nordea Kredit Realkredit A/S	622,738	1,342,379
Mortgage, Nordea Kredit Realkredit A/S	26,736	45,000
Mortgage deed registered to the mortgagor	0	330,000
Other collateral	<u>0</u>	<u>300,000</u>
Total	<u>649,474</u>	<u>2,017,379</u>

Note 30 - Contingent liabilities and other financial obligations

The Group has entered into operating lease agreements for offices and warehouses, cars and equipment. The lease terms are up to 30 years, and the majority of the lease agreements are renewable at the end of the lease period at market rate. Future minimum lease payments under operating lease contracts and rent commitments amount to:

	<u>2017</u>	<u>2016</u>
Within 1 year		
Operational rental obligations	133,112	57,056
Operational lease obligations	<u>1,063</u>	<u>1,040</u>
	<u>134,176</u>	<u>58,096</u>
Between 1 and 5 years		
Operational rental obligations	505,052	228,223
Operational lease obligations	<u>366</u>	<u>1,183</u>
	<u>505,418</u>	<u>229,406</u>
After 5 years		
Operational rental obligations	3,049,500	1,262,500
Operational lease obligations	<u>0</u>	<u>0</u>
	<u>3,049,500</u>	<u>1,262,500</u>

Rent expenses charged to the income statement during the year	138,428	12,422
Lease expenses charged to the income statement during the year	<u>1,188</u>	<u>2,264</u>
Total expenses charged to the income statement during the year	<u>139,615</u>	<u>14,686</u>

Finance leases

The Group has entered into finance leases for fixtures and fittings. At the end of the leases, the Group has the option to acquire the assets at favourable prices. The leased assets are pledged as collateral for leasing obligations.

Obligations under finance leases are included under debt to credit institutions:

	2017		2016	
	Minimum lease payments	Fair value of minimum lease payments	Minimum lease payments	Fair value of minimum lease payments
	DKK '000	DKK '000	DKK '000	DKK '000
Within 1 year	2,167	2,587	3,063	2,731
1-5 years	3,522	4,402	6,093	5,721
After 5 years	<u>1,769</u>	<u>60</u>	<u>61</u>	<u>60</u>
	7,458	7,049	9,217	8,512
Interest element	<u>(409)</u>	<u>0</u>	<u>(705)</u>	<u>0</u>
Fair value	<u>7,049</u>	<u>7,049</u>	<u>8,512</u>	<u>8,512</u>

Contingent liabilities

The Danish Group companies are jointly and severally liable for tax of the group's jointly taxed income etc. for 2017. The total amount is stated in the Annual Report of 'Solstra Investments A/S', which is the administration company in relation to the joint taxation.

Note 31 - Financial risks

Risk management policy of the Group

Due to its operation, investments and financing, the Group is exposed to changes in exchange rates and interest-rate levels. It is the Group's policy not to speculate in financial risks. The Group's financial management is therefore solely aimed at management of financial risks directly related to the Group's operation and financing.

It is Management's objective to have a solvency ratio between 25% - 30%. Aside from an overdraft facility that manages the normal fluctuations from the working capital, Management aims at primarily long-term mortgage financing with a loan-to-value ratio around 60%.

Currency risks

Most of the Group's income and expenses are in DKK. Between 5% - 10% of the Group's revenue is invoiced in EUR. Exposures in EUR are not hedged. The Group believes this does not involve significant risk. Certain investments and purchases are handled in EUR. No loans have been raised in foreign currencies.

Interest rate risks

Most of the Group's financing comprises long-term floating-rate mortgage loans. In 2017 interest rate hedging was agreed for loans of DKK 626 million. A discount to net present value of the interest rate difference between floating-rate loans and the fixed-rate interest rate swaps constitutes a positive DKK 6 million (2016: positive DKK 6 million), also known as the market value on early repayment.

Mortgage loans consists of floating-rate F3, S3 or CIBOR6 and CIBOR3-based loans. Current bank loans comprise floating-rate NBOR bank overdraft and a fixed rate bank loan. The interest-rate hedging of mortgage loans has been performed to reduce the business risks related to market rate fluctuations. Interest-rate hedging is settled by the Executive Board in cooperation with the Group's Chairman of the Board of Directors and in connection with the specific investment project. At the end of 2017, the interest-rate hedging covered approximately 39% (2016: 39%) of the total interest bearing debt. In general, Management does not see any advantages in hedging in the current or the future market.

The Group has performed a sensitivity analysis on the part of the debt not covered by interest-rate hedging. The sensitivity related to fluctuations in the interest rate is based on the assumption that the rate can decrease as low as zero or increase by 1% from the 2017 level and will affect the interest costs in the range +/- DKK 11 million. Please refer to property notes for details on the sensitivity related to interest on return underlying measurement of property.

Liquidity risks

The Group's liquidity risks are linked to short-term loan agreements with credit institutions, corresponding to secured mortgage debt. Terms and conditions for the Group's credit are negotiated with the credit institutions on an ongoing basis. The Group aims at settling as much of the Group's loan financing as possible. Repayment obligations at 31 December 2017 appear from

The Group's cash resources consist of cash and unutilised credit facilities. It is the Group's goal to have sufficient cash resources to be able to act appropriately in case of unforeseen fluctuations in cash. The Group's liquidity is managed based on projection of the operation and expected ingoing and outgoing payments. The projections are updated frequently. The frequency is adjusted to the size of the undrawn credit facilities.

Credit risk

Short-term lease of the Group's facilities is usually accompanied by prepayments from customers. A credit sale is mainly used in connection with deliveries related to the individual events. A credit risk arises in connection with fluctuations in trade receivable balances, prepayments as well as sub-suppliers. The maximum credit risk corresponds to the carrying amounts recognised in the balance sheet. The exposure to credit risk from trade receivables, payment terms and credit limits are determined based on an assessment of the customer, including the customer's financial position and the current market conditions.

Capital management

The purpose of capital management is to ensure sufficient return on investments and fulfilment of credit agreements and other liabilities. The Group aims at generating a competitive operating income which is reflected in the discount rates on which measurement of the properties is based. In addition to the Group's operation, equity is affected by value adjustment of properties, either via the income statement (investment property) or directly in the revaluation reserve (production property). The operation of the properties is currently monitored and managed, which results in projections of the income development,

which in turn are used for measurement in the balance sheet. The financing strategy is determined in cooperation with the Board of Directors and the Group's main bank connections and is revised as required and in connection with major investment projects. At least once a year, the composition and the terms of all loan financing are assessed. In this connection, the optimal capital structure for the Group in the future is considered. All insurance matters are assessed once a year in cooperation with external consultants.

Note 32 – Related party transactions

The Group is controlled by intermediate Company Solstra Holdings Cyprus Ltd, Cyprus.

Related parties are considered to be the Board of Directors and Solstra Investments A/S' subsidiaries as well as Solstra Investments A/S, intermediate and ultimate parent companies (see note J to the Parent Company Financial Statements).

The Group has had transactions with shareholders related to inter-company receivables and payables, the balances are disclosed in the balance and in note 19. Interests received and paid to group enterprises are disclosed in the income statement and notes 7 and 8.

Dividends to shareholders are disclosed in the statement of changes in equity.

	<u>2017</u>	<u>2016</u>
	DKK '000	DKK '000
Note 33 – Fees to statutory auditors		
Statutory audit	1,729	1,460
Audit related services	0	2,358
Tax services	0	4,226
Other services	<u>0</u>	<u>147</u>
	<u>0</u>	<u>8,191</u>
Note 34 – Cash flow statement, Adjustments for income statement items without cash effect		
Depreciation and amortisation	70,807	77,683
Profit/loss on disposal of property, plant and equipment	(177,530)	745
Reversal of depreciations	0	(2,900)
Value adjustments of investment properties	(36,681)	(406,601)
Provision for doubtful receivables	(267)	586
Other adjustments	<u>(13,737)</u>	<u>(97,498)</u>
	<u>(129,934)</u>	<u>(427,985)</u>
Note 35 – Cash flow statement, change in working capital		
Change in inventories	9,320	(245,443)
Change in receivables	(20,934)	(505)
Change in other receivables	(15,050)	3,389
Change in trade payables	(3,495)	43,162
Change in prepayments received from customers	35,047	(13,579)
Change in other payables	(16,360)	46,599
Change in work in progress	30,707	48,624
Change in deposits	<u>(91,958)</u>	<u>71,406</u>
	<u>(72,723)</u>	<u>(46,347)</u>

Income Statement of 1 January – 31 December

Parent Company

	Note	2017 DKK '000	2016 DKK '000
Revenue	B	8,693	8,572
Other external costs		(9,172)	(31,862)
Staff expenses	C	<u>(26,480)</u>	<u>(6,053)</u>
Gross profit		<u>(26,959)</u>	<u>(29,343)</u>
Other operating income, net		0	0
Profit before financial income and expenses		<u>(26,959)</u>	<u>29,343</u>
Income from dividend and sale of subsidiaries		389,055	143,549
Financial income	D	2,120	4,939
Financial expenses	E	<u>(19,042)</u>	<u>(5,854)</u>
Profit before tax		<u>345,174</u>	<u>113,291</u>
Tax on profit for the year	F	<u>42,230</u>	<u>2,148</u>
Net profit for the year		<u>387,404</u>	<u>115,439</u>

Balance Sheet 31 December - Assets

Parent Company

	Note	2017 DKK '000	2016 DKK '000
Assets			
Investment in subsidiaries	G	77,978	77,978
Financial assets		77,978	77,978
Non-current assets		77,978	77,978
Trade receivables		246	0
Receivables from group enterprises		161,701	50,947
Other receivables		6,224	7,832
Cash at bank and in hand		10,980	140,283
Current assets		179,151	199,062
Total assets		257,129	277,040

Balance Sheet 31 December – Liabilities and Equity

Parent Company

	Note	2017 DKK '000	2016 DKK '000
Liabilities and equity			
Share capital		100,500	100,500
Retained earnings		105,912	338,508
Proposed dividend for the year		0	(200,000)
Equity		<u>206,412</u>	<u>239,008</u>
Trade payables		496	18,513
Payables to group enterprises		44,990	7,242
Corporate tax		2,410	2,677
Other payables		<u>2,821</u>	<u>9,600</u>
Current liabilities		<u>50,717</u>	<u>38,032</u>
Total liabilities and equity		<u>257,129</u>	<u>277,040</u>

Statement of Changes in Equity

Parent Company

	Share capital DKK '000	Retained earnings DKK '000	Proposed dividend for the year DKK '000	Total equity DKK '000
At 1 January 2016	100,500	223,069	0	323,569
Adjustment opening balance from merger	0	0	0	0
Dividend paid	0	0	(200,000)	(200,000)
Interim dividend for the year	0	0	0	0
Net profit/loss for the year	<u>0</u>	<u>115,439</u>	<u>0</u>	<u>115,439</u>
At 31 December 2016	<u>100,500</u>	<u>338,508</u>	<u>(200,000)</u>	<u>239,008</u>
At 1 January 2017	100,500	338,508	(200,000)	239,008
Dividend paid	0	0	(420,000)	(420,000)
Net profit/loss for the year	<u>0</u>	<u>387,404</u>	<u>0</u>	<u>387,404</u>
At 31 December 2017	<u>100,500</u>	<u>725,912</u>	<u>(620,000)</u>	<u>206,412</u>

Notes to Financial Statement

Parent Company

Note A	Accounting policies for the Parent Company	51
Note B	Revenue	54
Note C	Staff expenses	54
Note D	Financial income	54
Note E	Financial expenses	54
Note F	Tax on profit for the year	54
Note G	Investments in subsidiaries	54
Note H	Equity	55
Note I	Proposed distribution of profit	55
Note J	Contingent liabilities	55
Note K	Related parties and ownership	56

Note A – Accounting policies for the Parent Company

Basis of Preparation

The Annual Report of the Parent Company Solstra Investments A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

Solstra Investments A/S is a public limited company and its registered office is in Copenhagen, Denmark. The accounting policies applied remain unchanged from last year.

The Parent Company Financial Statements for 2017 are presented in DKK thousand.

Tax

Deferred tax is recognised in respect of all temporary differences related to investments in subsidiaries unless the Parent Company is in a position to check when the deferred tax must be realised and when it is probable that the deferred tax crystallises as current tax within a foreseeable future.

There is no deferred tax related to investments in associates where both dividends from the company as well as gains and losses from a potential sale of the investment are tax exempt.

The Parent Company is jointly taxed with all Danish consolidated enterprises and functions as administration company for the jointly taxed enterprises. The Group has limited and secondary liability for payment of corporation tax from the tax year 2017 as well as for tax at source on interest and dividend. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes. The total tax payable in the jointly taxed enterprises is presented as tax payable in the Parent Company whereas joint taxation contributions from subsidiaries are presented as receivables.

Balances subject to the rules on limited interest deduction under the Danish Corporation Tax Act have been distributed between the jointly taxed enterprises according to the entered joint taxation agreement.

Deferred tax liabilities in respect of these balances are recognised in the balance sheet while deferred tax assets only are recognised if the criteria for recognition of deferred tax assets are met.

Recoverable amount of investments in subsidiaries

Each subsidiary is considered a separate cash generating unit. If there is an indication that the carrying amount (cost) of an investment in a subsidiary is impaired, the impairment will be based on determination of the value in use of the subsidiary in question.

It is considered an indication of impairment if the dividends distributed exceed the subsidiary's comprehensive income in the period in which the dividend is distributed.

Recognition and measurement

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

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Business combinations

The carrying value method is used in connection with intercompany business combinations. Therefore the uniting of interests is deemed to have taken place at the time of acquisition at the carrying amounts.

No adjustment of comparative figures is made.

The difference between the agreed consideration and the accounting equity value in the acquired company is recognised in equity.

The merger between Solstra Investments A/S and Administrationselskabet af 29. September 2009 ApS was made with effect from 1 January 2016.

Income statement

Revenue

Revenue is recognised in the income statement when earned.

Income from the rendering of services, is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year.

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 external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Other operating income, net

Other operating income comprise items of a secondary nature to the core activities of the enterprise, including earn-out payments from prior year's business combinations.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish affiliated companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet**Investments in subsidiaries**

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Dividend

Dividend distribution for the year proposed by Management is disclosed as a separate equity item.

Provisions

Provisions are recognised when – in consequence of an event occurred before or on the balance sheet date – the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Current tax

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on account taxation scheme are recognised in the income statement in financial income and expenses.

Note B – Revenue

Revenue comprises management fee income in Denmark.

Note C – Staff expenses

	2017 DKK '000	2016 DKK '000
Wages and salaries	26,474	6,047
Pensions	0	0
Other social security costs	5	6
	<u>26,479</u>	<u>6,053</u>

Note D – Financial income

Interest received from Group enterprises	1,602	4,939
Other financial income	518	0
	<u>2,120</u>	<u>4,939</u>

Note E – Financial expenses

Impairment losses on financial assets	19,042	0
Interest paid to Group enterprises	0	5,643
Other financial expenses	0	199
Exchange adjustments	0	12
	<u>19,042</u>	<u>5,854</u>

Note F – Tax on profit for the year

Tax on profit	(42,575)	(536)
Adjustment of previous years	345	(1,612)
	<u>(42,230)</u>	<u>(2,148)</u>

Note G – Investments in subsidiaries

Cost at 1 January	77,978	77,928
Additions for the year	0	50
Adjustment from merger	0	0
Cost at 31 December	77,978	77,978
Impairment	0	0
Value adjustments at 31 December	0	0
Carrying amount at 31 December	<u>77,978</u>	<u>77,978</u>

Investments in subsidiaries are specified as follows:

Name/place of registered office	Share capital DKK '000	Votes and ownership	Equity DKK '000	Net profit/loss for the year DKK '000
Bella Solstra Holding A/S	500	100%	134,407	309,769
Investeringselskabet BTPL ApS	80	100%	(3,357)	(271)
Magillum Investments ApS	125	100%	1,933	(399)
Scandinavian Design & Retail A/S	5,000	100%	(24,632)	(6,475)
Magillum Avedøre A/S	19,339	100%	50,349	2,066
Copenhagen Chocolate Factory ApS	125	100%	2,842	(8,081)
CCF Properties ApS	50	100%	(243)	(293)

Note H – Equity

The share capital consists of 100,500,002 shares of a nominal value of DKK 1. No shares carry any special rights.

Note I – Proposed distribution of profit

	2017 DKK '000	2016 DKK '000
Interim dividend	420,000	200,000
Retained earnings	<u>(32,929)</u>	<u>(84,561)</u>
	<u>387,071</u>	<u>115,439</u>
Extraordinary dividend after year end	0	130,000

Note J – Contingent liabilities

The Parent Company has issued letters of support and subordination in favour of external creditors for Bella Solstra A/S, Investeringselskabet BTPL ApS, Scandinavian Design & Retail A/S and Copenhagen Chocolate Factory ApS and CCF Properties ApS. The letters are applicable until 1 January 2018.

Joint Taxation

The Danish Group companies are jointly and severally liable for tax of the group's jointly taxed income etc. for 2017.

Note K – Related parties and ownership

Controlling interest

ALFI Mark Trust, Liechtenstein
Markerina Investments Ltd., Cyprus
Solstra Holdings Cyprus Ltd., Cyprus

Basis

Ultimate parent company
Intermediate parent company
Intermediate parent company

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Solstra Holdings Cyprus Ltd., Cyprus.