
August Sandgren A/S

Frederiksberggade 16, DK-1459 Copenhagen

Annual Report for 1 October 2015 - 31 December 2016

CVR No 37 12 50 40

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/5 2017

Ole Finn Nielsen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of August Sandgren A/S for the financial year 1 October 2015 - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2015/16.

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

Copenhagen, 17 May 2017

Executive Board

Pia Kirkeskov Andersen
CEO

Vibeke Snedgaard Rafaelsen
Executive Officer

Board of Directors

Ole Finn Nielsen

Angus Robert Ridgway

Cecilie Pram Kjølbbye

Hugo Dorph

Independent Auditor's Report

To the Shareholders of August Sandgren A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of August Sandgren A/S for the financial year 1 October 2015 - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 17 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Christensen

state authorized public accountant

Company Information

The Company

August Sandgren A/S
Frederiksberggade 16
DK-1459 Copenhagen

CVR No: 37 12 50 40
Financial period: 1 October 2015 - 31 December 2016
Incorporated: 1 October 2015
Municipality of reg. office: Copenhagen

Board of Directors

Ole Finn Nielsen
Angus Robert Ridgway
Cecilie Pram Kjølbbye
Hugo Dorph

Executive Board

Pia Kirkeskov Andersen
Vibeke Snedgaard Rafaelsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Main activity

The main activity of the company is development, design, production, and distribution of products of the highest quality and related business.

Development in the year

The income statement of the Company for 2015/16 shows a profit of DKK 10,481, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 510,481.

The result is in accordance with management expectations and taken into account that it is the company's first financial year the result is considered satisfactory.

Management expects a break even result for 2017.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any material uncertainty.

Subsequent events

A capital increase of nominal DKK 71.428 with a share premium of DKK 1.178.572, totally DKK 1.250.000, took place on 19 January 2017.

Income Statement

1 October 2015 - 31 December 2016

| | <u>Note</u> | <u>2015/16</u> DKK |
|--|-------------|-----------------------|
| Gross profit/loss | | 103.045 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | -89.437 |
| | | <hr/> |
| Profit/loss before financial income and expenses | | 13.608 |
| Financial income | | 5.928 |
| Financial expenses | | -4.055 |
| | | <hr/> |
| Profit/loss before tax | | 15.481 |
| Tax on profit/loss for the year | 1 | -5.000 |
| | | <hr/> |
| Net profit/loss for the year | | 10.481 |
| | | <hr/> |

Distribution of profit

| | | |
|--|--|---------------|
| Proposed distribution of profit | | |
| Reserve for development costs | | 275.560 |
| Retained earnings | | -265.079 |
| | | <hr/> |
| | | 10.481 |
| | | <hr/> |

Balance Sheet 31 December Assets

| | <u>Note</u> | <u>2015/16</u> DKK |
|---------------------------------|-------------|-------------------------|
| Completed development projects | | 353.281 |
| Acquired trademarks | | 21.215 |
| Intangible assets | 2 | <u>374.496</u> |
| Fixed assets | | <u>374.496</u> |
| Inventories | | <u>309.153</u> |
| Trade receivables | | 128.764 |
| Other receivables | | 76.215 |
| Receivables | | <u>204.979</u> |
| Cash at bank and in hand | | <u>671.154</u> |
| Currents assets | | <u>1.185.286</u> |
| Assets | | <u>1.559.782</u> |

Balance Sheet 31 December

Liabilities and equity

| | <u>Note</u> | <u>2015/16</u> DKK |
|--|-------------|-----------------------|
| Share capital | | 500.000 |
| Reserve for development costs | | 275.560 |
| Retained earnings | | -265.079 |
| | | <u>510.481</u> |
| Equity | | 510.481 |
| Provision for deferred tax | | 5.000 |
| | | <u>5.000</u> |
| Provisions | | 5.000 |
| Convertible and profit-yielding instruments of debt | | 752.083 |
| | | <u>752.083</u> |
| Long-term debt | | 752.083 |
| Trade payables | 3 | 287.170 |
| Payables to owners and Management | | 5.048 |
| | | <u>292.218</u> |
| Short-term debt | | 292.218 |
| Debt | | 1.044.301 |
| Liabilities and equity | | 1.559.782 |
| Contingent assets, liabilities and other financial obligations | 4 | |

Statement of Changes in Equity

| | Share capital | Reserve for development costs | Retained earnings | Total |
|------------------------------|----------------|-------------------------------------|----------------------|----------------|
| | DKK | DKK | DKK | DKK |
| Equity at 1 October | 500.000 | 0 | 0 | 500.000 |
| Net profit/loss for the year | 0 | 275.560 | -265.079 | 10.481 |
| Equity at 31 December | 500.000 | 275.560 | -265.079 | 510.481 |

Notes to the Financial Statements

| | 2015/16 |
|--|--------------|
| | DKK |
| 1 Tax on profit/loss for the year | |
| Current tax for the year | 0 |
| Deferred tax for the year | 5.000 |
| | 5.000 |

2 Intangible assets

| | Completed development projects | Acquired trade- marks |
|---|--------------------------------------|--------------------------|
| | DKK | DKK |
| Cost at 1 October | 0 | 0 |
| Additions for the year | 441.601 | 22.332 |
| Cost at 31 December | 441.601 | 22.332 |
| Amortisation for the year | 88.320 | 1.117 |
| Impairment losses and amortisation at 31 December | 88.320 | 1.117 |
| Carrying amount at 31 December | 353.281 | 21.215 |

Amortised over 5 years 20 years
 Development projects relate to the development of the Company's product collection, which has been completed in 2016. The products are expected to be sold through existing and well-established retailers such as Illums Bolighus and Carsten Hansen & Son, both of which have the August Sandgren products in their stores in Copenhagen Denmark.

3 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt. The debt falls due for payment as specified below:

| | 2015/16 |
|--|----------------|
| | DKK |
| Convertible and profit-yielding instruments of debt | |
| Between 1 and 5 years | 752.083 |
| Long-term part | 752.083 |
| Within 1 year | 0 |
| | 752.083 |

4 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has no contingent liabilities at 31 December 2016.

Notes, Accounting Policies Basis of Preparation

The Annual Report of August Sandgren A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

Financial Statements for 2015/16 are presented in DKK.

Recognition and measurement

Revenues are 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, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will 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. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Notes, Accounting Policies

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Revenue also includes grants and contributions received in the financial year where all conditions are adhered to.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

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 changes in 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.

Balance Sheet

Intangible assets

Trademarks, development costs and costs relating to rights developed by the Company are measured at cost less accumulated amortisation. Trademarks, development costs and costs relating to rights developed by the Company are amortised on a straight-line basis over its useful life, which is assessed at 20 years for trademarks and 5 years for development costs and costs relating to rights developed by the Company.

Notes, Accounting Policies

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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.

Deferred tax assets and liabilities

Deferred income 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 for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured 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.

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 or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.