



**Felina International AG, Wettingen**

**Independent Auditor's Report**  
**to the Board of Directors on the Audit of**  
**the Consolidated Financial Statements**

2014 to 2016



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## Independent Auditor's Report to the Board of Directors on the Audit Consolidated Financial Statements of

### **Felina International AG, Wettingen**

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#### **Opinion**

We have audited the consolidated financial statements of Felina International AG and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2014, 2015 and 2016, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial positions of the Group as at 31 December 2014, 2015 and 2016, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

#### **Responsibility of Those Charged with Governance for the Consolidated Financial Statements**

The Board of Directors of Felina International AG is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.



*Felina International AG, Wettingen  
Independent Auditor's Report  
to the Board of Directors on the Audit of  
the Consolidated Financial Statements*

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.

KPMG AG

Markus Forrer  
*Licensed Audit Expert*



Tino Hutter  
*Licensed Audit Expert*



Lucerne, 24 November 2017

*Enclosure:*

- Consolidated financial statements, which comprise the consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes to the consolidated financial statements

**FELINA INTERNATIONAL AG**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For 2016, 2015 and 2014**

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

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**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of profit or loss and other comprehensive income**

For the year ended 31 December

<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>	6	38,015,897	40,545,532	42,527,824
Other operating income	7	6,596,459	2,318,493	2,303,733
Changes in inventories of finished goods and work in progress		(349,199)	(2,203,216)	1,286,055
Raw materials and services	8	(11,355,283)	(11,893,306)	(15,021,508)
Employee benefits expense	9	(14,357,357)	(16,988,647)	(16,115,013)
Depreciation and amortisation		(1,233,715)	(1,570,369)	(1,669,232)
Other operating expenses	10	(11,079,539)	(13,537,683)	(13,224,485)
<b>Operating profit/(loss)</b>		<b>6,237,263</b>	<b>(3,329,196)</b>	<b>87,374</b>
Finance income	11	261,268	1,280,363	183,570
Finance costs	12	(680,098)	(693,140)	(1,004,731)
<b>Net finance costs</b>		<b>(418,830)</b>	<b>587,223</b>	<b>(821,161)</b>
<b>Profit/(loss) before income tax</b>		<b>5,818,433</b>	<b>(2,741,973)</b>	<b>(733,787)</b>
Income tax (expense)/benefit	13	1,587,752	(202,174)	(517,378)
<b>Profit/(loss) for the year</b>		<b>7,406,185</b>	<b>(2,944,147)</b>	<b>(1,251,165)</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit liability (asset)	21			
- Actuarial gain (loss)		(474,838)	244,344	(1,019,030)
- Return on plan assets excluding interest income		395,063	(2,330)	(855)
- Effect of movements in exchange rates		(257)	(30,211)	-
Related tax		166,598	-	-
		<b>86,566</b>	<b>211,803</b>	<b>(1,019,885)</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign operations – foreign currency translation differences	19	15,787	11,444	2,120
		<b>15,787</b>	<b>11,444</b>	<b>2,120</b>
<b>Other comprehensive income, net of tax</b>		<b>102,353</b>	<b>223,247</b>	<b>(1,017,765)</b>
<b>Total comprehensive income/(loss)</b>		<b>7,508,538</b>	<b>(2,720,900)</b>	<b>(2,268,930)</b>

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of profit or loss and other comprehensive income**  
**(continued)**

For the year ended 31 December

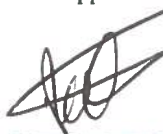
<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Profit attributable to:</b>				
Owners of the Company		7,406,185	(2,954,482)	(1,304,058)
Non-controlling interest		-	10,335	52,893
		<b>7,406,185</b>	<b>(2,944,147)</b>	<b>(1,251,165)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		7,508,538	(2,732,443)	(2,319,182)
Non-controlling interest		-	11,543	50,252
		<b>7,508,538</b>	<b>(2,720,900)</b>	<b>(2,268,930)</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Management Board on 24 November 2017 and signed by



Thomas Rihm  
*Chairman of the Board*



Peter Partma  
*Board Member*



Patrick Rauh  
*Board Member*

Wettingen, 24 November 2017



**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of financial position**

As at 31 December

<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>1 January 2014</b>
<b>Assets</b>					
Property, plant and equipment	14	3,612,476	10,686,406	11,540,755	11,624,852
Intangible assets	15	175,478	436,270	908,513	1,264,360
Investment property		-	42,818	47,269	55,122
Deferred tax assets	13	3,959,626	3,759,931	3,714,707	3,720,488
Trade and other receivables	17	-	2,029,918	-	-
<b>Total non-current assets</b>		<b>7,747,580</b>	<b>16,955,343</b>	<b>16,211,244</b>	<b>16,664,822</b>
Inventories	16	8,086,902	8,622,911	12,720,848	11,489,580
Current tax assets		44,910	58,331	45,675	129,759
Trade and other receivables	17	23,151,478	5,250,923	7,729,357	8,660,951
Prepayments		443,571	394,493	615,810	447,057
Cash and cash equivalents	18	2,048,616	5,356,758	15,008,191	15,677,318
<b>Total current assets</b>		<b>33,775,477</b>	<b>19,683,416</b>	<b>36,119,881</b>	<b>36,404,665</b>
<b>Total assets</b>		<b>41,523,057</b>	<b>36,638,759</b>	<b>52,331,125</b>	<b>53,069,487</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of financial position (continued)**

As at 31 December

<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>1 January 2014</b>
<b>Equity</b>					
Share capital	19	1,663,410	1,663,410	1,663,410	1,663,410
Reserves	19	446,637	430,850	420,614	415,853
Retained earnings		22,381,077	14,888,326	30,550,226	32,772,329
<b>Equity attributable to owners of the Group</b>		<b>24,491,124</b>	<b>16,982,586</b>	<b>32,634,250</b>	<b>34,851,592</b>
Non-controlling interests		-	-	(11,543)	173,369
<b>Total equity</b>		<b>24,491,124</b>	<b>16,982,586</b>	<b>32,622,707</b>	<b>35,024,961</b>
<b>Liabilities</b>					
Loans and borrowings	23	-	-	6,084,438	6,342,493
Net employee defined benefit liability	21	4,602,665	4,643,198	4,984,902	4,054,672
Deferred income	25	325,257	344,474	341,400	396,799
Provisions	22	155,000	142,000	156,000	135,000
Deferred tax liabilities	13	414,734	2,908,904	2,846,364	2,492,253
<b>Total non-current liabilities</b>		<b>5,497,656</b>	<b>8,038,576</b>	<b>14,413,104</b>	<b>13,421,217</b>
Loans and borrowings	23	5,847,723	7,173,971	411,938	341,804
Trade and other payables	24	4,126,990	3,451,298	4,600,546	3,956,147
Current tax liabilities		855,901	9,908	31,042	8,072
Provisions	22	682,121	951,576	219,046	258,287
Deferred income	25	21,542	30,844	32,742	58,999
<b>Total current liabilities</b>		<b>11,534,277</b>	<b>11,617,597</b>	<b>5,295,314</b>	<b>4,623,309</b>
<b>Total liabilities</b>		<b>17,031,933</b>	<b>19,656,173</b>	<b>19,708,418</b>	<b>18,044,526</b>
<b>Total equity and liabilities</b>		<b>41,523,057</b>	<b>36,638,759</b>	<b>52,331,125</b>	<b>53,069,487</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

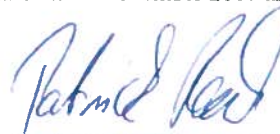
These consolidated financial statements were approved by the Management Board on 24 November 2017 and signed by



Thomas Rihm  
Chairman of the Board



Peter Partna  
Board Member



Patrick Rauh  
Board Member

Wettingen, 24 November 2017

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of changes in equity**

<i>In euros</i>	<i>Note</i>	<u>Attributable to owners of the Parent Company</u>		
		Share capital	Legal reserve	Translation reserve
<b>Balance at 1 January 2014</b>		<b>1,663,410</b>	<b>415,853</b>	<b>-</b>
<b>Total comprehensive income</b>				
Profit		-	-	-
Other comprehensive income		-	-	4,761
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>4,761</b>
<b>Transactions with owners of the Group</b>				
<b>Contributions and distributions</b>				
Dividends		-	-	-
<b>Total contributions and distributions</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in ownership interests</b>				
Acquisition of non-controlling interest without a change in control		-	-	-
<b>Total changes in ownership interests</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transactions with owners of the Group</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2014</b>		<b>1,663,410</b>	<b>415,853</b>	<b>4,761</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of changes in equity**

<i>In euros</i>	<i>Note</i>	Attributable to owners of the Parent Company		Non- controlling interests	Total equity
		Retained earnings	Total		
<b>Balance at 1 January 2014</b>		<b>32,772,329</b>	<b>34,851,592</b>	<b>173,369</b>	<b>35,024,961</b>
<b>Total comprehensive income</b>					
Profit		(1,304,058)	(1,299,297)	52,893	(1,251,165)
Other comprehensive income		(1,019,885)	(1,019,885)	(2,641)	(1,017,765)
<b>Total comprehensive income</b>		<b>(2,323,943)</b>	<b>(2,319,182)</b>	<b>50,252</b>	<b>(2,268,930)</b>
<b>Transactions with owners of the Group</b>					
<b>Contributions and distributions</b>					
Dividends		(97,919)	(97,919)	(35,405)	(133,324)
<b>Total contributions and distributions</b>		<b>(97,919)</b>	<b>(97,919)</b>	<b>(35,405)</b>	<b>(133,324)</b>
<b>Changes in ownership interests</b>					
Acquisition of non-controlling interest without a change in control		199,759	199,759	(199,759)	-
<b>Total changes in ownership interests</b>		<b>199,759</b>	<b>199,759</b>	<b>(199,759)</b>	<b>-</b>
<b>Total transactions with owners of the Group</b>		<b>101,840</b>	<b>101,840</b>	<b>(235,164)</b>	<b>(133,324)</b>
<b>Balance at 31 December 2014</b>		<b>30,550,226</b>	<b>32,634,250</b>	<b>(11,543)</b>	<b>32,622,707</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of changes in equity (continued)**

<i>In euros</i>	<i>Note</i>	<u>Attributable to owners of the Parent Company</u>		
		Share capital	Legal reserve	Translation reserve
<b>Balance at 31 December 2014</b>		<b>1,663,410</b>	<b>415,853</b>	<b>4,761</b>
<b>Total comprehensive income</b>				
Profit		-	-	
Other comprehensive income		-	-	10,236
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>10,236</b>
<b>Transactions with owners of the Group</b>				
<b>Contributions and distributions</b>				
Dividends		-	-	-
<b>Total contributions and distributions</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transactions with owners of the Group</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2015</b>		<b>1,663,410</b>	<b>415,853</b>	<b>14,997</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For 2016, 2015 and 2014

**Consolidated statement of changes in equity**

<i>In euros</i>	<i>Note</i>	Attributable to owners of the Parent Company		Non- controlling interests	Total equity
		Retained earnings	Total		
<b>Balance at 31 December 2014</b>		<b>30,550,226</b>	<b>32,634,250</b>	<b>(11,543)</b>	<b>32,622,707</b>
<b>Total comprehensive income</b>					
Profit		(2,954,482)	(2,954,482)	10,335	(2,944,147)
Other comprehensive income		211,803	222,039	1,208	223,247
<b>Total comprehensive income</b>		<b>(2,742,679)</b>	<b>(2,732,443)</b>	<b>11,543</b>	<b>(2,720,900)</b>
<b>Transactions with owners of the Group</b>					
<b>Contributions and distributions</b>					
Dividends		(12,919,221)	(12,919,221)	-	(12,919,221)
<b>Total contributions and distributions</b>		<b>(12,919,221)</b>	<b>(12,919,221)</b>	<b>-</b>	<b>(12,919,221)</b>
<b>Total transactions with owners of the Group</b>		<b>(12,919,221)</b>	<b>(12,919,221)</b>	<b>-</b>	<b>(12,919,221)</b>
<b>Balance at 31 December 2015</b>		<b>14,888,326</b>	<b>16,982,586</b>	<b>-</b>	<b>16,982,586</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

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**Consolidated statement of changes in equity (continued)**

<u>Attributable to owners of the Parent Company</u>				
<i>In euros</i>	<i>Note</i>	Share capital	Legal reserve	Translation reserve
<b>Balance at 31 December 2015</b>		<b>1,663,410</b>	<b>415,853</b>	<b>14,997</b>
<b>Total comprehensive income</b>				
Profit		-	-	-
Other comprehensive income		-	-	15,787
<b>Total comprehensive income</b>		-	-	<b>15,787</b>
<b>Balance at 31 December 2016</b>		<b>1,663,410</b>	<b>415,853</b>	<b>30,784</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of changes in equity**

<i>In euros</i>	<i>Note</i>	Attributable to owners of the Parent Company		Non- controlling interests	Total equity
		Retained earnings	Total		
<b>Balance at 31 December 2015</b>		<b>14,888,326</b>	<b>16,982,586</b>	-	<b>16,982,586</b>
<b>Total comprehensive income</b>					
Profit		7,406,185	7,406,185	-	7,406,185
Other comprehensive income		86,566	102,353	-	102,353
<b>Total comprehensive income</b>		<b>7,492,751</b>	<b>7,508,538</b>	-	<b>7,508,538</b>
<b>Balance at 31 December 2016</b>		<b>22,381,077</b>	<b>24,491,124</b>	-	<b>24,491,124</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Management Board on 24 November 2017 and signed by



Thomas Rihm  
Chairman of the Board



Peter Partma  
Board Member



Patrick Rauh  
Board Member

Wettingen, 24 November 2017





**FELINA INTERNATIONAL AG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For 2016, 2015 and 2014**

**Consolidated statement of cash flows**

For the year ended 31 December

<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>				
Profit/(loss) for the reporting year		<b>7,406,185</b>	<b>(2,944,147)</b>	<b>(1,251,165)</b>
Adjustments for:				
Depreciation	14	916,901	1,060,904	1,161,255
Amortization	15	316,814	509,465	507,977
Change in allowance for impairment of trade and other receivables	17	95,159	177,268	604,545
(Gain)/loss on disposal of property, plant and equipment	7, 10	(4,290,621)	25,764	6,956
Gain on sale of investment property	7	(446,260)	-	-
Income from government grants	7	(31,052)	(128,191)	(75,662)
Profit from liquidation of subsidiary	7	-	(163,680)	-
Net finance (income)/costs	11, 12	337,699	412,034	471,496
Net foreign exchange differences	11, 12	81,131	(999,257)	349,665
Income tax expense	13	(1,587,752)	202,174	517,378
Changes in:				
Inventories		536,009	4,091,009	(1,231,268)
Trade and other receivables		11,258	2,181,156	282,220
Prepayments		(49,078)	221,317	(168,753)
Trade and other payables		504,124	(923,849)	613,334
Provisions		(256,455)	718,530	(18,241)
Net defined employee benefit asset/liability		(206,624)	(211,820)	(217,058)
<b>Cash generated from operating activities</b>		<b>3,337,438</b>	<b>4,228,677</b>	<b>1,552,679</b>
Interest paid		(306,256)	(385,050)	(397,529)
Income taxes paid		(81,500)	(219,128)	(37,279)
<b>Net cash from/(used in) operating activities</b>		<b>2,949,682</b>	<b>3,624,499</b>	<b>1,117,871</b>
<b>Cash flows from investing activities</b>				
Interest received		25,854	57,255	60,530
Proceeds from sale of property, plant and equipment and intangible assets		48,457	21,991	-
Proceeds from sale of investment property		488,588	-	-
Proceeds from repayments of loans issued		-	-	7,685
Acquisition of property, plant and equipment and intangible assets	14, 15	(7,238,778)	(270,714)	(1,432,757)
Loans issued	17	(4,315,000)	(2,000,000)	-
<b>Net cash used in investing activities</b>		<b>(10,990,879)</b>	<b>(2,191,468)</b>	<b>(1,364,542)</b>

For significant non-cash transactions relating to the purchase and sale of a property under finance lease refer to note 14 (leased plant and equipment).

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

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**Consolidated statement of cash flows (continued)**

For the year ended 31 December

<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and borrowings		5,836,723	1,089,534	228,883
Proceeds from grants and donations		-	127,252	20,032
Repayment of borrowings		(1,078,533)	(153,884)	(175,000)
Payment of finance lease liabilities		-	(258,055)	(241,804)
Dividends paid to the shareholders of the Parent		-	(12,919,221)	(97,919)
Dividends paid to NCIs		-	-	(35,405)
<b>Net cash from/(used in) financing activities</b>		<b>4,758,190</b>	<b>(12,114,374)</b>	<b>(301,213)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
Cash and cash equivalents at 1 January	18	5,356,758	15,008,191	15,677,318
Effect of movement in exchange rates on cash held		(25,135)	1,029,910	(121,243)
<b>Cash and cash equivalents at 31 December</b>	18	<b>2,048,616</b>	<b>5,356,758</b>	<b>15,008,191</b>

The accompanying notes on pages 15 to 60 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Management Board on 24 November 2017 and signed by



Thomas Rihm  
*Chairman of the Board*



Peter Partma  
*Board Member*



Patrick Rauh  
*Board Member*

Wettingen, 24 November 2017



## **Notes to the consolidated financial statements**

### **1. Reporting entity**

Felina International AG (the “Parent”) is a Corporation domiciled in Switzerland. The legal and postal address of the Company is Landstrasse 81a, 5430 Wettingen, Switzerland. These consolidated financial statements comprise the Parent and its subsidiaries (together referred to as the “Group”). The subsidiary companies consolidated with the Parent are detailed in Note 3.1 (i).

The Group is primarily involved in manufacturing, processing, wholesale and retail of lingerie products. At 31 December 2016, 100% of the Company’s shares were owned by palero acht Sarl. In June 2017, the ultimate parent company changed from palero acht Sarl to Platin 1503 GmbH. For more details on the change of the ultimate parent company refer to Note 29.

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements were authorised for issue by the Board of Directors on 24 November 2017.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group’s accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. For additional details on the principal sources of estimation uncertainty, refer to Note 4 on Use of judgments and estimates.

#### **2.2 First-time adoption of IFRS**

The financial statements for the year ended 31 December 2016 are the first consolidated financial statements the Group has prepared in accordance with IFRS and to present 2 years of comparative financial statements for the year ended 31 December 2015 and 2014 using same accounting policies in all 3 years.

In preparing these financial statements, the Group’s date of transition to IFRS is 1 January 2014. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group under previous GAAP is provided in Note 30.

#### **2.3 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost.

#### **Functional and presentation currency**

These consolidated financial statements are presented in euro, which is the Parent’s functional currency. All financial information presented in euro has been rounded to whole numbers.

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at 1 January 2014 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

#### **3.1 Basis of consolidation**

##### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the parent takes into consideration the potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated

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financial statements from the date that control commences until the date that control ceases. The reporting periods and dates of the financial statements of the Parent and the subsidiaries correspond to the reporting period and date of the consolidated financial statements. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The list of Parent's subsidiaries included in the consolidated financial statements was as follows:

Subsidiary	Place of incorporation and operations	Proportion of ownership interest at 31 December				Principal activity
		2016	2015	2014	01/01/2014	
Felina Italia S.r.l.	Italy	100%	100%	100%	100%	Retail and wholesale
Felina S.a r.l.	France	100%	100%	100%	100%	Retail
Felina Foundations Nederland B.V.	Netherlands	0%	100%	100%	100%	Wholesale Production and wholesale
Felina GmbH	Germany	100%	100%	100%	100%	Wholesale
Felina GmbH subsidiaries:						
Brigitte Wäschevertriebs GmbH	Germany	100%	100%	100%	100%	Wholesale
SKI Vertriebsgesellschaft für Unterbekleidung GmbH	Germany	0%	0%	100%	100%	Wholesale
Yessa Mode-Vertriebs GmbH	Germany	0%	0%	100%	100%	Retail
Felina Espana, S.L.	Spain	100%	100%	100%	100%	Wholesale
Felina Finanz AG	Switzerland	0%	100%	100%	100%	Finance
Felina Hungaria Kft.	Hungary	100%	100%	100%	96.28%	Production
Felina Hungaria Kft. Subsidiaries:						
Felina Zagreb d.o.o.	Croatia	0%	0%	100%	96.28%	Retail and wholesale
Felina Ukraine Tov.	Ukraine	0%	0%	90%	86.66%	Sewing services
Felina Polska Sp. z o.o.	Poland	100%	100%	100%	100%	Retail and wholesale
Felina CR, spol. s r.o.	Czech Republic	100%	100%	100%	100%	Retail
Felina Portugal, S.A.	Portugal	100%	100%	100%	100%	Wholesale
Conturelle Inc.	USA	100%	100%	100%	100%	Wholesale

**Felina Foundations Nederland B.V.**

On 17 November 2015, the shareholders of the Company decided to liquidate Felina Foundations Nederland B.V. Activities have been going on till 31 December 2015. On 14 January 2016 the tangible fixed assets and trade receivables at 31 December 2015 were transferred to Felina GmbH at book values. The activities were also transferred to Felina GmbH.

**Felina Finanz AG**

The Company was merged with Felina International AG in July 2016.

**SKI Vertriebsgesellschaft für Unterbekleidung GmbH**

The Company was merged with Brigitte Wäschevertriebs GmbH in August 2015.

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**Yessa Mode-Vertriebs GmbH**

The Company was merged with Brigitte Wäschevertriebs GmbH in August 2015.

**Felina Zagreb d.o.o.**

The liquidation process of Felina Zagreb d.o.o. commenced in 2012 and was completed in March 2015. As a result of liquidation, profit from the liquidation of subsidiary was recognised in the amount of EUR 163,680.

**Felina Ukraine Tov.**

Felina Ukraine Tov. ceased its activities in June 2015 and was liquidated on 24 October 2015. The Company sold all assets and repaid all liabilities. Share capital was repaid to the Parent Company - Felina Hungaria Kft.

*(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*(iii) Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(iv) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlled interest and other components of equity. Any resulting gain or loss is recognised in profit or loss.

**3.2 Foreign currency**

*(i) Presentation currency*

The Group consolidated financial statements are presented in euro, the functional currency of the Parent.

*(ii) Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

Closing exchange rates as of 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013 were as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>1 January 2014</b>
CHF/EUR	1.0739	1.0814	1.2024	1.2255
PLN/EUR	4.4240	4.2615	4.2623	4.1472
HUF/EUR	311.0200	313.1200	314.8900	296.9100
CZK/EUR	27.020	27.0250	27.7250	27.4250
USD/EUR	1.0546	1.0887	1.2164	1.3763

Average exchange rates for the years 2016, 2015 and 2014 were as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
CHF/EUR	1.0901	1.0681	1.2146
PLN/EUR	4.3624	4.1828	4.1853
HUF/EUR	311.3581	309.8810	308.5476
CZK/EUR	27.0376	27.2731	27.5355
USD/EUR	1.1066	1.1097	1.3270

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*(iii) Foreign operations*

Assets and liabilities of foreign operations are translated to euro at the exchange rates at the reporting date. Income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2014, the Group's date of transition to IFRSs, such differences have been recognised in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

**3.3 Revenue**

*(i) Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. Generally transfer occurs when the goods are collected from the seller's premises by the customer.

*(ii) Rendering of services*

The Group is involved in provision of cutting and garment sewing services. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

*(iii) Rental income*

Income from rent of premises is accounted for on a straight-line basis over the lease terms. The Group is renting out part of premises which are not used.

**3.4 Employee benefits**

*(i) Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*(ii) Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

*(iii) Defined benefit plans*

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest), are recognised immediately in other

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comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset), taking into account any changes in the defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss within finance income/costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### **3.5 Government grants**

The Group recognises government grants initially as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### **3.6 Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- fines and penalties received in relation to trade receivables late payment;
- fines and penalties paid in relation to trade payables late payment.

Interest income or expense is recognised using effective interest rate method.

### **3.7 Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

#### *(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

#### *(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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Unrecognised tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

### **3.8 Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials cost is measured according to the weighted average method. Work in progress and finished goods are carried at cost. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Write downs to net realizable value for obsolete and slow-moving inventories are recognized by the Group at the end of each reporting period.

### **3.9 Property, plant and equipment**

#### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### *(ii) Subsequent expenditure*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### *(iii) Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings	10-50 years
- Machinery and equipment	5-10 years
- Other fixed assets	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



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### **3.10 Intangible assets**

#### *(i) Recognition and measurement*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include software.

#### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### *(iii) Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful life of other intangible assets is 3-5 years. The Group does not hold intangible assets with indefinite useful lives.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **3.11 Investment property**

The property (land or a building) held by the Group for earning long-term rental yields or for capital appreciation, rather than its own operations, is recorded as investment property. Investment property is initially recognized in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is derecognized on disposal or when the asset is withdrawn from use and no future economic benefits are expected. Gains or losses from de-recognition of investment property are included within other operating income or other operating expenses in the profit and loss in the period in which de-recognition occurs. When the purpose of use of an investment property changes, the asset is reclassified in the statement of financial position. From the date of the change, the accounting policies of the Group into which the asset has been transferred are applied to the asset.

### **3.12 Financial instruments**

The Group classifies non-derivative financial assets as loans and receivables.

The Group classifies non-derivative financial liabilities as other financial liabilities.

#### *(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition*

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### *(ii) Non-derivative financial assets – Measurement*

Non-derivative financial assets comprise loans. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

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*(iii) Non-derivative financial liabilities – Measurement*

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**3.13 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

**3.14 Impairment**

*(i) Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

The Group considers evidence of impairment for financial assets measured at amortised cost at an individual asset level. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss within other operating expenses and reflected in an allowance account. Allowance for doubtful trade and other receivables is based on the ageing analysis and information on the financial position of the respective debtor, and recoverability of receivables. 100% allowance is created for receivables overdue more than 12 months and when the lawyers are engaged in the recoverability process.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

*(ii) Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (cash-generating unit – a group of machinery and equipment used in manufacturing of one type of product).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to the carrying amounts of assets in the cash-generating unit on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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### **3.15 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **3.16 Related parties**

Related parties, as defined by IAS 24: Related Party Disclosures, represent both legal entities and private individuals related to the Group in accordance with the following rules:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i) Has control or joint control over the reporting entity;
  - ii) Has significant influence over the reporting entity; or
  - iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii) Both entities are joint ventures of the same third party;
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi) The entity is controlled, or jointly controlled by a person identified in a);
  - vii) A person identified in a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### **3.17 Leases**

#### *(i) Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

#### *(ii) The Group as a lessee*

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

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*(iii) Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*(iv) The Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognised in other operating income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

**3.18 Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

**3.19 Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument, if available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**4. Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is described below.

**4.1 Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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#### **4.2 Deferred tax assets**

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in Note 13.

#### **4.3 Valuation of accounts receivable**

There are a number of significant risks and uncertainties inherent in the process of monitoring accounts receivable and determining if impairment exists. These risks and uncertainties include the risk that the Group's assessment of client's ability to meet all of its contractual obligations will change based on changes in its credit characteristics and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Further details are disclosed in Notes 17 and 26.

#### **4.4 Inventory**

In accordance with the Group's accounting policies, inventories are measured at the lower of cost and net realizable value. Accordingly, the management has to estimate the value of inventories whenever there are indications that the carrying amount of inventories may have decreased below their cost. If this has occurred, inventories are written down to their net realizable value, i.e., the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Further details are disclosed in Note 16.

### **5. Standards and amendments issued but not yet effective**

The following new and revised Standards and Interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements. Their impact on the consolidated financial statements of Felina International AG has not yet been systematically analyzed, unless indicated otherwise. A preliminary assessment has been conducted by Felina International AG management and the expected impact of each new or amended Standard and Interpretation is presented below.

#### *(i) IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Group's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Group's financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

#### *(ii) IFRS 9 Financial Instruments*

In July 2014, IASB released the full version of IFRS 9 Financial Instruments standard. The standard is effective for annual periods beginning on or after 1 January 2018 and is to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted. This Standard replaces IAS 39, *Financial Instruments: Recognition and measurement*.

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Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in other comprehensive income. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in other comprehensive income and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity’s risk management and hedging activities are required.

It is expected that the new Standard, when initially applied, will not have a significant impact on the financial statements of the Group. Based on its preliminary assessment, the Group expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortised cost under IFRS 9. It is expected that the new expected credit loss model under IFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application.

The Group is not yet able to quantify the expected impact that the initial application of IFRS 9 will have on its IFRS statements.

*(iii) IFRS 16 Leases*

The standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.

IFRS 16 supersedes IAS 17 *Leases* and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Group’s management started an initial assessment of the potential impact of the new standard on the consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and

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liabilities for its operating leases of machinery and equipment, vehicles and factory facilities. The Group is currently analysing the impact of currently classified operating leases. No significant impact is expected for the Group's finance leases.

*(iv) Amendments to IAS 7*

The amendments are effective for annual periods beginning on or after 1 January 2017 and are to be applied prospectively. Early application is permitted.

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements.

*(v) Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments are effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements because the Group already measures future taxable profit in a manner consistent with the Amendments.

*(vi) IFRIC 22 Foreign Currency Transactions and Advance Consideration*

IFRIC 22 is effective for annual periods beginning on or after 1 January 2018.

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

*(vii) IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

The Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments, addressing four specific issues:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity should make about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit or loss, tax bases, unused losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group does not expect to have uncertain tax treatments then.

*(viii) Annual Improvements to IFRSs*

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 *Disclosure of Interest in Other Entities* are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 *Investments in Associates*

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and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

None of these amendments are expected to have a significant impact on the consolidated financial statements of the Group.

**6. Revenue**

<i>In euros</i>	2016	2015	2014
Sales of goods	37,841,058	40,279,752	42,379,227
Rendering of services	158,363	160,589	49,070
Rental income from investment property	16,476	105,191	99,527
<b>Total</b>	<b>38,015,897</b>	<b>40,545,532</b>	<b>42,527,824</b>

**7. Other operating income**

<i>In euros</i>	2016	2015	2014
Rental income from property leases	911,714	866,810	958,850
Government grants	31,052	128,191	75,662
Proceeds from bad debts	18,421	52,940	36,680
Gain on sale of property, plant and equipment	4,738,444	14,526	18,415
Profit from liquidation of subsidiary	-	163,680	-
Other income from non-core activities	896,828	1,092,346	1,214,126
<b>Total</b>	<b>6,596,459</b>	<b>2,318,493</b>	<b>2,303,733</b>

**8. Raw materials and services**

<i>In euros</i>	2016	2015	2014
Raw materials and consumables	9,517,402	10,755,810	13,349,762
External services	1,342,973	802,068	1,589,299
Purchases of ready garments	494,908	335,428	82,447
<b>Total</b>	<b>11,355,283</b>	<b>11,893,306</b>	<b>15,021,508</b>

**9. Employee benefits expense**

<i>In euros</i>	2016	2015	2014
Wages and salaries	11,312,530	13,658,993	12,551,562
Social security contributions	2,348,597	2,585,368	2,653,438
Expenses related to post-employment defined benefit plans	39,839	48,117	26,989
Other employee benefits	656,391	696,169	883,024
<b>Total</b>	<b>14,357,357</b>	<b>16,988,647</b>	<b>16,115,013</b>



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**10. Other operating expenses**

<i>In euros</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Utilities		459,268	279,347	401,997
Rents		1,130,987	1,537,122	1,652,403
Sales and marketing		2,370,886	2,663,704	3,491,634
Professional services		593,260	397,376	438,251
Repair and maintenance		499,944	641,575	595,240
Storage, transportation and packaging		1,537,191	1,866,077	1,582,091
Travel expenses		433,788	506,175	541,446
Loss on disposal of property, plant and equipment and intangible assets		1,563	40,290	25,371
Change in allowance for impairment of trade and other receivables	17	95,159	177,268	604,545
Change in write downs to net realizable value for obsolete and slow-moving inventories	16	(496,183)	1,688,682	239,372
Management fees		401,742	534,060	-
Other operating expenses		4,051,934	3,206,007	3,652,135
<b>Total</b>		<b>11,079,539</b>	<b>13,537,683</b>	<b>13,224,485</b>

**11. Finance income**

<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Interest income on loans	186,603	45,213	24,934
Interest income on trade and other receivables	9,772	10,696	26,142
Interest income on bank balances and deposits	274	1,346	9,454
Foreign exchange gains	37,092	1,222,882	122,330
Penalties, compensations received	27,527	226	710
<b>Total</b>	<b>261,268</b>	<b>1,280,363</b>	<b>183,570</b>

**12. Finance costs**

<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Interest expense on financial liabilities measured at amortised cost	306,256	385,050	397,529
Fines and penalties	441	1,620	3,604
Foreign exchange losses	118,223	223,625	471,995
Unwind of discounts on defined benefit liability	86,059	81,919	127,403
Other finance costs	169,119	926	4,200
<b>Total</b>	<b>680,098</b>	<b>693,140</b>	<b>1,004,731</b>

**13. Income tax expense**

The income tax rate applied to the Parent in 2014-2016 was 7.83%.

The income tax rate applied to the German subsidiaries in 2014-2015 was 30.9% and in 2016 – 30.875%. German income tax was made up of corporation tax of 15.825% in 2014-2016 (including the solidarity surcharge of 5.5%) and the trade tax of 15.075% in 2014-2015 and 15.05% in 2016. Trade tax is a local municipal income tax in Germany.

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The major components of income tax expense for the years ended 31 December are:

<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Current tax expense</b>			
Current year	931,532	174,136	222,874
Changes in estimates related to prior years	9,382	11,202	(78,541)
<b>Deferred tax expense/(benefit)</b>			
Origination and reversal of temporary differences	(629,717)	84,571	418,123
Reduction in tax rate	(19,587)	-	-
Recognition of previously unrecognised tax losses	(1,580,563)	(86,842)	(56,791)
Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	(298,799)	19,107	11,713
<b>Income tax expense/(benefit) reported in profit or loss</b>	<b>(1,587,752)</b>	<b>202,174</b>	<b>517,378</b>

Reconciliation between tax expense and the product of accounting profit multiplied by the Group's weighted average tax rate of 29.6% for the year ended 31 December 2016 (31 December 2015: 33.4%; 31 December 2014: 34.8%) is presented in the table below. The weighted average tax rate of the Group changed mainly due to the change in profitability of the Group's entities in the respective countries.

<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Profit/(loss) before tax</b>	<b>5,818,433</b>	<b>(2,741,973)</b>	<b>(733,787)</b>
Tax using the Group's weighted average tax rate	1,722,256	(915,819)	(255,358)
Effect of tax rates in foreign jurisdictions	(99,170)	(193,961)	(116,620)
Tax effect of:			
Non-deductible expenses	50,355	172,782	453,903
Tax-exempt income	(126,212)	(71,292)	(163,804)
Current year losses for which no deferred tax asset is recognised	29,102	1,348,345	729,634
Recognition of previously unrecognised tax losses	(1,580,563)	(86,842)	(56,791)
Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	(298,799)	19,107	11,713
Previously unrecognised deferred tax			
Changes in estimates related to prior years	(5,172)	(1,928)	(9,140)
Unrecognised temporary differences	-	(7,677)	(35,952)
Utilisation of tax losses, previously unrecognised	(1,279,878)	(37,178)	(19,793)
Tax incentives			
Other differences	329	(23,363)	(20,414)
<b>Income tax expense/(benefit) reported in profit or loss</b>	<b>(1,587,752)</b>	<b>202,174</b>	<b>517,378</b>

Amounts recognised in OCI:

<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Remeasurements of defined benefit liability	(166,598)	-	-
<b>Total</b>	<b>(166,598)</b>	<b>-</b>	<b>-</b>

Movements in deferred tax balances are as follows:

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2016	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Other	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
<i>In euros</i>							
Property, plant and equipment	(2,037,450)	1,913,914	-	(1,006)	(124,542)	36	(124,578)
Inventories	273,311	(50,575)	-	(83)	222,653	245,364	(22,711)
Loans and other receivables	122,765	(19,247)	-	226	103,744	103,744	-
Employee benefits	-	302,932	166,598	-	469,530	469,530	-
Provisions	(777,750)	684,643	-	(21)	(93,128)	122,588	(215,716)
Loans and lease liability	1,910,887	(1,894,654)	-	(101)	16,132	16,152	(20)
Deferred income	(61,405)	9,902	-	(414)	(51,917)	-	(51,917)
Tax losses carried forward	1,420,669	1,581,751	-	-	3,002,420	3,002,420	-
Tax assets (liabilities) before set-off					3,544,892	3,959,834	(414,942)
Set-off of tax					-	(208)	208
<b>Net tax assets (liabilities)</b>	<b>851,027</b>	<b>2,528,666</b>	<b>166,598</b>	<b>(1,399)</b>	<b>3,544,892</b>	<b>3,959,626</b>	<b>(414,734)</b>
2015	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Other	Balance at 31 December		
<i>In euros</i>					Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(2,077,337)	40,710	-	(823)	(2,037,450)	1,066	(2,038,516)
Investment property	(1,545)	1,545	-	-	-	-	-
Inventories	260,848	12,464	-	(1)	273,311	304,460	(31,149)
Loans and other receivables	115,611	6,430	-	724	122,765	122,765	-
Provisions	(678,540)	(99,210)	-	-	(777,750)	-	(777,750)
Loans and lease liability	1,977,607	(66,721)	-	1	1,910,887	1,910,971	(84)
Deferred income	(69,892)	8,882	-	(395)	(61,405)	-	(61,405)
Tax losses carried forward	1,341,591	79,064	-	14	1,420,669	1,420,669	-
<b>Net tax assets (liabilities)</b>	<b>868,343</b>	<b>(16,836)</b>	<b>-</b>	<b>(480)</b>	<b>851,027</b>	<b>3,759,931</b>	<b>(2,908,904)</b>

The Group did not offset deferred tax assets and liabilities in 2015.

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2014 <i>In euros</i>	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Other	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(2,140,804)	54,129	-	9,338	(2,077,337)	2,516	(2,079,853)
Investment property	-	(1,545)	-	-	(1,545)	-	(1,545)
Inventories	284,824	(23,974)	-	(2)	260,848	291,658	(30,810)
Loans and other receivables	84,501	31,990	-	(880)	115,611	115,611	-
Provisions	(249,000)	(429,300)	-	(240)	(678,540)	-	(678,540)
Loans and lease liability	2,050,967	(73,337)	-	(23)	1,977,607	1,977,772	(165)
Deferred income	(91,934)	16,793	-	5,249	(69,892)	-	(69,892)
Tax losses carried forward	1,289,681	52,199	-	(289)	1,341,591	1,341,591	-
Tax assets (liabilities) before set-off					868,343	3,729,148	(2,860,805)
Set-off of tax					-	(14,441)	14,441
<b>Net tax assets (liabilities)</b>	<b>1,228,235</b>	<b>(373,045)</b>	<b>-</b>	<b>13,153</b>	<b>868,343</b>	<b>3,714,707</b>	<b>(2,846,364)</b>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Tax losses for which deferred tax asset was recognised expire as follows:

**Corporate tax**

<i>In euros</i>	31 December 2016	Expiry period 2017- 2029	31 December 2015	Expiry period 2017	31 December 2014	Expiry period 2016- 2017	1 January 2014	Expiry period 2016
Expire	1,928		741		8,506		7,539	
Never expire	1,564,239		727,426		682,936		656,838	
<b>Total</b>	<b>1,566,167</b>		<b>728,167</b>		<b>691,442</b>		<b>664,377</b>	

**Trade tax**

<i>In euros</i>	31 December 2016	Expiry period	31 December 2015	Expiry period	31 December 2014	Expiry period	1 January 2014	Expiry period
Expire								
Never expire	1,436,253		692,502		650,149		625,304	
<b>Total</b>	<b>1,436,253</b>		<b>692,502</b>		<b>650,149</b>		<b>625,304</b>	

No deferred tax was recognised in 2014-2016 by loss-making companies, as it was not probable that future taxable profit will be available against which they can use the benefits therefrom. Deferred tax assets haven't been recognised in respect of the following items:

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**Corporate tax**

<i>In euros</i>	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Deductible temporary differences	-	289,094	289,094	193,346
Tax losses	2,998,592	12,724,525	12,925,779	10,085,459
<b>Total</b>	<b>2,998,592</b>	<b>13,013,619</b>	<b>13,214,873</b>	<b>10,278,805</b>

Deferred tax assets for tax losses for which no deferred tax asset was recognised expire as follows:

<i>In euros</i>	31 December 2016	Expiry period	31 December 2015	Expiry period	31 December 2014	Expiry period	1 January 2014	Expiry period
Expire	-		1,988,111	2017-2022	1,974,078	2017-2021	1,124,818	2017-2020
Never expire	2,998,592		10,736,414		10,951,701		8,960,641	
<b>Total</b>	<b>2,998,592</b>		<b>12,724,525</b>		<b>12,925,779</b>		<b>10,085,459</b>	

**Trade tax**

<i>In euros</i>	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Deductible temporary differences	-	234,614	275,215	184,063
Tax losses	-	7,835,409	7,979,237	6,615,609
<b>Total</b>	<b>-</b>	<b>8,070,023</b>	<b>8,254,452</b>	<b>6,799,672</b>

Tax losses for which no deferred tax asset was recognised expire as follows.

<i>In euros</i>	31 December 2016	Expiry period	31 December 2015	Expiry period	31 December 2014	Expiry period	1 January 2014	Expiry period
Expire	-		-		-		-	
Never expire	-		7,835,409		7,979,237		6,615,609	
<b>Total</b>	<b>-</b>		<b>7,835,409</b>		<b>7,979,237</b>		<b>6,615,609</b>	

Tax losses for which no deferred tax was recognised have arisen in companies that have been loss making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

There are no income tax consequences attached to the payment of dividends in 2016, 2015 or 2014 by the Group to its shareholders.

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**14. Property, plant and equipment**

<i>In euros</i>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Other property, plant and equipment</b>	<b>Property, plant and equipment under construction</b>	<b>Total</b>
<b>Cost</b>					
At 1 January 2014	12,428,615	4,310,429	6,696,558	52,062	23,487,664
Additions	245,706	172,016	859,546	-	1,277,268
Transfers	-	-	52,062	(52,062)	-
Disposals	-	(3,785)	(164,527)	-	(168,312)
Effect of movements in exchange rates	(192,219)	(193,510)	(58,752)	-	(444,481)
<b>At 31 December 2014</b>	<b>12,482,102</b>	<b>4,285,150</b>	<b>7,384,887</b>	<b>-</b>	<b>24,152,139</b>
Additions	40,324	38,355	154,570	-	233,249
Disposals	-	(62,835)	(360,078)	-	(422,913)
Effect of movements in exchange rates	18,876	18,972	4,289	-	42,137
<b>At 31 December 2015</b>	<b>12,541,302</b>	<b>4,279,642</b>	<b>7,183,668</b>	<b>-</b>	<b>24,004,612</b>
Additions	7,250	20,192	201,943	-	229,385
Disposals	(8,994,636)	-	(843,636)	-	(9,838,272)
Effect of movements in exchange rates	22,900	22,624	(6,125)	-	39,399
<b>At 31 December 2016</b>	<b>3,576,816</b>	<b>4,322,458</b>	<b>6,535,850</b>	<b>-</b>	<b>14,435,124</b>
<b>Accumulated depreciation</b>					
At 1 January 2014	3,513,553	3,463,537	4,885,722	-	11,862,812
Depreciation	246,298	185,696	724,555	-	1,156,549
Disposals	-	(3,785)	(164,463)	-	(168,248)
Effect of movements in exchange rates	(50,179)	(145,879)	(43,671)	-	(239,729)
<b>At 31 December 2014</b>	<b>3,709,672</b>	<b>3,499,569</b>	<b>5,402,143</b>	<b>-</b>	<b>12,611,384</b>
Depreciation	246,241	147,890	662,055	-	1,056,186
Disposals	-	(51,490)	(324,245)	-	(375,735)
Effect of movements in exchange rates	5,249	14,614	6,508	-	26,371
<b>At 31 December 2015</b>	<b>3,961,162</b>	<b>3,610,583</b>	<b>5,746,461</b>	<b>-</b>	<b>13,318,206</b>
Depreciation	187,085	129,833	599,204	-	916,122
Disposals	(2,958,969)	-	(472,100)	-	(3,431,069)
Effect of movements in exchange rates	6,980	18,168	(5,759)	-	19,389
<b>At 31 December 2016</b>	<b>1,196,258</b>	<b>3,758,584</b>	<b>5,867,806</b>	<b>-</b>	<b>10,822,648</b>
<b>Carrying amounts</b>					
At 1 January 2014	8,915,062	846,892	1,810,836	52,062	11,624,852
<b>At 31 December 2014</b>	<b>8,772,430</b>	<b>785,581</b>	<b>1,982,744</b>	<b>-</b>	<b>11,540,755</b>
<b>At 31 December 2015</b>	<b>8,580,140</b>	<b>669,059</b>	<b>1,437,207</b>	<b>-</b>	<b>10,686,406</b>
<b>At 31 December 2016</b>	<b>2,380,558</b>	<b>563,874</b>	<b>668,044</b>	<b>-</b>	<b>3,612,476</b>

**Leased plant and equipment**

The Group leased a building under a finance lease agreement in Germany during 2014-2015 and 9 months of 2016. The leased building had the following net carrying amounts: as at 31 December 2015: EUR 6,115,637; as at 31 December

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2014: EUR 6,259,072; as at 1 January 2014: EUR 6,402,506. In 2016 the Group used its right under the finance lease agreement to purchase the building at the end of the lease term. The purchase price was EUR 6,953,653. As a result finance lease liability in the amount of EUR 6,017,394 was derecognised from the consolidated statement of financial position. Finance lease liability derecognition was a non-cash transaction. Subsequently the building was sold to the party related to the shareholder for EUR 11,500,000 and leased back by the Group under the operating lease agreement. The proceeds from the sale of the building were received by the Group in 2017.

**15. Intangible assets**

<i>In euros</i>	<b>Software</b>
<b>Cost</b>	
At 1 January 2014	5,441,457
Additions	155,489
Effect of movements in exchange rates	(57,522)
<b>At 31 December 2014</b>	<b>5,539,424</b>
Additions	37,465
Disposals	(136,246)
Effect of movements in exchange rates	5,465
<b>At 31 December 2015</b>	<b>5,446,108</b>
Additions	55,740
Disposals	(40,939)
Effect of movements in exchange rates	5,535
<b>At 31 December 2016</b>	<b>5,466,444</b>
<b>Accumulated depreciation</b>	
At 1 January 2014	4,177,097
Amortisation	507,977
Effect of movements in exchange rates	(54,163)
<b>At 31 December 2014</b>	<b>4,630,911</b>
Amortisation	509,465
Disposals	(135,669)
Effect of movements in exchange rates	5,131
<b>At 31 December 2015</b>	<b>5,009,838</b>
Amortisation	316,814
Disposals	(40,809)
Effect of movements in exchange rates	5,123
<b>At 31 December 2016</b>	<b>5,290,966</b>
<b>Carrying amounts</b>	
At 1 January 2014	1,264,360
<b>At 31 December 2014</b>	<b>908,513</b>
<b>At 31 December 2015</b>	<b>436,270</b>
<b>At 31 December 2016</b>	<b>175,478</b>

**16. Inventories**

<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>1 January 2014</b>
Raw materials and consumables	4,390,854	5,070,238	5,263,397	5,089,596
Work in progress	731,963	767,500	1,119,027	1,112,543
Finished goods	5,942,462	6,260,170	8,124,638	6,834,350
Write downs of inventories	(2,978,377)	(3,474,997)	(1,786,214)	(1,546,909)
<b>Inventories</b>	<b>8,086,902</b>	<b>8,622,911</b>	<b>12,720,848</b>	<b>11,489,580</b>

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The following inventories were recognised as an expense during 2016: EUR 10,012,310; 2015: EUR 11,091,238 and 2014: EUR 13,432,209 and included in 'raw materials and consumables'.

Movement in write downs of inventories:

<i>In euros</i>	2016	2015	2014
<b>Cumulative write downs at 1 January</b>	3,474,997	1,786,214	1,546,909
Additional write downs recognized	14,535	1,694,252	240,635
Write downs released	(510,718)	(5,570)	(1,263)
Effect of movements in exchange rates	(437)	101	(67)
<b>Cumulative write downs at 31 December</b>	<b>2,978,377</b>	<b>3,474,997</b>	<b>1,786,214</b>

In 2015, the Group stopped the production of the brand Un:usual. As a result the Group recognised a write down for the full amount of the products under this brand which were in stock at 31 December 2015 and additionally for raw materials used for the production of those products. During 2016, the stock of the inventory was sold which resulted in the release of write downs.

### 17. Trade and other receivables

<i>In euros</i>	2016	2015	2014	1 January 2014
<b>Financial trade and other receivables</b>				
Loans to related parties	6,515,713	2,029,918	-	-
Loans to third parties	-	-	216,031	223,716
Trade receivables	5,202,216	5,501,318	7,947,954	8,502,280
Other receivables from related parties	11,500,000	-	-	-
Other receivables from third parties	465,239	413,027	517,296	471,192
Allowance for trade and other receivables	(812,628)	(934,205)	(1,392,439)	(989,047)
<b>Non-financial trade and other receivables</b>				
VAT receivable	198,933	196,676	396,770	425,022
Social contributions receivable	44,005	861	699	849
Other taxes receivable	38,000	73,246	43,046	26,939
<b>Total</b>	<b>23,151,478</b>	<b>7,280,841</b>	<b>7,729,357</b>	<b>8,660,951</b>
Non-current	-	2,029,918	-	-
Current	23,151,478	5,250,923	7,729,357	8,660,951
<b>Total</b>	<b>23,151,478</b>	<b>7,280,841</b>	<b>7,729,357</b>	<b>8,660,951</b>

In July 2015, EUR 2,000,000 loan was issued to the shareholder of the Group. According to the loan agreement the loan matures in 2017 and carries the interest rate of 3.5% per annum. EUR 4,315,000 was additionally issued to the shareholder in 2016 under same maturity and interest rate terms.

Other receivables from related parties in the amount of EUR 11,500,000 include proceeds receivable from the sale of the building in Germany. For terms and conditions relating to related party receivables, refer to Note 28.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 26.



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**18. Cash and cash equivalents**

<i>In euros</i>	2016	2015	2014	1 January 2014
Cash on hand	35,007	35,503	40,151	53,689
Bank balances	2,013,609	5,282,862	14,912,675	15,495,259
Short-term bank deposits	-	38,393	55,365	128,370
<b>Cash and cash equivalents</b>	<b>2,048,616</b>	<b>5,356,758</b>	<b>15,008,191</b>	<b>15,677,318</b>

**19. Capital and reserves**

**Share capital**

	2016	2015	2014	1 January 2014
Share capital, EUR	1,663,410	1,663,410	1,663,410	1,663,410
Registered share capital, CHF	2,000,000	2,000,000	2,000,000	2,000,000
Number of ordinary shares	2,000	2,000	2,000	2,000
Nominal value of one share, CHF	1,000	1,000	1,000	1,000

The Parent Company has one series of shares. All shares have equal rights to dividends and the Parent Company's residual assets. At 1 January 2014 the registered share capital of the Parent Company was CHF 2,000,000 and the number of shares was 2,000 with a nominal value of CHF 1,000. No changes in share capital occurred during the years 2014-2016.

**Nature and purpose of reserves**

*Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

*Legal reserve*

Legal reserve is formed out of earned profits of Felina International AG. 5% of the annual profit is allocated to legal reserve until the reserve reaches the level of 20% of the paid in share capital. The reserve is non-distributable and may be used to cover accumulated losses.

**Dividends**

Declared dividends per share amounted to EUR 6,459.61 in 2015 and EUR 48.96 in 2014. Dividends in the amount EUR 12,919,221 and EUR 97,919 were declared and paid after 31 December 2014 and 1 January 2014 respectively.

**20. Capital management**

Capital includes total equity including non-controlling interest.

The aim of the Group's capital management is to support business operations with an optimal capital structure by ensuring normal resources for operations and increasing shareholder value with the goal of generating the best possible return.

The Group monitors capital using a gearing ratio, which is adjusted net debt divided by total equity. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents.

The Group's policy is to keep the ratio below 2.00. The Group's adjusted net debt to equity ratio at reporting dates was as follows:

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<i>In euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>1 January 2014</b>
Total liabilities	17,153,533	19,656,173	19,708,418	18,044,526
Less: cash and cash equivalents	(2,048,616)	(5,356,758)	(15,008,191)	(15,677,318)
<b>Adjusted net debt</b>	<b>15,104,917</b>	<b>14,299,415</b>	<b>4,700,227</b>	<b>2,367,208</b>
<b>Total equity</b>	<b>24,369,525</b>	<b>16,982,586</b>	<b>32,622,707</b>	<b>35,024,961</b>
<b>Adjusted net debt to equity ratio</b>	<b>0.62</b>	<b>0.84</b>	<b>0.14</b>	<b>0.07</b>

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016, 2015 and 2014.

## **21. Net employee defined benefit liability**

The Group contributes to the post-employment defined benefit plan in Germany. The plan was established on 31 December 1984 and entitled each member of staff, who was employed as of that date and who had joined the Company before 5 March 1982, to the right for the Company pension benefits. The following types of pension benefits are granted:

- Retirement pension
- Early retirement pension
- Occupational or permanent disability pension
- Widow's widower's and orphan's pension.

Pension benefits are only granted if the pension beneficiary has completed an eligible service period of at least 10 years. The age limit is the completed 65<sup>th</sup> year of life. The eligible service period is viewed to be the time the employee has spent in the company without interruption since joining the company. Years of service are no longer credited once the employee reaches his or her 65<sup>th</sup> birthday. The pension scheme was closed to new hires starting from 1 March 1996.

Furthermore a minor plan has been established in Switzerland. The defined benefit plans are administered by pension funds that are legally separated from the Group. The boards of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies (investment, contribution and indexation policies) of the fund.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2016, 31 December 2015, 31 December 2014 or 1 January 2014.

The Group expects to pay EUR 230,000 in contributions to its defined benefit plans in 2017.

### **Movement in net defined benefit liability**

The following table shows a reconciliation from the opening balances to the closing balance for the net defined benefit liability and its components.

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<i>In euros</i>	Defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<b>Balance at 1 January 2014</b>	<b>5,231,089</b>	<b>(1,176,417)</b>	<b>4,054,672</b>
<b>Included in profit or loss</b>			
Current service cost	25,208	-	25,208
Administration expenses	-	2,495	2,495
Interest cost (income)	144,929	(18,240)	126,689
	<b>170,137</b>	<b>(15,745)</b>	<b>154,392</b>
<b>Included in other comprehensive income</b>			
Remeasurement loss (gain):			
- Actuarial loss (gain) arising from financial assumptions	913,372	-	913,372
- Actuarial loss (gain) arising from experience adjustment	105,658	-	105,658
- Return on plan assets excluding interest income	-	855	855
Effect of movements in exchange rates	19,337	(19,266)	71
	<b>1,038,367</b>	<b>(18,411)</b>	<b>1,019,956</b>
<b>Other</b>			
Contributions paid by the employer/employee	(173,413)	(70,705)	(244,118)
Benefits paid	24,635	(24,635)	-
	<b>(148,778)</b>	<b>(95,340)</b>	<b>(244,118)</b>
<b>Balance at 31 December 2014</b>	<b>6,290,815</b>	<b>(1,305,913)</b>	<b>4,984,902</b>
<b>Included in profit or loss</b>			
Current service cost	42,441	-	42,441
Administration expenses	-	2,759	2,759
Interest cost (income)	92,028	(7,192)	84,836
	<b>134,469</b>	<b>(4,433)</b>	<b>130,036</b>
<b>Included in other comprehensive income</b>			
Remeasurement loss (gain):			
- Actuarial loss (gain) arising from financial assumptions	(84,370)	-	(84,370)
- Actuarial loss (gain) arising from experience adjustment	(159,974)	-	(159,974)
- Return on plan assets excluding interest income	-	2,328	2,328
Effect of movements in exchange rates	150,327	(120,116)	30,211
	<b>(94,017)</b>	<b>(117,788)</b>	<b>(211,805)</b>
<b>Other</b>			
Contributions paid by the employer/employee	(184,186)	(75,749)	(259,935)
Benefits paid	(126,040)	126,040	-
	<b>(310,226)</b>	<b>50,291</b>	<b>(259,935)</b>
<b>Balance at 31 December 2015</b>	<b>6,021,041</b>	<b>(1,377,843)</b>	<b>4,643,198</b>

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<b>Included in profit or loss</b>			
Current service cost	35,528	-	35,528
Administration expenses	-	1,932	1,932
Interest cost (income)	91,406	(2,968)	88,438
	<b>126,934</b>	<b>(1,036)</b>	<b>125,898</b>
<b>Included in other comprehensive income</b>			
Remeasurement loss (gain):			
- Actuarial loss (gain) arising from financial assumptions	592,343	-	592,343
- Actuarial loss (gain) arising from experience adjustment	(117,505)	-	(117,505)
- Return on plan assets excluding interest income	-	(395,063)	(395,063)
Effect of movements in exchange rates	1,150	(893)	257
	<b>475,988</b>	<b>(395,956)</b>	<b>80,032</b>
<b>Other</b>			
Contributions paid by the employer/employee	(187,817)	(58,646)	(246,463)
Benefits paid	(138,687)	138,687	-
	<b>(326,504)</b>	<b>80,041</b>	<b>(246,463)</b>
<b>Balance at 31 December 2016</b>	<b>6,297,459</b>	<b>(1,694,794)</b>	<b>4,602,665</b>

**Plan assets**

Plan assets comprise the following:

<i>In euros</i>	2016	2015	2014	1 January 2014
Equity securities:				
- Consumer markets	209,484	148,504	135,700	93,630
- Pharmaceuticals	83,192	58,975	53,890	37,182
- Financial institutions	119,619	84,799	77,487	53,464
- Telecoms	64,576	45,778	41,831	28,863
- Other	24,843	17,640	16,177	45,029
Government bonds	125,005	123,382	111,241	156,301
Property	409,919	291,211	283,499	244,858
Corporate bonds	410,686	362,736	398,035	308,098
Alternative investments	78,724	61,570	2,954	20,113
Pension insurance	157,214	163,453	169,646	175,771
Other	11,532	19,795	15,453	13,108
<b>Total fair value of plan assets</b>	<b>1,694,794</b>	<b>1,377,843</b>	<b>1,305,913</b>	<b>1,176,417</b>

**Defined benefit obligation**

**Actuarial assumptions**

The following were the principal actuarial assumptions at the reporting date (Expressed as weighted averages) for the pension plan in Switzerland.

	2016	2015	2014	1 January 2014
Discount rate	0.60%	0.75%	1.05%	2.35%
Future salary growth	1.00%	1.00%	1.00%	1.00%
Future pension growth	0.00%	0.00%	0.00%	0.00%

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Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2016	2015	2014	1 January 2014
<b>Longevity at age 65 for current pensioners</b>				
Males	22	22	22	22
Females	24	24	24	24
<b>Longevity at age 65 for current members aged 45</b>				
Males	24	24	24	24
Females	26	26	26	26

The following were the principal actuarial assumptions at the reporting date (Expressed as weighted averages) for the pension plan in Germany.

	2016	2015	2014	1 January 2014
Discount rate	1.38%	1.87%	1.62%	2.99%
Future salary growth	0.00%	0.00%	0.00%	0.00%
Future pension growth	1.40%	1.40%	1.40%	1.40%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2016	2015	2014	1 January 2014
<b>Longevity at age 63 for current pensioners</b>				
Males	21	21	21	21
Females	25	25	25	25
<b>Longevity at age 63 for current members aged 51</b>				
Males	22	22	22	22
Females	26	26	26	26

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2016		2015	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(652,984)	667,955	(641,732)	706,678
Future salary growth (1% movement)	3,226	(3,778)	9,456	(6,536)
Future pension growth (1% movement)	524,109	(372,866)	568,525	(396,896)
Future mortality trend rate (1% movement)	(43,997)	44,093	(42,354)	42,399
	2014		1 January 2014	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(673,483)	828,173	(511,845)	619,706
Future salary growth (1% movement)	4,188	(3,745)	2,883	(2,598)
Future pension growth (1% movement)	609,605	(417,800)	465,352	(339,500)
Future mortality trend rate (1% movement)	(46,309)	46,414	(36,073)	36,196

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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**22. Provisions**

<i>In euros</i>	<b>Restructuring provision</b>	<b>Provision for returns</b>	<b>Jubilee provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	-	112,575	135,000	145,712	<b>393,287</b>
Provisions made during the year	-	-	43,245	31,000	74,245
Provisions used during the year	-	-	(22,245)	(25,720)	(47,965)
Provisions reversed during the year	-	(3,000)	-	(41,521)	(44,521)
<b>Balance at 31 December 2014</b>	-	<b>109,575</b>	<b>156,000</b>	<b>109,471</b>	<b>375,046</b>
Non-current	-	-	156,000	-	156,000
Current	-	109,575	-	109,471	219,046
	-	<b>109,575</b>	<b>156,000</b>	<b>109,471</b>	<b>375,046</b>

<i>In euros</i>	<b>Restructuring provision</b>	<b>Provision for returns</b>	<b>Jubilee provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at 31 December 2014</b>	-	<b>109,575</b>	<b>156,000</b>	<b>109,471</b>	<b>375,046</b>
Provisions made during the year	579,085	203,000	-	51,640	833,725
Provisions used during the year	(57,649)	-	(6,015)	(21,403)	(85,067)
Provisions reversed during the year	-	-	(7,985)	(22,143)	(30,128)
<b>Balance at 31 December 2015</b>	<b>521,436</b>	<b>312,575</b>	<b>142,000</b>	<b>117,565</b>	<b>1,093,576</b>
Non-current	-	-	142,000	-	142,000
Current	521,436	312,575	-	117,565	951,576
	<b>521,436</b>	<b>312,575</b>	<b>142,000</b>	<b>117,565</b>	<b>1,093,576</b>

<i>In euros</i>	<b>Restructuring provision</b>	<b>Provision for returns</b>	<b>Jubilee provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at 31 December 2015</b>	<b>521,436</b>	<b>312,575</b>	<b>142,000</b>	<b>117,565</b>	<b>1,093,576</b>
Provisions made during the year	-	251,575	40,223	153,308	445,106
Provisions used during the year	(421,298)	(164,866)	(27,223)	(51,040)	(664,427)
Provisions reversed during the year	-	(37,134)	-	-	(37,134)
<b>Balance at 31 December 2016</b>	<b>100,138</b>	<b>362,150</b>	<b>155,000</b>	<b>219,833</b>	<b>837,121</b>
Non-current	-	-	155,000	-	155,000
Current	100,138	362,150	-	219,833	682,121
	<b>100,138</b>	<b>362,150</b>	<b>155,000</b>	<b>219,833</b>	<b>837,121</b>

**Restructuring**

The provision for restructuring relates to Felina GmbH and the Company's restructuring plans. The costs provided include staff redundancy and cancellation of rental contracts.

**Provision for returns**

The provision relates to Felina GmbH. According to the agreements with customers the Company has an obligation to repurchase back part of the goods which were not sold by the customer by the end of the season.

**Jubilee provision**

Jubilee provision relates to Felina GmbH. When an employee of the Company reaches the jubilee of 25 or 40 years of staff membership, the Company grants a payment of 100% and 150% of the gross salary for 25 and 40 years of the jubilee membership respectively.

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**Other provisions**

Other provisions include provisions for payments to customers for advertising and promotion, provisions for legal cases, provisions related to the office relocation and other minor provisions.

**23. Loans and borrowings**

<i>In euros</i>	2016	2015	2014	1 January 2014
<b>Non-current liabilities</b>				
Finance lease liabilities	-	-	6,084,438	6,342,493
<b>Total</b>	-	-	<b>6,084,438</b>	<b>6,342,493</b>
<b>Current liabilities</b>				
Short-term secured bank loans	5,500,000	-	25,000	100,000
Short-term unsecured loans	347,723	1,089,533	128,883	-
Current portion of finance lease liabilities	-	6,084,438	258,055	241,804
<b>Total</b>	<b>5,847,723</b>	<b>7,173,971</b>	<b>411,938</b>	<b>341,804</b>

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 26.

**Terms and repayment schedule**

The terms and conditions of outstanding loans are as follows:

<i>In euros</i>	Currency	Nominal interest rate	Year of maturity	31 December 2016		31 December 2015	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Secured bank loan	EUR	1.8%	2017	5,500,000	5,500,000	-	-
Unsecured bank loan	EUR	2.5%	2017	336,723	336,723	-	-
Unsecured bank loan	EUR	3 euribor+2.8%	2017	11,000	11,000	1,089,533	1,089,533
Finance lease liabilities	EUR	6.15%	2016	-	-	6,175,903	6,084,438
<b>Total interest- bearing liabilities</b>				<b>5,847,723</b>	<b>5,847,723</b>	<b>7,265,436</b>	<b>7,173,971</b>

<i>In euros</i>	Currency	Nominal interest rate	Year of maturity	31 December 2014		1 January 2014	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Secured bank loan	EUR	3m euribor +4.25%	2015	25,000	25,000	-	-
Secured bank loan	EUR	3m euribor +3.50%	2014	-	-	100,000	100,000
Unsecured bank loan	EUR	6.983%	2015	128,883	128,883	-	-
Finance lease liabilities	EUR	6.15%	2016	6,809,597	6,342,493	7,441,939	6,584,297
<b>Total interest- bearing liabilities</b>				<b>6,963,480</b>	<b>6,496,376</b>	<b>7,541,939</b>	<b>6,684,297</b>

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**Finance lease liabilities**

Finance lease liabilities are payable as follows:

<i>In euros</i>	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	2016	2015	2016	2015	2016	2015
Less than one year	-	6,175,903	-	91,465	-	6,084,438
Between one and five years	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>6,175,903</b>	<b>-</b>	<b>91,465</b>	<b>-</b>	<b>6,084,438</b>

<i>In euros</i>	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	31		31		31	
	December 2014	1 January 2014	December 2014	1 January 2014	December 2014	1 January 2014
Less than one year	633,694	632,343	375,639	390,540	258,055	241,803
Between one and five years	6,175,903	6,809,596	91,465	467,102	6,084,438	6,342,494
<b>Total</b>	<b>6,809,597</b>	<b>7,441,939</b>	<b>467,104</b>	<b>857,642</b>	<b>6,342,493</b>	<b>6,584,297</b>

**24. Trade and other payables**

<i>In euros</i>	2016	2015	2014	1 January 2014
<b>Trade and other payables</b>				
Trade payables due to third parties	696,164	588,856	1,243,021	490,513
Accrued expenses	1,800,367	1,500,368	1,766,889	1,521,505
Other payables	283,874	324,548	408,269	506,313
<b>Non-financial trade and other payables</b>				
Advances received	212,877	127,823	56,263	260,972
Payables to personnel	393,622	376,143	391,408	315,368
VAT payable	378,484	130,521	209,691	173,643
Personal income tax payable	157,730	160,558	185,865	365,483
Social contributions payable	199,867	229,454	330,159	301,499
Other taxes payable	4,005	13,027	8,981	20,851
<b>Total</b>	<b>4,126,990</b>	<b>3,451,298</b>	<b>4,600,546</b>	<b>3,956,147</b>

Information about the Group's exposure to currency and liquidity risks is included in Note 26.

**25. Deferred income**

<i>In euros</i>	2016	2015	2014	1 January 2014
Long-term government grants	325,257	344,474	341,400	396,799
Short-term government grants	21,542	30,844	32,742	58,999
<b>Deferred income</b>	<b>346,799</b>	<b>375,318</b>	<b>374,142</b>	<b>455,798</b>

The Group received financing from the National Development Agency in Hungary in relation to the acquisition of property, plant and equipment. The financing was provided in 2007-2010 in the amount of HUF 200,000,000,



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approximately EUR 732,000. The financing was initially recognized as part of deferred income and is to be charged to the other operating income over the useful life of the relevant property, plant and equipment of 7-50 years.

The Group received financing from Hungarian Development Bank in relation to the acquisition of property, plant and equipment. The financing was provided in 2000-2001 in the amount of HUF 177,500,000, approximately EUR 692,000. The financing was initially recognized as part of deferred income and is to be charged to the other operating income over the useful life of the relevant property, plant and equipment of 7-50 years.

The Group received financing from the National Employment Office in Hungary in relation to the acquisition of property, plant and equipment. The financing was provided in 2015 in the amount of EUR 38,385. The financing was initially recognized as part of deferred income and is to be charged to the other operating income over the useful life of the relevant property, plant and equipment of 7 years.

The group received financing from the Ministry of Human Resources in Hungary in relation to the compensation of personnel costs, mainly wages and salaries. The financing was provided in 2014 and 2015 in the amount of EUR 20,032 and EUR 88,867 respectively. The income from grants was recognised in profit or loss in the same period in which related expenses were compensated.

## 26. Financial instruments

### Accounting classifications and fair values

The following table shows the carrying amounts of financial assets and financial liabilities. For all financial assets and liabilities fair value approximates the carrying amount.

<i>In euros</i>	2016	2015	2014	1 January 2014
<b>Financial assets</b>				
<b>Loans and other receivables at amortised cost</b>				
<b>Non-current financial assets</b>				
Trade and other receivables	-	2,029,918	-	-
<b>Total non-current financial assets</b>	-	<b>2,029,918</b>	-	-
<b>Current financial assets</b>				
Trade and other receivables	22,870,540	4,980,140	7,288,842	8,208,141
Cash and cash equivalents	2,048,616	5,356,758	15,008,191	15,677,318
<b>Total current financial assets</b>	<b>24,919,156</b>	<b>10,336,898</b>	<b>22,297,033</b>	<b>23,885,459</b>
<b>Total financial assets</b>	<b>24,919,156</b>	<b>12,366,816</b>	<b>22,297,033</b>	<b>23,885,459</b>
<b>Financial liabilities</b>				
<b>Non-current financial liabilities</b>				
Finance lease liabilities	-	-	6,084,438	6,342,493
<b>Total non-current financial liabilities</b>	-	-	<b>6,084,438</b>	<b>6,342,493</b>
<b>Current financial liabilities</b>				
Secured bank loans	5,500,000	-	25,000	100,000
Unsecured bank loans	347,723	1,089,533	128,883	-
Finance lease liabilities	-	6,084,438	258,055	241,804
Trade and other payables	2,780,405	2,413,772	3,418,179	2,518,331
<b>Total current financial liabilities</b>	<b>8,628,128</b>	<b>9,587,743</b>	<b>3,830,117</b>	<b>2,860,135</b>
<b>Total financial liabilities</b>	<b>8,628,128</b>	<b>9,587,743</b>	<b>9,914,555</b>	<b>9,292,628</b>

### Financial risk management

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The Group has exposure to the following risks arising from financial instruments:

- a) credit risk
- b) liquidity risk
- c) currency risk
- d) interest rate risk

*(i) Risk management framework*

The general principles of the Group's risk management are approved by the Board of Directors, and their practical implementation is the responsibility of the Group's management. The aim of the Group's risk management is to minimize the adverse effects of financial market fluctuations on the Group's result.

*(ii) Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure.

**Trade receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, financial statements and industry information. Sale limits are established for each customer and reviewed on necessity. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group does not have significant credit risk concentrations in its receivables because it has a diversified clientele.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 10 to 180 days. The Group does not have in its possession any security for its receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see Note 3.14(i)).

At 31 December, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

<i>In euros</i>	Carrying amount			1 January 2014
	2016	2015	2014	
Germany	12,438,267	1,071,395	1,213,356	1,200,941
The Netherlands	277,281	403,014	554,901	506,649
Spain	702,666	410,530	782,500	530,740
France	259,055	263,806	340,171	481,452
Poland	683,581	869,869	992,921	1,282,044
Italy	716,653	618,116	1,141,185	1,536,319
Belgium, Luxemburg	6,601,463	2,122,344	87,706	62,596
Hungary	86,823	138,962	179,297	201,768
Austria	44,091	38,999	51,208	39,962
Scandinavian countries	20,819	43,060	34,929	44,245
Other EU countries	261,432	374,651	465,651	471,732
Canada	217,431	163,598	141,187	177,755
USA	74,966	103,005	133,620	226,541
Great Britain	59,121	8,924	48,740	74,019
Russia	266,076	373,289	672,413	1,069,645
Other counties	160,815	6,496	449,057	301,733
<b>Total</b>	<b>22,870,540</b>	<b>7,010,058</b>	<b>7,288,842</b>	<b>8,208,141</b>

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At 31 December, the ageing of trade and other receivables, net of impairment, was as follows:

<i>In euros</i>	2016	2015	2014	1 January 2014
Neither past due nor impaired	22,051,568	5,402,913	4,984,496	5,412,747
Past due 1-30 days	284,232	627,485	984,421	649,285
Past due 31-60 days	208,681	306,953	513,945	583,078
Past due 61-90 days	154,151	196,853	293,418	442,678
Past due 91-180 days	171,908	339,857	270,807	495,554
Past due over 181-365 days	-	135,997	241,755	624,799
<b>Total</b>	<b>22,870,540</b>	<b>7,010,058</b>	<b>7,288,842</b>	<b>8,208,141</b>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

<i>In euros</i>	2016 Individual impairment	2015 Individual impairment	2014 Individual impairment
<b>Balance at 1 January</b>	<b>934,205</b>	<b>1,392,439</b>	<b>989,047</b>
Impairment loss recognised during the period (+)	145,343	272,705	744,810
Utilised during the period (-)	(211,775)	(644,740)	(200,495)
Unused amounts reversed during the period (-)	(50,184)	(95,437)	(140,265)
Effect of movements in exchange rates	(4,961)	9,238	(658)
<b>Balance at 31 December</b>	<b>812,628</b>	<b>934,205</b>	<b>1,392,439</b>

Change in allowances for impairment of trade and other receivables is presented in other operating expenses (Note 10).

**Cash and cash equivalents**

The Group held cash and cash equivalents in various currencies in total of EUR 2,048,616 as at 31 December 2016, EUR 5,356,758 as at 31 December 2015 and EUR 15,008,191 as at 31 December 2014 (1 January 2014: EUR 15,677,318). Main banks used by each company of the Group are approved by the Board of Directors.

*(iii) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In 2015, the Group signed an agreement with Commerzbank concerning an overdraft facility of EUR 4,350,000. The agreement matures in 2017, and the annual interest rate is 3m euribor +2.8%. The amount of credit line utilized at 31 December 2016 was EUR 11,000, as at 31 December 2015: EUR 1,089,533.

In 2016, the Group signed an agreement with Deutsche Bank concerning an overdraft facility of EUR 2,000,000. The agreement matures in 2017, and the annual interest rate is 2.5%. The amount of credit line utilized at 31 December 2016 was EUR 336,723.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

**31 December 2016**

<i>In euros</i>	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	Total
Secured bank loans	5,500,000	5,500,000	-	-	-	5,500,000
Unsecured bank loans	347,723	347,723	-	-	-	347,723
Finance lease liabilities	-	-	-	-	-	-
Trade and other payables	2,780,405	2,780,405	-	-	-	2,780,405
<b>Total</b>	<b>8,628,128</b>	<b>8,628,128</b>	-	-	-	<b>8,628,128</b>

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<b>31 December 2015</b>						
<i>In euros</i>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
Secured bank loans	-	-	-	-	-	-
Unsecured bank loans	1,089,533	1,089,533	-	-	-	1,089,533
Finance lease liabilities	6,084,438	6,175,903	-	-	-	6,175,903
Trade and other payables	2,413,772	2,413,772	-	-	-	2,413,772
<b>Total</b>	<b>9,587,743</b>	<b>9,679,208</b>	-	-	-	<b>9,679,208</b>

<b>31 December 2014</b>						
<i>In euros</i>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
Secured bank loans	25,000	25,000	-	-	-	25,000
Unsecured bank loans	128,883	128,883	-	-	-	128,883
Finance lease liabilities	6,342,493	316,677	317,017	6,175,903	-	6,809,597
Trade and other payables	3,418,179	3,418,179	-	-	-	3,418,179
<b>Total</b>	<b>9,914,555</b>	<b>3,888,739</b>	<b>317,017</b>	<b>6,175,903</b>	-	<b>10,381,659</b>

<b>1 January 2014</b>						
<i>In euros</i>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
Secured bank loans	100,000	100,000	-	-	-	100,000
Unsecured bank loans	-	-	-	-	-	-
Finance lease liabilities	6,584,297	316,007	316,337	6,809,596	-	7,441,940
Trade and other payables	2,518,331	2,518,331	-	-	-	2,518,331
<b>Total</b>	<b>9,202,628</b>	<b>2,934,338</b>	<b>316,337</b>	<b>6,809,596</b>	-	<b>10,060,271</b>

The interest payments on variable interest rate loans in the table above are based on rates which were valid at the end of the reported periods. These amounts may change as market interest rates change.

*(iv) Currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities, when sales and purchases of Group companies are denominated in a different currency from their functional currency. Borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group.

When the Group estimates the currency risk to be high for separate contracts and possible impact to be significant, forward exchange contracts are used to hedge the risk.

The Group is most exposed to currency risks arising from fluctuations in the exchange rates of functional currencies of Group companies (mainly CHF and HUF) against EUR. The summary quantitative data about the Group's exposure to currency risk for balances in EUR held by Group companies with CHF functional currency is as follows.

<i>in euros</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>1 January 2014</b>
Cash and cash equivalents	297,714	941,818	3,548,802	2,044,378
Trade and other receivables	14,211,366	8,363,209	8,988,088	9,040,534
Trade and other payables	-	(350,057)	(97,545)	-
<b>Net statement of financial position exposure</b>	<b>14,509,080</b>	<b>8,954,970</b>	<b>12,439,345</b>	<b>11,084,912</b>

The summary quantitative data about the Group's exposure to currency risk for balances in EUR held by the Group companies with HUF functional currency is as follows:

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<i>in euros</i>	2016	2015	2014	1 January 2014
Cash and cash equivalents	482,674	298,760	9,594	934,520
Trade and other receivables	2,096,884	2,040,934	2,474,202	1,198,612
Trade and other payables	(6,423)	(4,479)	(4,959)	(5,526)
<b>Net statement of financial position exposure</b>	<b>2,573,135</b>	<b>2,335,215</b>	<b>2,478,837</b>	<b>2,127,606</b>

A 5% strengthening (weakening) of HUF and CHF against EUR at 31 December would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

<i>In euros</i>	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 December 2016</b>				
HUF	(135,428)	135,428	121,885	(121,885)
CHF	(763,636)	763,636	698,727	(698,727)
<b>31 December 2015</b>				
HUF	(122,906)	122,906	110,615	(110,615)
CHF	(471,314)	471,314	431,253	(431,253)
<b>31 December 2014</b>				
HUF	(130,465)	130,465	117,419	(117,419)
CHF	(654,702)	654,702	599,053	(599,053)
<b>1 January 2014</b>				
HUF	(111,979)	111,979	100,781	(100,781)
CHF	(583,416)	583,416	533,826	(533,826)

(v) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term assets with fixed interest rates. The Group doesn't hedge the interest rate risk as considered to be immaterial for the Group.

**Exposure to interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

<i>In euros</i>	2016	2015	2014	1 January 2014
<b>Fixed-rate instruments</b>				
Financial assets	6,515,713	2,029,918	216,031	223,716
Financial liabilities	(5,836,723)	-	(128,883)	-
<b>Net position</b>	<b>678,990</b>	<b>2,029,918</b>	<b>87,148</b>	<b>223,716</b>
<b>Variable-rate instruments</b>				
Financial assets	-	-	-	-
Financial liabilities	(11,000)	(1,089,533)	(25,000)	(100,000)
<b>Net position</b>	<b>(11,000)</b>	<b>(1,089,533)</b>	<b>(25,000)</b>	<b>(100,000)</b>

**Fair value sensitivity analysis for fixed-rate instruments**

The Group doesn't account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not use derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting dates would not materially affect profit or loss.

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## 27. Operating leases

### Leases as lessee

The Group leases some of its properties and cars under operating leases. The leases run for different periods of time, with a maximum period of 7 years, with an option to renew the lease after that date. Lease payments stay fixed during the valid lease term. When the lease term is renewed, the lease terms are renegotiated. The Group does not have an interest in the residual value of the leased property. As a result it was determined, that substantially all of the risks and rewards of the land and buildings are with the landlord.

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows:

<i>In euros</i>	2016	2015	2014	1 January 2014
Less than one year	246,083	232,968	303,744	245,757
Between one and five years	364,120	367,024	192,186	188,115
Payable in over 5 years	-	15,502	30,997	-
<b>Total</b>	<b>610,203</b>	<b>615,494</b>	<b>526,927</b>	<b>433,872</b>

Operating lease expenses recognised in profit or loss amounted to EUR 1,130,987 in 2016, EUR 1,537,122 in 2015 and EUR 1,652,403 in 2014.

### Leases as lessor

During 2014-2016, the Group leased out its properties in Mannheim, Germany, which were in their turn leased under finance lease agreement. In 2016 the properties were bought from the lessor and sold afterwards.

During 2014-2016, the Group also leased out its investment property in Budapest, Hungary. The investment property was subsequently sold in 2016.

At 31 December, the future minimum lease payments under non-cancellable leases were receivable as follows:

<i>In euros</i>	2016	2015	2014	1 January 2014
Less than one year	20,401	912,763	901,335	912,149
Between one and five years	70,800	958,038	1,833,925	2,722,099
<b>Total</b>	<b>91,201</b>	<b>1,870,801</b>	<b>2,735,260</b>	<b>3,634,248</b>

## 28. Related parties

### Transactions with key management personnel

Key management personnel compensation comprised the following:

<i>In euros</i>	2016	2015	2014
Short-term employee benefits	586,787	829,270	458,205

Compensation of the Group's key management personnel includes salaries and social contributions.

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**Other related party transactions**

<i>In euros</i>	Transaction values for the year ended 31 December			Balance outstanding at			
	2016	2015	2014	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Purchases of goods and services	401,742	867,393	-	-	-	-	-
Interest income accrued during the period	170,795	29,918	-	-	-	-	-
Loans granted	4,315,000	2,000,000	-	-	-	-	-
Other transactions	11,500,000	-	-	-	-	-	-
Trade and other receivables	-	-	-	11,500,000	-	-	-
Loans receivable	-	-	-	6,315,000	2,000,000	-	-
Interest receivable	-	-	-	200,713	29,918	-	-

All outstanding balances with the related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date except as indicated below. None of the balances is secured.

In July 2015, EUR 2,000,000 loan was issued to the shareholder. According to the loan agreement the loan matures in 2017 and carries the interest rate of 3.5% per annum. EUR 4,315,000 was additionally issued to the shareholder in 2016 under same maturity and interest rate terms. For sale and lease back transaction we refer to Note 14.

## 29. Subsequent events

### Changes in the Group structure

In June 2017, the Parent Company Felina International AG was sold by palero acht Sarl to Platin 1503. GmbH (later renamed to E|L|B GmbH). After the sale, the ultimate Parent Company of the Group is Myrtyle Ventures Ltd and the ultimate beneficial owners of the Group are Indrek Rahumaa and John Anthony Bonfield.

### Dividends declared after the reporting date

The Group declared and paid a dividend of EUR 11,605,684 in 2017.

## 30. Explanation of transition to IFRSs

As stated in Note 2.2, these are the Group's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the years ended 31 December 2015 and 31 December 2014 and in preparation of an opening IFRS statement of financial position at 1 January 2014 (the Group's date of transition).

In preparing its opening IFRS statements of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Swiss Statutory GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

### Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied retrospectively to past business combinations.
- IAS 21 has not been applied for cumulative translation differences that existed at the date of transition to IFRS. Cumulative translation differences for all foreign operations are deemed to be zero at the date of transition.

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**Reconciliation of balance sheet**

1 January 2014					
<i>In euros</i>	<i>Note</i>	Swiss Statutory GAAP	IFRS adjustments	Reclassifica- tions and rounding differences	IFRS
<b>Assets</b>					
Property, plant and equipment	<i>A</i>	5,277,500	6,402,506	(55,154)	11,624,852
Intangible assets		1,264,400	-	(40)	1,264,360
Investment property		-	-	55,122	55,122
Deferred tax assets	<i>E</i>	2,164,400	1,556,109	(21)	3,720,488
Trade and other receivables		-	-	-	-
<b>Total non-current assets</b>		<b>8,706,300</b>	<b>7,958,615</b>	<b>(93)</b>	<b>16,664,822</b>
Inventories	<i>B</i>	11,400,200	89,506	(126)	11,489,580
Current tax assets		-	-	129,759	129,759
Trade and other receivables	<i>C</i>	9,280,900	(35,634)	(584,315)	8,660,951
Prepayments		-	-	447,057	447,057
Cash and cash equivalents		15,677,200	-	118	15,677,318
<b>Total current assets</b>		<b>36,358,300</b>	<b>53,872</b>	<b>(7,507)</b>	<b>36,404,665</b>
<b>Total assets</b>		<b>45,064,600</b>	<b>8,012,487</b>	<b>(7,600)</b>	<b>53,069,487</b>
<b>Equity</b>					
Share capital	<i>F</i>	1,243,500	419,910	-	1,663,410
Reserves		4,991,200	-	(4,575,347)	415,853
Retained earnings		29,920,300	(1,715,943)	4,567,972	32,772,329
<b>Equity attributable to owners of the Group</b>		<b>36,155,000</b>	<b>(1,296,033)</b>	<b>(7,375)</b>	<b>34,851,592</b>
Non-controlling interests		173,200	-	169	173,369
<b>Total equity</b>		<b>36,328,200</b>	<b>(1,296,033)</b>	<b>(7,206)</b>	<b>35,024,961</b>
<b>Liabilities</b>					
Loans and borrowings	<i>A</i>	-	6,342,493	-	6,342,493
Net employee defined benefit liability	<i>D</i>	-	703,191	3,351,481	4,054,672
Deferred income		-	-	396,799	396,799
Provisions		5,296,300	-	(5,161,300)	135,000
Deferred tax liabilities	<i>E</i>	-	2,006,032	486,221	2,492,253
<b>Total non-current liabilities</b>		<b>5,296,300</b>	<b>9,051,716</b>	<b>(926,799)</b>	<b>13,421,217</b>
Loans and borrowings	<i>A</i>	100,000	241,804	-	341,804
Trade and other payables		2,428,000	-	1,528,147	3,956,147
Current tax liabilities		-	-	8,072	8,072
Provisions	<i>H</i>	-	15,000	243,287	258,287
Deferred income		912,100	-	(853,101)	58,999
<b>Total current liabilities</b>		<b>3,440,100</b>	<b>256,804</b>	<b>926,405</b>	<b>4,623,309</b>
<b>Total liabilities</b>		<b>8,736,400</b>	<b>9,308,520</b>	<b>(394)</b>	<b>18,044,526</b>
<b>Total equity and liabilities</b>		<b>45,064,600</b>	<b>8,012,487</b>	<b>(7,600)</b>	<b>53,069,487</b>



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31 December 2016					
<i>In euros</i>	<i>Note</i>	Swiss Statutory GAAP	IFRS adjustments	Reclassifica- tions and rounding differences	IFRS
<b>Assets</b>					
Property, plant and equipment		3,671,500	-	(59,024)	3,612,476
Intangible assets		175,500	-	(22)	175,478
Investment property		-	-	-	-
Deferred tax assets	<i>E</i>	3,653,800	305,713	113	3,959,626
Trade and other receivables		6,515,700	-	(6,515,700)	-
<b>Total non-current assets</b>		<b>14,016,500</b>	<b>305,713</b>	<b>(6,574,633)</b>	<b>7,747,580</b>
Inventories	<i>B</i>	7,954,200	73,557	59,145	8,086,902
Current tax assets		-	-	44,910	44,910
Trade and other receivables	<i>C</i>	17,174,100	(49,487)	6,026,865	23,151,478
Prepayments		-	-	443,571	443,571
Cash and cash equivalents		2,048,500	-	116	2,048,616
<b>Total current assets</b>		<b>27,176,800</b>	<b>24,070</b>	<b>6,574,607</b>	<b>33,775,477</b>
<b>Total assets</b>		<b>41,193,300</b>	<b>329,783</b>	<b>(26)</b>	<b>41,523,057</b>
<b>Equity</b>					
Share capital		1,663,400	-	10	1,663,410
Reserves		-	-	446,637	446,637
Retained earnings		24,233,200	(1,378,130)	(473,993)	22,381,077
<b>Equity attributable to owners of the Group</b>		<b>25,896,600</b>	<b>(1,378,130)</b>	<b>(27,346)</b>	<b>24,491,124</b>
<b>Total equity</b>		<b>25,896,600</b>	<b>(1,378,130)</b>	<b>(27,346)</b>	<b>24,491,124</b>
<b>Liabilities</b>					
Net employee defined benefit liability	<i>D</i>	-	1,364,686	3,237,979	4,602,665
Deferred income		-	-	325,257	325,257
Provisions		3,869,400	-	(3,714,400)	155,000
Deferred tax liabilities	<i>E</i>	-	(97,573)	512,307	414,734
<b>Total non-current liabilities</b>		<b>3,869,400</b>	<b>1,267,113</b>	<b>361,143</b>	<b>5,497,656</b>
Loans and borrowings		5,851,600	-	(3,877)	5,847,723
Trade and other payables	<i>G</i>	2,319,500	200,000	1,607,490	4,126,990
Current tax liabilities		-	-	855,901	855,901
Provisions	<i>H</i>	2,439,100	240,800	(1,997,779)	682,121
Deferred income		817,100	-	(795,558)	21,542
<b>Total current liabilities</b>		<b>11,427,300</b>	<b>440,800</b>	<b>(333,823)</b>	<b>11,534,277</b>
<b>Total liabilities</b>		<b>15,296,700</b>	<b>1,707,913</b>	<b>27,320</b>	<b>17,031,933</b>
<b>Total equity and liabilities</b>		<b>41,193,300</b>	<b>329,783</b>	<b>(26)</b>	<b>41,523,057</b>

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**Reconciliation of comprehensive income for the year ended 31 December 2016**

<i>In euros</i>	<i>Note</i>	Swiss Statutory GAAP*	IFRS adjust- ments	Reclassifi- cation adjustments and rounding differences	IFRS
<b>Revenue</b>		<b>37,683,900</b>	<b>-</b>	<b>331,997</b>	<b>38,015,897</b>
Other operating income		6,159,300	-	437,159	6,596,459
Changes in inventories of finished goods and work in progress		-	-	(349,199)	(349,199)
Raw materials and services	<i>H</i>	(15,578,800)	(200,000)	4,423,517	(11,355,283)
Employee benefits expense	<i>D, G, H</i>	-	(389,772)	(13,967,585)	(14,357,357)
Depreciation and amortisation	<i>A</i>	-	(35,107)	(1,198,608)	(1,233,715)
Other operating expenses	<i>A, B, C, H</i>	(21,514,800)	217,330	10,217,931	(11,079,539)
<b>Operating profit</b>		<b>6,749,600</b>	<b>(407,549)</b>	<b>(104,788)</b>	<b>6,237,263</b>
Finance income		261,300	-	(32)	261,268
Finance costs	<i>A, D</i>	(418,000)	(504,841)	242,743	(680,098)
<b>Net finance costs</b>		<b>(156,700)</b>	<b>(504,841)</b>	<b>242,711</b>	<b>(418,830)</b>
<b>Profit before income tax</b>		<b>6,592,900</b>	<b>(912,390)</b>	<b>137,923</b>	<b>5,818,433</b>
Income tax (expense)/benefit	<i>E</i>	856,600	729,696	1,456	1,587,752
<b>Profit/(loss) for the year</b>		<b>7,449,500</b>	<b>(182,694)</b>	<b>139,379</b>	<b>7,406,185</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of defined benefit liability/ (asset)					
Actuarial gain (loss)	<i>F</i>	-	(474,838)	-	(474,838)
Return on plan assets excluding interest income	<i>F</i>	-	395,063	-	395,063
Effect of movements in exchange rates	<i>F</i>	-	(257)	-	(257)
Related tax	<i>E</i>	-	166,598	-	166,598
		-	<b>86,566</b>	-	<b>86,566</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Foreign operations – foreign currency translation differences					
		-	15,787	-	15,787
		-	<b>15,787</b>	-	<b>15,787</b>
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>102,353</b>	<b>-</b>	<b>102,353</b>
<b>Total comprehensive income</b>		<b>7,449,500</b>	<b>(80,341)</b>	<b>139,379</b>	<b>7,508,538</b>
<b>Profit attributable to:</b>					
Owners of the Company		7,449,500	(182,694)	139,379	7,406,185
		<b>7,449,500</b>	<b>(182,694)</b>	<b>139,379</b>	<b>7,406,185</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		7,449,500	(80,341)	139,379	7,508,538
		<b>7,449,500</b>	<b>(80,341)</b>	<b>139,379</b>	<b>7,508,538</b>

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\* Mapping used to classify the categories of the Swiss Statutory GAAP Consolidated Income Statement to the categories of the IFRS Statement of profit or loss and other comprehensive income is presented in the table below.

<b>IFRS Statement of profit or loss and other comprehensive income categories</b>	<b>Swiss Statutory GAAP Consolidated Income Statement categories</b>
Revenue	Sales revenue, sales reductions
Other operating income	Extraordinary income, royalties, net rental income
Raw materials and services	Cost of sales
Other operating expenses	Shipping costs, sales organization, advertising and sales promotion, collections design, sales staff and administration, fixed operation costs, license fees
Finance income	Finance income, currency exchange gains
Finance costs	Finance expenses, currency exchange losses
Income tax expense	Taxes on earnings and assets

**Notes to the reconciliations**

**A Finance lease**

Under Swiss Statutory GAAP the lease of the building in Mannheim, Germany, was classified as operating lease. Under IFRSs the lease is classified as finance lease and the related asset is recognised in the statement of financial position of the Group.

The effects are to increase property, plant and equipment, loans and borrowings and the related depreciation charge and finance costs, and to decrease lease expense.

The impact from the change is summarized as follows:

<i>In euros</i>	<b>1 January 2014</b>	<b>31 December 2016</b>
<b>Consolidated statement of financial position</b>		
Property, plant and equipment	6,402,506	-
Non-current loans and borrowings	(6,342,493)	-
Current loans and borrowings	(241,804)	-
<b>Adjustment to retained earnings</b>	<b>(181,791)</b>	<b>-</b>
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
Depreciation and amortisation		(35,107)
Other operating expenses:		
Rents		422,689
Finance costs		(418,782)
<b>Adjustment before income tax</b>		<b>(31,200)</b>

**B Inventories**

Under Swiss Statutory GAAP finished goods and work in progress didn't include some of the fixed production overheads which are required to be included under IAS 2.

The effects are to increase inventories and decrease the related change in inventories of work in progress and finished goods within profit or loss.

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The impact from the change is summarized as follows:

<i>In euros</i>	<b>1 January 2014</b>	<b>31 December 2016</b>
<b>Consolidated statement of financial position</b>		
Inventories	89,506	73,557
<b>Adjustment to retained earnings</b>	<b>89,506</b>	<b>73,557</b>
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
Changes in inventories of finished goods and work in progress		(27,248)
<b>Adjustment before income tax</b>		<b>(27,248)</b>

**C Trade receivables**

According to the Group IFRS accounting policies allowance for impairment of doubtful trade and other receivables is based on the ageing analysis and information on the financial position of the respective debtor, and recoverability of receivables. 100% allowance is created for receivables overdue more than 12 months and when the lawyers are engaged in the recoverability process. As a result of these policies, additional allowance was recognised by the Group.

The effects are to decrease trade and other receivables and increase change in allowance for impairment of trade and other receivables within profit or loss.

The impact from the change is summarized as follows:

<i>In euros</i>	<b>1 January 2014</b>	<b>31 December 2016</b>
<b>Consolidated statement of financial position</b>		
Trade and other receivables	(35,634)	(49,487)
<b>Adjustment to retained earnings</b>	<b>(35,634)</b>	<b>(49,487)</b>
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
<b>Profit or loss</b>		
Changes in allowance for impairment of trade and other receivables		(31,111)
<b>Adjustment before income tax</b>		<b>(31,111)</b>

**D Net employee defined benefit liability**

The Group contributes to the post-employment defined benefit plans in Switzerland and Germany. Under Swiss Statutory GAAP defined benefit plan in Switzerland was accounted for as a defined contribution plan. For the defined benefit plan in Germany the Group didn't account of actuarial gains and losses.

At the date of transition a net defined benefit liability was recognised for the pension plan in Switzerland and net defined benefit liability was reassessed to account for actuarial gains and losses in Germany. The adjustment was recognised against retained earnings.

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The impact from the change is summarized as follows:

<i>In euros</i>	1 January 2014	31 December 2016
<b>Consolidated statement of financial position</b>		
Net employee defined benefit liability	(703,191)	(1,364,686)
<b>Adjustment to retained earnings</b>	<b>(703,191)</b>	<b>(1,364,686)</b>
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
<b>Profit or loss</b>		
Employee benefits expense		(163,972)
Finance costs		(86,059)
<b>Adjustment before income tax</b>		<b>(250,031)</b>
<b>Other comprehensive income</b>		
Remeasurements of defined benefit liability/ (asset)		(80,032)
<b>Adjustment to other comprehensive income</b>		<b>(80,032)</b>

**E Deferred tax asset and liability**

As a result of the adjustments described above, the Group also adjusted deferred tax asset and liability.

The impact from the change is summarized as follows:

<i>In euros</i>	1 January 2014	31 December 2016
<b>Consolidated statement of financial position</b>		
Deferred tax asset	1,556,109	305,713
Deferred tax liability	(2,006,032)	97,573
<b>Adjustment to retained earnings</b>	<b>(449,923)</b>	<b>403,286</b>
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
Income tax expense		729,696
<b>Adjustment to profit or loss</b>		<b>729,696</b>
<b>Other comprehensive income</b>		
Tax related to remeasurements of defined benefit liability/ (asset)		166,598
<b>Adjustment to other comprehensive income</b>		<b>166,598</b>

**F Share capital**

The conversion of the Group currency from CHF to EUR took place on 1 January 1999. The share capital of the Parent Company was translated at the exchange rate ruling on that date and amounted to 1,243,549 EUR. Afterwards same exchange rate was applied for the conversion of share capital to EUR up to 1 January 2015, when the Parent Company switched the functional currency from CHF to EUR. On 1 January 2015 the share capital of the Parent Company was translated to EUR at the exchange rate ruling on that date and amounted to 1,663,410 EUR. At the date of transition to IFRS the Group accepted the amount of share capital in EUR fixed on 1 January 2015.

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The impact from the change is summarized as follows:

<i>In euros</i>	I January 2014	31 December 2016
<b>Consolidated statement of financial position</b>		
Share capital	(419,910)	-
<b>Adjustment to retained earnings</b>	<b>(419,910)</b>	<b>-</b>

**G Trade and other payables**

The Group additionally accrued EUR 200,000 of expenses for bonuses to personnel at 31 December 2016.

The effect is to increase trade and other payables in the statement of financial position and employee benefits expense within profit or loss.

The impact from the accrual is summarized as follows:

<i>In euros</i>	I January 2014	31 December 2016
<b>Consolidated statement of financial position</b>		
Trade and other payables	-	(200,000)
<b>Adjustment to retained earnings</b>	<b>-</b>	<b>(200,000)</b>
<b>Consolidated statement of profit or loss and comprehensive income</b>		
Employee benefits expense		(200,000)
<b>Adjustment before income tax</b>		<b>(200,000)</b>

**H Provisions**

The Group adjusted the amount of jubilee provisions as a result of applying a different discount rate from the one used under Swiss Statutory GAAP.

The effect is to increase provisions in the statement of financial positions and employee benefits expense within profit or loss.

The impact from the change is summarized as follows:

<i>In euros</i>	I January 2014	31 December 2016
<b>Consolidated statement of financial position</b>		
Provisions	(15,000)	(40,800)
<b>Adjustment to retained earnings</b>	<b>(15,000)</b>	<b>(40,800)</b>
<b>Consolidated statement of profit or loss and comprehensive income</b>		
Employee benefits expense		25,800
<b>Adjustment before income tax</b>		<b>25,800</b>

The Group additionally recognised EUR 200,000 of provision for returns at 31 December 2016.

The effect is to increase provisions in the statement of financial positions and raw materials and services within profit or loss.

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The impact from the additional provision is summarized as follows:

<i>In euros</i>	1 January 2014	31 December 2016
<b>Consolidated statement of financial position</b>		
Provisions	-	(200,000)
<b>Adjustment to retained earnings</b>	-	<b>(200,000)</b>
<b>Consolidated statement of profit or loss and comprehensive income</b>		
Raw materials and services		(200,000)
<b>Adjustment before income tax</b>		<b>(200,000)</b>

Additionally in 2016 the Group reversed the IFRS adjustment made at 31 December 2015, when the Group derecognized the provision for building maintenance recorded under Swiss Statutory GAAP as not qualifying for the recognition under provisions in IFRS.

The effect is to decrease other operating expenses.

The impact from the change is summarized as follows:

<i>In euros</i>	1 January 2014	31 December 2016
<b>Consolidated statement of profit or loss and comprehensive income</b>		
Other operating expenses:		
Utilities		(147,000)
<b>Adjustment before income tax</b>		<b>(147,000)</b>

**Reclassifications made in transition to IFRS:**

- Reclassification of commercial property leased out to third parties in Hungary to investment property out of property, plant and equipment for the amount of EUR 55,122 at 1 January 2014.
- Reclassification of spare parts to inventories out of property, plant and equipment in the amount of EUR 55,154 at 31 December 2016.
- Reclassification of prepayments out of trade and other receivables in the amount of EUR 447,057 at 1 January 2014 (31 December 2016: EUR 443,571).
- Reclassification of corporate income tax asset out of trade and other receivables to current tax assets in the amount of EUR 129,759 at 1 January 2014 (31 December 2016: EUR 44,910).
- Reclassification of accrued expenses out of deferred income to trade and other payables in the amount of EUR 456,302 at 1 January 2014 (31 December 2016: EUR 470,301).
- Reclassification of trade and other receivables from non-current to current assets in the amount of EUR 6,515,700 at 31 December 2016.
- Split of the deferred income presented within current liabilities in Swiss Statutory GAAP into long- and short-term parts and reclassification of the long-term part to the non-current deferred income in the amount of EUR 396,799 at 1 January 2014 (31 December 2016: EUR 325,257).
- Reclassification of net employee defined benefit liability (EUR 3,351,481), deferred tax liabilities (EUR 486,221), accrued expenses (EUR 1,071,845), current corporate income tax liability (EUR 8,072), short-term part of provisions (EUR 243,287) and long-term part of provisions (EUR 135,000) out of the non-current provisions to the respective categories in the IFRS Statement of Financial Position at 1 January 2014.
- Reclassification of net employee defined benefit liability (EUR 3,237,979), deferred tax liabilities (EUR 512,307), accrued expenses (EUR 1,137,189), current corporate income tax liability (EUR 855,901) out of current and non-current provisions to the respective categories in the IFRS Statement of Financial Position at 31 December 2016.

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- Reclassifications made in the profit or loss arise mainly from the differences in the presentation format between Swiss Statutory GAAP (presentation by function) and IFRS (presentation by nature). In IFRS costs were not allocated to cost of sales but were presented in full. Material reclassifications include:
  - a) Reclassification of change in inventories of finished goods and work in progress out of cost of sales.
  - b) Reclassification of employee benefits expenses out of cost of sales and other operating expenses.
  - c) Reclassification of depreciation and amortisation expenses out of cost of sales and other operating expenses.
  - d) Split of net rental income into rental income and associated costs and reclassification of the latter into appropriate expenses categories (other operating expenses, depreciation and amortisation).
  - e) Reclassification of change in allowance for impairment of trade and other receivables out of revenue to other operating expenses.
  - f) Reclassification of discounts provided by suppliers on purchases from finance income to raw materials and services.
  - g) Reclassification of bank fees and commissions out of finance costs to other operating expenses.



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**Signatures to the financial statements**

Wettingen, 24 November 2017



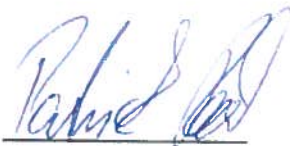
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**Thomas Rihm**  
*Chairman of the Board*



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**Peter Partma**  
*Board Member*



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**Patrick Rauh**  
*Board Member*