

# NEOPERL Nordic A/S

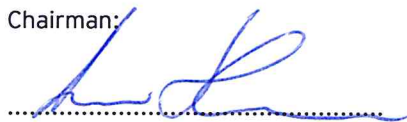
Erhvervsparken 1, Ø.Bjerregrav, 8920 Randers NV

CVR no. 13 91 87 40

## Annual report 2017

Approved at the Company's annual general meeting on *14-05-2018*

Chairman:





## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Notes to the financial statements	12

## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of NEOPERL Nordic A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

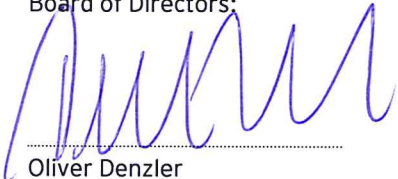
Randers, 27 March 2018

Executive Board:



Lars Hansen

Board of Directors:



Oliver Denzler  
Chairman



Margot Kaiser



Fabian Wildfang

## Independent auditor's report

To the shareholder of NEOPERL Nordic A/S

### Opinion

We have audited the financial statements of NEOPERL Nordic A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities for the financial statements

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

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

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

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

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

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

## Independent auditor's report

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

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

### Statement on the Management's review

Management is responsible for the Management's review.

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

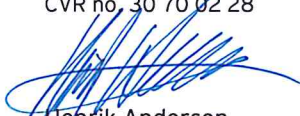
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially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

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

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

Aarhus, 27 March 2018

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Henrik Andersen  
State Authorised Public Accountant  
MNE no.: mne32084



## Management's review

### Company details

Name	NEOPERL Nordic A/S
Address, Postal code, City	Erhvervsparken 1, Ø.Bjerregrav, 8920 Randers NV
CVR no.	13 91 87 40
Established	1 January 1990
Registered office	Randers
Financial year	1 January - 31 December
Board of Directors	Oliver Denzler, Chairman Margot Kaiser Fabian Wildfang
Executive Board	Lars Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Nordea Bank

## Management's review

### Financial highlights

DKK	2017	2016	2015	2014	2013
<b>Key figures</b>					
Gross margin	14,138,160	14,424,546	14,048,757	13,441,963	13,684,557
Operating profit/loss	6,999,069	7,698,275	7,781,644	5,446,135	5,209,756
Net financials	-99,378	-108,248	64,660	27,196	-335,322
<b>Profit/loss for the year</b>	<b>5,364,834</b>	<b>5,916,511</b>	<b>5,999,728</b>	<b>3,829,313</b>	<b>3,240,929</b>
<b>Total assets</b>					
Investment in property, plant and equipment	1,299,392	1,368,607	632,108	715,280	416,029
<b>Equity</b>	<b>35,743,704</b>	<b>37,878,870</b>	<b>36,962,358</b>	<b>35,962,631</b>	<b>32,133,317</b>
<b>Financial ratios</b>					
Return on assets	15.7%	17.7%	18.3%	12.3%	11.5%
Solvency ratio	80.2%	85.5%	86.3%	84.9%	69.7%
Return on equity	14.6%	15.8%	16.5%	11.2%	10.6%
<b>Average number of employees</b>					
	<b>33</b>	<b>32</b>	<b>31</b>	<b>30</b>	<b>31</b>

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

## Management's review

### Business review

NEOPERL Nordic A/S produces supply hoses and sells NEOPERL Group products and other accessories to the HVAC industry, primarily to the Nordic markets but also worldwide through other group companies.

### Financial review

The income statement for 2017 shows a profit of DKK 5,364,834 against a profit of DKK 5,916,511 last year, and the balance sheet at 31 December 2017 shows equity of DKK 35,743,704.

In 2017, the activity was at the same level as in 2016. The gross margin has grown marginally due to streamlining. The market environment is continuously under strong pressure, both nationally and internationally. Based on the given circumstances, the results are satisfactory and at an expected level.

As an extraordinary expense, a provision of DKK 1,489 thousand has been set off in relation to costs regarding defective deliveries in 2007.

### *Non-financial matters*

#### Impact on the external environment

In the opinion of Management, the Company does not affect the environment more than is usual for this kind of industry.

#### Events after the balance sheet date

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

#### Outlook

Positive earnings are expected for 2018.

Up until now, the performance for the financial year has been as expected.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK	2017	2016
	<b>Gross margin</b>	14,138,160	14,424,546
3	Staff costs	-6,206,784	-5,694,738
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-932,307	-1,008,125
	Other operating expenses	0	-23,408
	<b>Profit before net financials</b>	6,999,069	7,698,275
	Financial expenses	-99,378	-108,248
	<b>Profit before tax</b>	6,899,691	7,590,027
4	Tax for the year	-1,534,857	-1,673,516
	<b>Profit for the year</b>	<u>5,364,834</u>	<u>5,916,511</u>
	<b>Recommended appropriation of profit</b>		
	Proposed dividend recognised under equity	3,000,000	7,500,000
	Retained earnings/accumulated loss	2,364,834	-1,583,489
		<u>5,364,834</u>	<u>5,916,511</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	<u>2017</u>	<u>2016</u>
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
5	<b>Property, plant and equipment</b>		
	Land and buildings	3,953,432	4,166,166
	Plant and machinery	2,086,200	1,729,356
	Fixtures and fittings, tools and equipment	684,967	577,065
		<u>6,724,599</u>	<u>6,472,587</u>
	<b>Total fixed assets</b>	<u>6,724,599</u>	<u>6,472,587</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	14,790,413	12,534,289
	Finished goods and goods for resale	2,736,645	3,116,911
		<u>17,527,058</u>	<u>15,651,200</u>
	<b>Receivables</b>		
	Trade receivables	12,474,850	11,399,088
	Receivables from group entities	1,795,803	633,566
	Income taxes receivable	353,860	0
	Other receivables	0	632
	Prepayments	25,578	13,679
		<u>14,650,091</u>	<u>12,046,965</u>
	<b>Cash</b>	<u>5,678,709</u>	<u>10,132,391</u>
	<b>Total non-fixed assets</b>	<u>37,855,858</u>	<u>37,830,556</u>
	<b>TOTAL ASSETS</b>	<u><u>44,580,457</u></u>	<u><u>44,303,143</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	<u>2017</u>	<u>2016</u>
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
6	Share capital	1,000,000	1,000,000
	Retained earnings	31,743,704	29,378,870
	Dividend proposed for the year	3,000,000	7,500,000
	<b>Total equity</b>	<u>35,743,704</u>	<u>37,878,870</u>
	<b>Provisions</b>		
	Deferred tax	156,211	51,377
	<b>Total provisions</b>	<u>156,211</u>	<u>51,377</u>
	<b>Liabilities other than provisions</b>		
	<b>Current liabilities other than provisions</b>		
	Trade payables	3,937,588	3,041,860
	Payables to group entities	803,143	955,179
	Income taxes payable	0	21,771
	Other payables	3,939,811	2,354,086
		<u>8,680,542</u>	<u>6,372,896</u>
	<b>Total liabilities other than provisions</b>	<u>8,680,542</u>	<u>6,372,896</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>44,580,457</u></u>	<u><u>44,303,143</u></u>

- 1 Accounting policies
- 2 Special items
- 7 Collateral
- 8 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Dividend proposed for the year</u>	<u>Total</u>
Equity at 1 January 2017	1,000,000	29,378,870	7,500,000	37,878,870
Transfer through appropriation of profit	0	2,364,834	3,000,000	5,364,834
Dividend distributed	0	0	-7,500,000	-7,500,000
<b>Equity at 31 December 2017</b>	<u>1,000,000</u>	<u>31,743,704</u>	<u>3,000,000</u>	<u>35,743,704</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of NEOPERL Nordic A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

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

#### Foreign currency translation

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

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

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### Other operating income and operating expenses

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

#### Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

#### Cost of sales

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

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Other external expenses

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

##### Staff costs

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

##### Depreciation and impairment

The item comprises depreciation on and impairment of property, plant and equipment.

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

Buildings	25-33 years
Plant and machinery	5 years
Fixtures and fittings, tools and equipment	5 years

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

Land is not depreciated.

##### Financial expenses

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

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Property, plant and equipment

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

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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

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

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

##### Inventories

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

##### Prepayments

Prepayments comprise prepaid expenses regarding subsequent financial reporting years.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

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

##### Equity

##### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

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

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

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

##### Other payables

Other payables are measured at net realisable value.

##### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Special items

As an extraordinary expense a provision has been set off in relation to costs regarding defective deliveries in 2007.

Special items for the year are specified below, as are the items under which they are recognised in the income statement.

DKK	<u>2017</u>	<u>2016</u>
<b>Expenses</b>		
Provision for defective deliveries	1,488,980	0
	<u>1,488,980</u>	<u>0</u>
<b>Special items are recognised in the below items of the financial statements</b>		
Gross margin	1,488,980	0
<b>Net profit on special items</b>	<u>1,488,980</u>	<u>0</u>
<b>3 Staff costs</b>		
Wages/salaries	14,502,878	13,415,447
Pensions	1,077,169	997,893
Other social security costs	75,053	73,665
Portion transferred to cost of sales	-9,448,316	-8,792,267
	<u>6,206,784</u>	<u>5,694,738</u>
	<u>2017</u>	<u>2016</u>
Average number of full-time employees	<u>33</u>	<u>32</u>
DKK	<u>2017</u>	<u>2016</u>
<b>4 Tax for the year</b>		
Estimated tax charge for the year	1,418,494	1,621,620
Deferred tax adjustments in the year	104,834	51,896
Tax adjustments, prior years	11,529	0
	<u>1,534,857</u>	<u>1,673,516</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 5 Property, plant and equipment

DKK	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	12,264,670	14,034,240	1,511,223	27,810,133
Additions in the year	0	869,434	429,958	1,299,392
Disposals in the year	0	-418,896	-383,580	-802,476
Cost at 31 December 2017	12,264,670	14,484,778	1,557,601	28,307,049
Impairment losses and depreciation at 1 January 2017	8,098,504	12,304,884	934,158	21,337,546
Depreciation in the year	212,734	512,590	206,982	932,306
Reversal of depreciation on and impairment of disposals	0	-418,896	-268,506	-687,402
Impairment losses and depreciation at 31 December 2017	8,311,238	12,398,578	872,634	21,582,450
Carrying amount at 31 December 2017	3,953,432	2,086,200	684,967	6,724,599
Depreciated over	25-33 years	5 years	5 years	

DKK	2017	2016
<b>6 Share capital</b>		
Analysis of the share capital:		
10,000 shares of DKK 100.00 nominal value each	1,000,000	1,000,000
	1,000,000	1,000,000

The Company's share capital has remained DKK 1,000,000 over the past 5 years.

#### 7 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2017.

#### 8 Related parties

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
NEOPERL Holding AG	Pfeffingerstrasse 21, 4153 Reinach-Basel, Schweiz	At the Company