

NEOPERL Nordic A/S

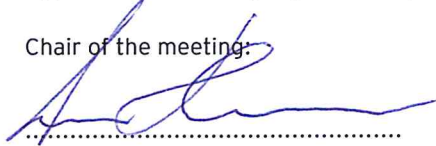
Erhvervsparken 1, Ø. Bjerregrav, 8920 Randers NV

CVR no. 13 91 87 40

Annual report 2020

Approved at the Company's annual general meeting on

Chair of the meeting:



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2/16.2021





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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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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.

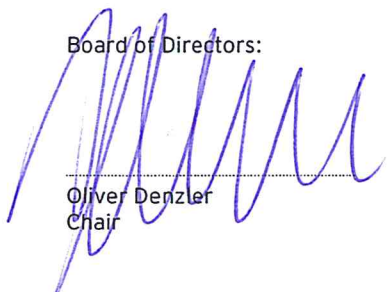
Randers, 6 April 2021

Executive Board:



Lars Hansen

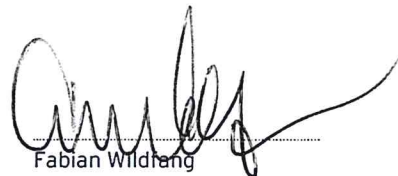
Board of Directors:



Oliver Denzler
Chair



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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the 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, 6 April 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085



Nikolai Holm Pedersen
State Authorised Public Accountant
mne45896



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, Chair Margot Kaiser Fabian Wildfang
Executive Board	Lars Hansen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Nordea Bank

Management's review

Financial highlights

DKK	2020	2019	2018	2017	2016
Key figures					
Gross profit	14,158,848	10,333,915	13,092,389	14,138,160	14,424,546
Operating profit/loss	4,908,157	2,524,653	5,651,199	6,964,143	7,721,683
Net financials	-152,680	-22,699	-65,338	-99,378	-108,248
Profit for the year	4,107,558	1,922,785	4,354,534	5,364,834	5,916,511
Total assets					
Total assets	43,212,671	41,433,428	43,132,832	44,580,457	44,303,143
Investments in property, plant and equipment	161,328	3,003,098	607,421	1,299,392	1,368,607
Equity	34,397,481	35,289,923	37,098,238	35,743,705	37,878,870
Financial ratios					
Return on assets	11.6%	6.0%	12.9%	15.7%	17.7%
Equity ratio	79.6%	85.2%	86.0%	80.2%	85.5%
Return on equity	11.8%	5.3%	12.0%	14.6%	15.8%
Average number of employees					
Average number of employees	33	33	35	33	32

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

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
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	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$



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 entities.

Financial review

The income statement for 2020 shows a profit of DKK 4,107,558 against a profit of DKK 1,922,785 last year, and the balance sheet at 31 December 2020 shows equity of DKK 34,397,481.

In 2020, the activity was at the same level as in 2019. The market is continuously under strong pressure, both nationally and internationally, which has impacted gross margin.

The COVID-19 pandemic has had a large impact on the whole world, and thus also NEOPERL Nordic A/S, including repatriations and difficult conditions when physically visiting customers.

The gross profit and profit for the year are affected by group costs.

Given the circumstances, the results of operation are satisfactory and at an expected level.

Non-financial matters

Impact on the external environment

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

Events after the balance sheet date

Like all other businesses, NEOPERL Nordic A/S has and still is influenced by the COVID-19 pandemic. Nevertheless, revenue is expected to be maintained. However, this depends on the time it takes to get the vaccines against COVID-19 rolled out to a large part of the population in the Company's markets and the world in general.

After the balance sheet date, commodity prices have been rising, and in the long run, this may adversely affect financial results.

Following an extraordinary effort by all employees, NEOPERL Nordic A/S' employees have avoided COVID-19 infection. Any infection could adversely affect the outcome, as it would stop much of the Company's activity.

Outlook

Positive earnings are expected for 2021.

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



Financial statements 1 January - 31 December

Income statement

Note	DKK	2020	2019
	Gross profit	14,158,848	10,333,915
3	Staff costs	-7,262,656	-6,407,061
	Depreciation and impairment of property, plant and equipment	-1,467,048	-1,402,201
	Other operating expenses	0	-28,417
	Profit before net financials	5,429,144	2,496,236
4	Financial income	0	29,744
	Financial expenses	-152,680	-52,443
	Profit before tax	5,276,464	2,473,537
5	Tax for the year	-1,168,906	-550,752
	Profit for the year	<u>4,107,558</u>	<u>1,922,785</u>
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	3,800,000	5,000,000
	Retained earnings/accumulated loss	307,558	-3,077,215
		<u>4,107,558</u>	<u>1,922,785</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2020</u>	<u>2019</u>
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Land and buildings	3,978,114	4,200,771
	Plant and machinery	1,441,046	1,970,709
	Fixtures and fittings, tools and equipment	969,964	1,523,364
		<u>6,389,124</u>	<u>7,694,844</u>
	Total fixed assets	<u>6,389,124</u>	<u>7,694,844</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	10,811,651	9,988,665
	Finished goods and goods for resale	3,086,800	2,629,432
		<u>13,898,451</u>	<u>12,618,097</u>
	Trade receivables	12,901,292	11,827,832
	Receivables from group entities	4,484,302	449,861
	Income taxes receivable	0	274,337
	Other receivables	44,835	0
	Prepayments	145,094	93,388
		<u>17,575,523</u>	<u>12,645,418</u>
	Cash	<u>5,349,573</u>	<u>8,475,069</u>
	Total non-fixed assets	<u>36,823,547</u>	<u>33,738,584</u>
	TOTAL ASSETS	<u><u>43,212,671</u></u>	<u><u>41,433,428</u></u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	1,000,000	1,000,000
	Retained earnings	29,597,481	29,289,923
	Dividend proposed for the year	3,800,000	5,000,000
	Total equity	<u>34,397,481</u>	<u>35,289,923</u>
	Provisions		
	Deferred tax	220,400	216,394
	Total provisions	<u>220,400</u>	<u>216,394</u>
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Other payables	656,295	230,651
		<u>656,295</u>	<u>230,651</u>
	Current liabilities other than provisions		
	Trade payables	4,221,568	2,494,930
	Payables to group entities	1,016,918	1,813,018
	Income taxes payable	261,939	0
	Other payables	2,438,070	1,388,512
		<u>7,938,495</u>	<u>5,696,460</u>
		<u>8,594,790</u>	<u>5,927,111</u>
	TOTAL EQUITY AND LIABILITIES	<u>43,212,671</u>	<u>41,433,428</u>

- 1 Accounting policies
- 2 Special items
- 9 Collateral
- 10 Related parties



Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2019	1,000,000	32,367,138	3,731,100	37,098,238
Transfer through appropriation of profit	0	-3,077,215	5,000,000	1,922,785
Dividend distributed	0	0	-3,731,100	-3,731,100
Equity at 1 January 2020	1,000,000	29,289,923	5,000,000	35,289,923
Transfer through appropriation of profit	0	307,558	3,800,000	4,107,558
Dividend distributed	0	0	-5,000,000	-5,000,000
Equity at 31 December 2020	1,000,000	29,597,481	3,800,000	34,397,481

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of NEOPERL Nordic A/S for 2020 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.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. 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 the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

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 profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

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

Other external expenses

Other external expenses include the year's expenses relating to the 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

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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

Financial income and expenses

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

Tax

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

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

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

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

Inventories

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

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.

2 Special items

During the year, salary compensation of DKK 521 thousand was received, which has been recognised in other operating income, which is included in gross profit. The amount relates to compensation from the Danish state for the repatriation of a number of employees during the periods when Denmark was locked down due to COVID-19. The amount covers the period from the beginning of May to the beginning of July. For the employees where salary compensation has been received, there has been a salary expense of approx. DKK 800 thousand in the corresponding period.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK		2020	2019		
3	Staff costs				
	Wages/salaries	14,001,957	12,820,531		
	Pensions	1,919,138	1,896,424		
	Other social security costs	109,708	112,838		
	Transferred to cost of sales	-8,768,147	-8,422,732		
		<u>7,262,656</u>	<u>6,407,061</u>		
		2020	2019		
	Average number of full-time employees	<u>33</u>	<u>33</u>		
DKK		2020	2019		
4	Financial income				
	Interest receivable, group entities	0	14,519		
	Other financial income	0	15,225		
		<u>0</u>	<u>29,744</u>		
5	Tax for the year				
	Estimated tax charge for the year	1,164,900	487,938		
	Deferred tax adjustments in the year	4,006	62,814		
		<u>1,168,906</u>	<u>550,752</u>		
6	Property, plant and equipment				
DKK	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total	
	Cost at 1 January 2020	12,988,489	11,579,134	4,590,410	29,158,033
	Additions in the year	66,328	95,000	0	161,328
	Cost at 31 December 2020	<u>13,054,817</u>	<u>11,674,134</u>	<u>4,590,410</u>	<u>29,319,361</u>
	Impairment losses and depreciation at 1 January 2020	8,787,718	9,608,425	3,067,046	21,463,189
	Depreciation in the year	288,985	624,663	553,400	1,467,048
	Impairment losses and depreciation at 31 December 2020	<u>9,076,703</u>	<u>10,233,088</u>	<u>3,620,446</u>	<u>22,930,237</u>
	Carrying amount at 31 December 2020	<u>3,978,114</u>	<u>1,441,046</u>	<u>969,964</u>	<u>6,389,124</u>
	Depreciated over	<u>25-33 years</u>	<u>5 years</u>	<u>5 years</u>	



Financial statements 1 January - 31 December

Notes to the financial statements

DKK	<u>2020</u>	<u>2019</u>
7 Share capital		
Analysis of the share capital:		
10,000 shares of DKK 100.00 nominal value each	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>

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

8 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

9 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2020.

10 Related parties

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
NEOPERL Holding AG	Pfeffingerstrasse 21, 4153 Reinach-Basel, Switzerland	At the Company's address