

# Clorius Controls A/S

Kajakvej 4, DK-2770 Kastrup

Commercial reg. No. 17 91 32 98

Annual Report for 2017

Approved by the company at the general meeting 17 May 2018

**Chairman**



*Chris Johansen*

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
COMPANY INFORMATION	2
STATEMENT BY EXECUTIVE AND SUPERVISORY BOARDS ON THE ANNUAL REPORT	3
INDEPENDENT AUDITORS' REPORT	4
HIGHLIGHTS AND FINANCIAL RATIOS	7
MANAGEMENT'S REVIEW	8
ACCOUNTING POLICIES	9
PROFIT AND LOSS ACCOUNT FOR 2017	12
BALANCE SHEET AT 31.12.2017	13
STATEMENT OF CHANGES IN EQUITY	15
PLEGGED ASSETS AND CONTINGENT LIABILITIES, ETC.	16
NOTES TO ANNUAL REPORT	17

Please note that Danish decimal and digit grouping symbols have been used in the financial statements.

**COMPANY INFORMATION**

**Company**

Clorius Controls A/S

Kajakvej 4

DK-2770 Kastrup

Company registration No.: 17913298

Registered in: Taarnby

**Supervisory Board**

Holger Clemens Rohrer, Chairman

Arno Rudolf Monincx

Lene Schwartz

**Direktion Executive Board**

Anders Haugaard, Managing Director

**Company auditor**

Deloitte

Statsautoriseret Revisionspartnerselskab

## MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Clorius Controls 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 at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

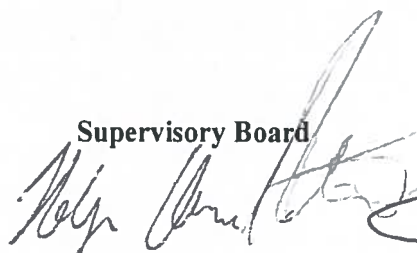
Assens, 17 May 2018

### Executive Board

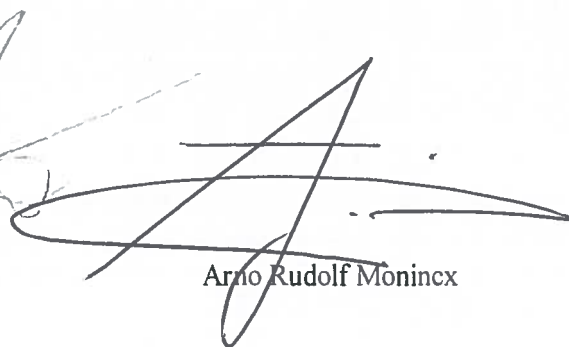


Anders Haugaard

### Supervisory Board



Holger Clemens Rohrer  
Chairman



Arno Rudolf Moninex



Lene Schwartz

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF CLORIUS CONTROLS A/S**

#### **OPINION**

We have audited the financial statements of Clorius Controls A/S for the financial year 01.01.2017 – 31.12.2017, which comprise the income statement, balance sheet and notes, including a summary of significant 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 Entity's financial position at 31.12.17 and of the results of its operations for the financial year 01.01.2017 – 31.12.2017 in accordance with the Danish Financial Statements Act.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We Believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes 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 COMMENTARY**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Aarhus, 17 May 2018

**Deloitte**  
Statsautoriseret Revisionspartnerselskab  
CVR No. 33 96 35 56



Henrik Vedel  
State Authorised Public Accountant  
MNE-No. mne 10052

HIGHLIGHTS AND FINANCIAL RATIOS <sup>1</sup>

	2013 T.DKK/ <u>T.EUR</u>	2014 T.DKK/ <u>T.EUR</u>	2015 T.DKK/ <u>T.EUR</u>	2016 T.DKK/ <u>T.EUR</u>	2017 T.DKK/ <u>T.EUR</u>
<b>Five years' highlights</b>					
Gross margin <sup>2</sup>	32,578 4,368	43,047 5,782	41,912 5,617	41,728 5,613	38,753 5,205
Contribution margin <sup>3</sup>	(534) (72)	8,098 1,088	8,369 1,122	8,141 1,095	6,895 926
Profit before tax	(750) (101)	8,630 1,159	8,136 1,090	8,246 1,109	6,704 900
Total assets	21,643 2,902	30,268 4,065	28,972 3,882	30,634 4,121	25,441 3,417
Capital and reserves	7,405 993	13,758 1,848	15,746 2,110	15,977 2,149	15,019 2,017
Return on capital and reserves <sup>4</sup>	-10,0%	87,8%	61,4%	39,6%	31,6%
Solvency ratio <sup>5</sup>	34,2%	45,5%	54,3%	52,2%	59,0%
Average number of employees	35	34	32	31	30

<sup>1</sup> Highlights and financial ratios are converted at the closing rate at the balance sheet day

<sup>2</sup> Annual net sales invoiced after deduction of the corresponding raw materials

<sup>3</sup> Profit on ordinary activities with addition of depreciation

<sup>4</sup> Profit for the year as a percentage of capital and reserves at the beginning of the year

<sup>5</sup> Capital and reserves as a percentage of total assets



## MANAGEMENT'S REVIEW

### Principal activities

Clorius Controls A/S develops, markets and services temperature regulation and energy optimization products used for the heating and ventilation of buildings and for application within the marine and processing industries, in the Danish market as well as in export markets.

### Development in 2017

In 2017 the sales of Clorius Controls A/S are lower than in 2016. This result reflects a steep decline in contracting of new vessels in the marine market, which negatively effects the sales in particular in Asia. However positive trends in the power and energy supplies cover up for some of the setback. As a result of a strengthened effort on the American market, 2017 resulted in a good growth there and pipeline for future growth.

By the end of 2017 Clorius Controls A/S divested its BMS activities to O&J CTS A/S and will from 2018 no longer be active in the CTS market. The remaining business has dedicated focus on providing world class engineered temperature control valves to the global marine, power and energy market.

During the year, investments have been made in new sales initiatives, product development and marketing to continue the optimization of internal processes, this is reflected in the positive result of the year.

Profit before tax amounts to tDKK 6,704, which under the circumstances is considered acceptable.

### Expectations for year 2018

Also in 2018 market conditions are expected to be challenging in the marine segment.

The continued focus on efficiency improvements in the general organization, as well as in supply chain, is expected to have a positive impact on the result. The new activities launched within the range of products, sales and marketing are also expected to contribute positively, in particular owing to the geographical dispersion of sales. Consequently, the revenue on the remaining business is expected to grow by 2-3% and with the same level of earnings as 2017.

### Subsequent events

No events have occurred subsequent to the balance sheet date and up to this date that change the assessment of the annual accounts substantially.

## ACCOUNTING POLICIES

### **Basis of preparation**

The Annual Report of Clorius Controls A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and some options from reporting class C in additional choice.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at transaction dates. Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Gains and losses from foreign currencies are recognised in financial income and expenses in the income statement.

### **Leases**

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

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

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### **Corporation tax and deferred tax**

The Company is jointly taxed with the Danish companies that form part of the overall parent company.

The tax effect of the joint taxation of the enterprises is allocated to both profitable and unprofitable Danish enterprises in relation to their taxable income (full allocation with refund of fiscal losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Tax for the year consists of current tax for the year and deferred tax for the year.

Current tax liabilities and current tax receivable are recognised in receivables in the balance sheet in the event of overpayment of tax on account, and in debt in the event of underpayment of tax on account.

Deferred tax provisions are made for the deviations between the accounting value and the tax value of assets and liabilities. Deferred tax assets are included at the expected realisable value.

Adjustment is made for deferred tax concerning unrealised intercompany gains and losses.

## Income Statement

### Net turnover

The revenue from sale of manufactured goods and goods for resales is recognised in the income statement, when delivery is made and risk has passed to the purchaser. Revenue is recognised net of VAT, duties and sales discounts and measured at fair value of the consideration fixed

In agreement with section 32 of ÅRL (The Danish Financial Statements Act), the net turnover is not stated.

### Gross profit

Gross profit comprises annual net sales invoiced after deduction of the corresponding raw materials and inclusive expenses related to premises, sales and distribution, office expenses as well as development costs that do not qualify for capitalisation.

### Staff expenses

Staff expenses comprise wages and salaries as well as other pay related expenses other than production wages.

### Depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment as well as gains and losses from current replacement of fixed assets.

### Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

## Balance Sheet

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment loss.

### Tangible fixed assets

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipm. 3-5 years

Layout and decoration of rented premises 5 years

Assets having a purchase price of less than DKK 37,250 per unit are charged to expenditure in the year of acquisition.

Gains and losses on current replacement of property, plant and equipment are recognised in "Depreciation, amortisation and impairment of property, plant and equipment and intangible assets".

### Financial liabilities and financial assets to be held to maturity

Deposits are valued at cost.

**Stocks**

Inventories are measured under the FIFO method or the net realisable value, whichever is the lower. The net realisable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sums less estimated expenses necessary to make the sale.

**Receivables**

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Provisions for bad debts are determined on the basis of an individual assessment of each receivable. In respect of trade receivables, a general provision is also made based on the Company's experience.

**Dividend**

Proposed dividend is recognised in equity.

**Prepayments and deferred income**

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred income includes payments received in respect of income in subsequent years as well as fair value adjustments of derivative financial instruments with a negative fair value.

**PROFIT AND LOSS ACCOUNT FOR 2017**

	<u>Note</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
<b>Gross profit</b>		<b>24,656</b>	<b>26,119</b>
Staff expenses	1	(17,761)	(17,978)
Depreciation and impairment losses	5	<u>(112)</u>	<u>(100)</u>
<b>Profit on primary activities</b>		<b>6,783</b>	<b>8,041</b>
Financial income	2	1,528	2,501
Financial expenses	3	<u>(1,607)</u>	<u>(2,296)</u>
<b>Profit before tax</b>		<b>6,704</b>	<b>8,246</b>
Tax on ordinary profit	4	<u>(1,662)</u>	<u>(2,015)</u>
<b>NET PROFIT</b>		<b><u>5,042</u></b>	<b><u>6,231</u></b>
<b>Appropriation of profit</b>			
Retained profit at 01.01.		1,977	1,746
Profit for the year		<u>5,042</u>	<u>6,231</u>
<b>Total amount available for appropriation</b>		<b>7,019</b>	<b>7,977</b>
The amount is recommended to be appropriated as follows:			
Dividend for the financial year		6,000	6,000
Retained profit at 31.12.		<u>1,019</u>	<u>1,977</u>
		<b><u>7,019</u></b>	<b><u>7,977</u></b>

**BALANCE SHEET AT 31.12.2017**

**ASSETS**

	<u>Note</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment etc.	5	307	258
<b>Total tangible fixed assets</b>		<u>307</u>	<u>258</u>
Deposits		45	39
Other financial assets		846	846
<b>Total financial assets</b>	6	<u>891</u>	<u>885</u>
<b>TOTAL FIXED ASSETS</b>		<u><u>1,198</u></u>	<u><u>1,143</u></u>
Work in progress		0	121
Produced finished goods and commodities		1,203	1,978
<b>Stocks</b>		<u>1,203</u>	<u>2,099</u>
Trade debtors		8,480	8,986
Other receivables		45	73
Receivable at affiliated undertakings		13,889	15,699
Deferred tax asset	7	69	105
Prepayments		554	2,489
<b>Total receivables</b>		<u>23,037</u>	<u>27,352</u>
<b>Cash funds</b>		<u>3</u>	<u>40</u>
<b>TOTAL CURRENT ASSETS</b>		<u><u>24,243</u></u>	<u><u>29,491</u></u>
<b>TOTAL ASSETS</b>		<u><u>25,441</u></u>	<u><u>30,634</u></u>

**BALANCE SHEET AT 31.12.2017**

**LIABILITIES**

	Note	2017 DKK'000	2016 DKK'000
	<u>        </u>	<u>        </u>	<u>        </u>
Share capital	8	8,000	8,000
Retained profit		1,019	1,977
Dividend		<u>6,000</u>	<u>6,000</u>
<b>EQUITY</b>		<u><b>15,019</b></u>	<u><b>15,977</b></u>
Suppliers of goods and services		2,373	3,149
Amount owed to affiliated undertakings		5,515	4,198
Prepayments and deferred income		0	3,482
Other creditors		<u>2,534</u>	<u>3,828</u>
<b>Total short term debt</b>		<u><b>10,422</b></u>	<u><b>14,657</b></u>
<b>TOTAL DEBT</b>		<u><b>10,422</b></u>	<u><b>14,657</b></u>
<b>LIABILITIES AND EQUITY</b>		<u><b>25,441</b></u>	<u><b>30,634</b></u>

**Pledged assets and contingent liabilities, etc: Page 16.**

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital DKK</u>	<u>Retained earnings DKK</u>	<u>Proposed dividend DKK</u>	<u>Total DKK</u>
Equity at 01.01.2017	8,000	1,977	6,000	15,977
Dividend paid	0	0	(6,000)	(6,000)
Net profit of the year	0	5,042	0	5,042
Dividend for the financial year	0	(6,000)	6,000	0
<b>Equity at 31.12.2017</b>	<b><u>8,000</u></b>	<b><u>1,019</u></b>	<b><u>6,000</u></b>	<b><u>15,019</u></b>

	<u>Share capital DKK</u>	<u>Retained earnings DKK</u>	<u>Proposed dividend DKK</u>	<u>Total DKK</u>
Equity at 01.01.2016	8,000	1,746	6,000	15,746
Dividend paid	0	0	(6,000)	(6,000)
Net profit of the year	0	6,231	0	6,231
Dividend for the financial year	0	(6,000)	6,000	0
<b>Equity at 31.12.2016</b>	<b><u>8,000</u></b>	<b><u>1,977</u></b>	<b><u>6,000</u></b>	<b><u>15,977</u></b>



**PLEDGED ASSETS AND CONTINGENT LIABILITIES, ETC.**

	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
<b>Leasing commitments</b>		
Leasing commitments, others		
After 5 years	0	0
Between 1 and 5 years	618	1,904
Within 1 year	<u>303</u>	<u>1,084</u>
	<u>921</u>	<u>2,988</u>
 <b>Rental commitments</b>		
After 5 years	0	0
Between 1 and 5 years	148	0
Within 1 year	<u>211</u>	<u>162</u>
	<u>359</u>	<u>162</u>
 <b>Other commitments</b>		
Submitted guarantees for work	<u>2,215</u>	<u>1,958</u>

NOTES TO ANNUAL REPORT

	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
<b>1. Staff expenses</b>		
Salaries and wages	15,861	16,018
Pensions	1,821	1,877
Other social security costs	<u>79</u>	<u>83</u>
	<u><b>17,761</b></u>	<u><b>17,978</b></u>
Number of employees (converted to full-time)	<u>30</u>	<u>31</u>
<b>2. Financial income</b>		
Financial income other	1,528	2,219
Financial income affiliated companies	<u>0</u>	<u>282</u>
	<u><b>1,528</b></u>	<u><b>2,501</b></u>
<b>3. Financial expenses</b>		
Financial expenses affiliated companies	27	70
Financial expenses other	<u>1,580</u>	<u>2,226</u>
	<u><b>1,607</b></u>	<u><b>2,296</b></u>
<b>4. Tax</b>		
Current tax	1,627	2,006
Change in deferred tax	<u>35</u>	<u>9</u>
	<u><b>1,662</b></u>	<u><b>2,015</b></u>
The expensed tax is broken down as follows:		
Tax on ordinary profit	<u>1,662</u>	<u>2,015</u>
	<u><b>1,662</b></u>	<u><b>2,015</b></u>

NOTES TO THE ANNUAL REPORT

	<b>Layout and decoration of rented premises <u>DKK'000</u></b>	<b>Other fixtures, etc. <u>DKK'000</u></b>
<b>5. Tangible fixed assets</b>		
Cost at 01.01.2017	70	4,091
Additions	0	161
Disposals	<u>0</u>	<u>0</u>
<b>Cost at 31.12.2017</b>	<b>70</b>	<b>4,252</b>
Depreciation at 01.01.2017	1	3,902
Depreciation	18	94
Depreciation concerning disposals of the year	<u>0</u>	<u>0</u>
<b>Depreciation at 31.12.2017</b>	<b><u>19</u></b>	<b><u>3,996</u></b>
<b>Book value at 31.12.2017</b>	<b><u>51</u></b>	<b><u>256</u></b>
Book value at 31.12.2016	<u>69</u>	<u>189</u>
	<b>Other financial assets <u>DKK'000</u></b>	<b>Deposits <u>DKK'000</u></b>
<b>6. Financial assets</b>		
Cost at 01.01.2017	846	39
Additions	0	6
Disposals	<u>0</u>	<u>0</u>
<b>Cost at 31.12.2017</b>	<b>846</b>	<b>45</b>
<b>Book value at 31.12.2017</b>	<b><u>846</u></b>	<b><u>45</u></b>
Book value at 31.12.2016	<u>846</u>	<u>39</u>

NOTES TO THE ANNUAL REPORT

	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
<b>7. Deferred tax asset</b>		
Balance at 01.01.2017	105	114
Change in deferred tax	<u>(36)</u>	<u>(9)</u>
<b>Balance at 31.12.2017</b>	<u>69</u>	<u>105</u>

Deferred tax relates to fixed assets and receivables

**8. Share capital**

The share capital of the company, consists of shares of:

1 share of 200	200	200
1 share of 2,000	2,000	2,000
1 share of 5,800	<u>5,800</u>	<u>5,800</u>
	<u>8,000</u>	<u>8,000</u>

**9. Closely related parties**

**Shareholder relations**

Apart from normal in-Group transactions and management fees there have in the course of the year been no transactions involving the board of management, the board of directors, chief executives, major shareholders, associated companies and other closely related or associated parties.

**Group relations**

The company is included in the Group Annual Report of Aalberts Industries N.V., The Netherlands.

The Group Annual Report of Aalberts Industries N.V. may be obtained upon application to BROEN A/S.