Laufen Nordic A/S

Tømrervej 2
4600 Køge
Denmark

CVR no. 31 58 57 16

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

21 June 2019

Alberto Magrans Perello
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Laufen Nordic A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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.

Køge 21 June 2019
Executive Board:

Daniel Jørn Nielsen

Board of Directors:

Alberto Magrans Perello Chairman	Juan Albos Barbarroja	Manuel Cortés Cascón

Independent auditor's report

To the shareholder of Laufen Nordic A/S

Opinion

We have audited the financial statements of Laufen Nordic A/S for the financial year 1 January – 31 December 2018 comprising 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 21 June 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant
mne33205

Management's review

Company details

Laufen Nordic A/S
Tømrervej 2
4600 Køge
Denmark

Telephone:	+45 56 28 72 87
Website:	www.laufen.dk
CVR no.:	31 58 57 16
Financial year:	1 January – 31 December

Board of Directors

Alberto Magrans Perello, Chairman
Juan Albos Barbarroja
Manuel Cortés Cascón

Executive Board

Daniel Jørn Nielsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The main activity of the Company is wholesale of sanitary supplies.

Development in activities and financial position

The Company has seen a remarkable growth in sales both Domestic and in Export Markets. Especially the Danish and the Swedish market have developed impressively throughout the past years.

While achieving growth, we have also managed to increase the margin, as a result of the product mix in the Nordic countries.

From 1 April 2018, Laufen Nordic has increased the sales area to also include the Baltic countries. All Customer relationships from the Baltic countries have been incorporated in the existing organization. Investment of corporate SAP system was implemented in 2018, in order to support the growth and to give the great benefits of LEAN management in all processes.
These two huge investments are in line with the strategic plan to continue investing massively in the North European Business unit.

The loss for the year amounted to DKK 1,426 thousand (2017: DKK 2,011 thousand).

Excluding the amoratisation of Customer relationships and depreciation of SAP investment, the Company's result for the year would be postive.

Laufen Nordic is still investing in Sweden, which is partly balanced by the success and hereby the significant growth in sales on the Swedish market. The rest of the investments in Sweden is balanced by great sales results on the Domestic market.

Therefore, the results for 2018 are considered satisfactory and as expected.

Laufen Nordic A/S received a letter of support from the Parent Company (Roca Corporación Empresarial, S.A.) on 6 May 2019, in which it is confirmed that the Parent Company will provide the necessary cash for the Company at least for the next 12 months.

Equity at 31 December 2018 amounted to DKK 1,726 thousand (31 December 2017: DKK -848 thousand).

Management estimates that the Company will generate a profit on the Nordic market in the coming year, except for Sweden where we will continue to withhold significant costs of investments in the market.

Events after the balance sheet date

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit		9,027,951	4,389,833
Staff costs	3	-8,618,067	-6,230,692
Depreciation and amortisation		-1,573,462	-117,231
Result before financial items		-1,163,578	-1,958,090
Financial income		0	141,629
Financial expenses		-262,530	-194,953
Loss before tax		-1,426,108	-2,011,414
Tax on loss for the year		0	0
Loss for the year		-1,426,108	-2,011,414

Proposed distribution of loss

Retained earnings		-1,426,108	-2,011,414

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets	4		
Customer relationships		17,174,790	0
Software		2,134,102	0
		19,308,892	0
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		35,645	24,701
Leasehold improvements		246,998	349,383
		282,643	374,084
Total fixed assets		19,591,535	374,084
Current assets			
Inventories			
Finished goods and goods for resale		578,015	316,702
Receivables			
Trade receivables		17,405,265	10,561,720
Receivables from group entities		560,179	571,755
Other receivables		99,689	125,023
Prepayments		107,472	10,907
		18,172,605	11,269,405
Cash at bank and in hand		11,868,703	1,266,640
Total current assets		30,619,323	12,852,747
TOTAL ASSETS		50,210,858	13,226,831

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	6	500,000	300,000
Retained earnings		1,225,845	-1,148,047
Total equity		1,725,845	-848,047
Liabilities			
Current liabilities			
Trade payables		1,477,322	1,303,624
Payables to group entities		37,611,218	7,536,527
Other payables		9,396,473	5,234,727
		48,485,013	14,074,878
Total liabilities		48,485,013	14,074,878
TOTAL EQUITY AND LIABILITIES		50,210,858	13,226,831

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Share premium	Retained earnings	Total
Equity at 1 January 2018	300,000	0	-1,148,047	-848,047
Cash capital increase	200,000	3,800,000	0	4,000,000
Transferred over the distribution of loss	0	0	-1,426,108	-1,426,108
Transfer from share premium account	0	-3,800,000	3,800,000	0
Equity at 31 December 2018	500,000	0	1,225,845	1,725,845

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Laufen Nordic A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B entites under the Danish Financial Statements Act with opt-in from higher reporting calsses.

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

Non-material reclassifications relating to other payables and deferred income have been made for the comparative figures. This does not affect the result for the year or equity for 2017.

Effect on:

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Income from the sale of goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

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

Cost of sales

Cost of goods sold comprises costs incurred in generating the revenue for the year, including direct and indirect costs for consumables.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Other external costs

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

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pension contributions, and other social security costs, etc., relating to the Company's employees. Staff costs are less government refunds received.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Software are measured at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over the expected useful lives of the assets. When changing the depreciation period or the residual value, the effect on the depreciation is recognized as a change in accounting estimates. Amortization and impairment is recognized in the income statement as depreciation and amortisation.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the disposal date, and are recognized in the income statement as other operating income or other operating costs, respectively.

Customer relationships are amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The amortisation period is 18 years.

The expected useful lives are as follows:

Software:	3-5 years
Customer relationships	18 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. The basis of depreciation constitutes cost less expected residual value at the end of the usefull life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	2-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and consumables are measured at cost, comprising purchase price plus delivery costs.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Other liabilities are measured at net realisable value.

2 Support letter

Laufen Nordic A/S received a letter of support from the Parent Company (Roca Corporación Empresarial, S.A.) on 6 May 2019, in which it is confirmed that the Parent Company will provide the necessary cash for the Company at least for the next 12 months.

Financial statements 1 January – 31 December

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3 Staff costs

DKK	2018	2017
Wages and salaries	8,180,280	5,773,295
Pensions	438,708	396,165
Other social security costs	-921	61,232
	8,618,067	6,230,692
Average number of full-time employees	14	10

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

4 Intangible assets

DKK	Customer relationships	Software	Total
Cost at 1 January 2018	0	0	0
Additions for the year	17,921,520	2,840,280	20,761,800
Cost at 31 December 2018	17,921,520	2,840,280	20,761,800
Amortisation for the year	-746,730	-706,178	-1,452,908
Amortisation and impairment losses at 31 December 2018	-746,730	-706,178	-1,452,908
Carrying amount at 31 December 2018	17,174,790	2,134,102	19,308,892

5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2018	86,985	515,765	602,750
Additions for the year	29,113	0	29,113
Cost at 31 December 2018	116,098	515,765	631,863
Depreciation and impairment losses at 1 January 2018	-62,284	-166,382	-228,666
Depreciation for the year	-18,169	-102,385	-120,554
Depreciation and impairment losses at 31 December 2018	-80,453	-268,767	-349,220
Carrying amount at 31 December 2018	35,645	246,998	282,643

Financial statements 1 January – 31 December

Notes

6 Equity

The share capital consists of 5,000 shares of a nominal value of DKK 100. No shares carry any special rights.

The Company has increased its share capital through a capital increase of nominally DKK 200,000. The new shares are subscribed at price 2,000 resulting in a capital injection of DKK 4,000,000. Hereafter the share capital amounts to DKK 500,000.

7 Contractual obligations, contingencies, etc.

Operating lease obligations

Laufen Nordic A/S has entered into operating leases with residual lease payments totalling DKK 1,021 thousand (2017: DKK 951 thousand).

Further, the Company has enterered into a rental agreement with an obligation of DKK 878 thousand (2017: DKK 1,268 thousand).

8 Related party disclosures

Control

Laufen Nordic A/S is part of the consolidated financial statements of Roca Corporación Empresarial, S.A., registered office, which is the largest group in which the Company is included as a subsidiary.