Laufen Nordic ApS

Tømrervej 2
4600 Køge
Denmark

CVR no. 31 58 57 16

Annual report for the period 1 January – 31 December 2016

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

31 May 2017

chairman

Contents

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 ApS for the financial year 1 January – 31 December 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

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 31 May 2017
Executive Board:

Daniel Jørn Nielsen

Board of Directors:

Alberto Magrans Perello Chairman	Juan Albos Barbarroja	Gerardo Frontera Avellana

Independent auditor's report

To the shareholder of Laufen Nordic ApS

Opinion

We have audited the financial statements of Laufen Nordic ApS for the financial year 1 January – 31 December 2016 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 2016, and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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.

Independent auditor's report

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.

- 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.

Independent auditor's report

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.

Copenhagen, 31 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant

Management's review

Company details

Laufen Nordic ApS
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4600 Køge
Denmark

Telephone:	+45 56 28 72 87
Fax:	+45 56 28 72 37
Website:	www.dk.laufen.com

CVR no.:	31 58 57 16
Established:	1 July 2008
Registered office:	Køge
Financial year:	1 January – 31 December

Board of Directors

Alberto Magrans Perello
Juan Albos Barbarroja
Gerardo Frontera Avellana

Executive Board

Daniel Jørn Nielsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Annual general meeting

The annual general meeting will be held on 31 May 2017 at the Company's address.

Management's review

Operating review

Main activity

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

Development in activity and financial position

The year has seen a significant growth in sales. We have also maintained the same coverage rate as in previous year.

The loss for the year amounted to DKK 3,119 thousand (2015: DKK 1,971 thousand). The loss is due to big investments in Sweden.

Disregarding these investments, the Company would have provided positive results. Therefore the results are considered satisfactory and as expected.

Laufen Nordic ApS received a letter of support from the Parent Company (Roca Corporación Empresarial, S.A.) on 9 May 2017, in which it is confirmed that the Parent Company will provide the necessary cash for the Company at least for the next 12 months.

The Company has increased its share capital through two capital increases of nominally DKK 100,000 during 2016, resulting in a total capital injection of DKK 4,500,000. Hereafter the share capital amounts to DKK 300,000.

Equity at 31 December 2016, amounted to a positive of DKK 1,163 thousand (31 December 2015: DKK -218 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.

Subsequent events

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	2016	2015
Gross profit		2,715,286	4,096,493
Staff costs	2	-5,752,486	-6,028,371
Depreciation		-86,686	-4,428
Result before financial items		-3,123,886	-1,936,306
Financial income		92,804	48,533
Financial expenses		-87,747	-83,341
Loss before tax		-3,118,829	-1,971,114
Tax on loss for the year		0	0
Loss for the year		-3,118,829	-1,971,114

Proposed distribution of loss

Retained earnings	-3,118,829	-1,971,114
	-3,118,829	-1,971,114

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
ASSETS			
Property, plant and equipment	3		
Fixtures and fittings, tools and equipment		41,311	7,732
Leasehold improvements		388,387	0
		429,698	7,732
Total fixed assets		429,698	7,732
Current assets			
Inventories			
Finished goods and goods for resale		84,570	17,487
		84,570	17,487
Receivables			
Trade receivables		9,420,014	8,547,995
Receivables from group entities		244,559	113,925
Other receivables		121,642	578,882
Prepayments		9,824	36,444
		9,796,039	9,277,246
Cash at bank and in hand		2,393,637	1,189,514
Total current assets		12,274,246	10,484,247
TOTAL ASSETS		12,703,944	10,491,979
EQUITY AND LIABILITIES			
Equity	4		
Share capital		300,000	200,000
Retained earnings		863,366	-417,804
		1,163,366	-217,804
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		804,203	571,574
Payables to group entities		7,108,029	6,424,927
Other payables		3,109,843	3,496,271
Deferred income		518,503	217,011
		11,540,578	10,709,783
Total liabilities		11,540,578	10,709,783
TOTAL EQUITY AND LIABILITIES		12,703,944	10,491,979
Contractual obligations, contingencies, etc.	5		
Related party disclosures	6		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Share premium	Total
Equity at 1 January 2016	200,000	-417,804	0	-217,804
Capital increase	100,000	0	4,400,000	4,500,000
Transfer	0	4,400,000	-4,400,000	0
Net loss for the year	0	-3,118,829	0	-3,118,829
Equity at 31 December 2016	300,000	863,367	0	1,163,367

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Laufen Nordic ApS for 2016 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Income statement

Revenue

Income from the sale of goods is recognised in 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 goods sold

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

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Balance sheet

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.

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

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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 and deferred income

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividends payment for te year is disclosed as a separate item under equity.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 than provisions

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK	2016	2015
Salaries	5,212,809	5,464,269
Pensions costs	384,300	361,407
Other social security costs	155,377	202,695
	5,752,486	6,028,371
Average number of full-time employees	9	7

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

3 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improve-ments
Cost at 1 January	32,481	0
Additions	49,636	459,016
Cost at 31 December	82,117	459,016
Depreciations at 1 January	-24,749	0
Depreciations for the year	-16,057	-70,629
Revaluations at 31 December	-40,806	-70,629
Carrying amount at 31 December 2016	41,311	388,387

4 Equity

The changes in the share capital for the past five years can be specified as follows:

	2016	2015	2014	2013	2012
Share capital at 1 January	200,000	200,000	150,000	150,000	125,000
Additions for the year	100,000	0	50,000	0	25,000
Share capital at 31 december	300,000	200,000	200,000	150,000	150,000

The share capital consists of 3,000 shares of a nominal value of DKK 100. No shares carry any special rights.

Laufen Nordic ApS has received a letter of support from the parent company (Roca Corporación Empresarial, S.A), 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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5 Contractual obligations, contingencies, etc.

Contingent liabilities

Laufen Nordic ApS has entered into operating leases with residual lease payments totalling DKK 408 thousand (2015: DKK 645 thousand).

Further, the Company has enterered into a rental agreement with an obligation of DKK 1.658 thousand (2015: DKK 360 thousand).

6 Related party disclosures

Control

Laufen Nordic ApS 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.