

Produal A/S

Generatorvej 8H, 2860 Søborg

Annual report

2019

Company reg. no. 33 37 82 03

The annual report was submitted and approved by the general meeting on the 27 March 2020.

Anselmi Immonen
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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Management's report

The board of directors and the managing director have today presented the annual report of Pro dual A/S for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Søborg, 3 March 2020

Managing Director

Henrik Zederkof

Board of directors

Pekka Anselmi Immonen

Risto Laaksonen

Henrik Zederkof

Independent auditor's report

To the shareholders of Produl A/S

Auditor's report on the annual accounts

Opinion

We have audited the annual accounts of Produl A/S for the financial year 1 January to 31 December 2019, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Loss of capital

The company has lost all of the contributed capital. Within the Companies Act deadlines, management is required to ensure the holding of the general meeting and explain the company's financial position and, if necessary, propose measures to be taken. Failing this, management can incur liability as per the Companies Act § 119.

As mentioned in note 1 the mother company has confirmed by a Letter of subordination, that all debt and liabilities towards Produal A/S, will be junior and subordinated to all other creditors.

Copenhagen, 3 March 2020

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01

Leif Tomasson

State Authorised Public Accountant
mne25346

Company data

The company	Produal A/S Generatorvej 8H 2860 Søborg
	Company reg. no. 33 37 82 03 Established: 20 December 2010 Financial year: 1 January - 31 December 10th financial year
Board of directors	Pekka Anselmi Immonen Risto Laaksonen Henrik Zederkof
Managing Director	Henrik Zederkof
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Øster Allé 42 2100 København Ø
Parent company	Produal Holding Oy, Finland

Management's review

The principal activities of the company

The company sells a wide range of products for among other management and measurement within building automation, which should enable optimum energy efficiency and indoor comfort.

Development in activities and financial matters

The gross profit for the year is DKK 4.832.757 against DKK 2.615.000 last year. The results from ordinary activities after tax are DKK 557.273 against DKK -2.141.000 last year. The management consider the results satisfactory.

Uncertainties concerning the enterprise's ability to continue as a going concern

There are uncertainties concerning the company's ability to continue as a going concern, due to the liabilities towards the company's creditors. However the management of the parent company, Pro dual OY, has confirmed by a Letter of subordination, that all debt and liabilities towards Pro dual A/S, will be junior and subordinated to all other creditors.

The expected development

The Danish Market experienced a slowdown in 2019. The company is well consolidated in the market, and this year's activities have proceeded as expected. Marked trends in 2020 are expected to remain stable.

Events subsequent to the financial year

There has been no subsequent events that have an impact on the financial statements.

Accounting policies used

The annual report for Produl A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

Changes in the accounting policies used

The classification of the item "staff cost" has been changed so that certain types of costs that previously have been recognised under staff cost in the future are recognised under the item "other external charges".

The change in classification has no effect on the profit for the year or the balance sheet, neither for the current financial year, nor for the previous financial year. The comparative figures have been adjusted in accordance with the change of classification.

Apart from the above, the annual accounts have been prepared in accordance with the same accounting policies as last year.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Income statement

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods, other operating income, and external costs.

Accounting policies used

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials include interest income, interest expenses and realised and unrealised capital gains and losses concerning financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

Accounting policies used

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Produal A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Other provisions

Provisions comprise long-term holiday pay obligations

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 January - 31 December

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Gross profit	4.832.757	2.615
2 Staff costs	-3.882.357	-3.754
Amortisation and writedown relating to intangible fixed assets	-689.595	-690
Operating profit	260.805	-1.829
Other financial costs	-10.739	-12
Results before tax	250.066	-1.841
3 Tax on ordinary results	307.207	-300
Results for the year	557.273	-2.141
 Proposed distribution of the results:		
Allocated to results brought forward	557.273	0
Allocated from results brought forward	0	-2.141
Distribution in total	557.273	-2.141

Balance sheet 31 December

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets		
Fixed assets		
4 Goodwill	689.594	1.379
Intangible fixed assets in total	<u>689.594</u>	<u>1.379</u>
Fixed assets in total	<u>689.594</u>	<u>1.379</u>
Current assets		
Inventory	1.461.290	1.715
Inventories in total	<u>1.461.290</u>	<u>1.715</u>
Trade debtors	2.124.320	2.107
Other debtors	85.464	80
Debtors in total	<u>2.209.784</u>	<u>2.187</u>
Available funds	1.278.690	567
Current assets in total	<u>4.949.764</u>	<u>4.469</u>
Assets in total	<u>5.639.358</u>	<u>5.848</u>

Balance sheet 31 December

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity and liabilities		
Equity		
Contributed capital	800.000	800
Results brought forward	-1.065.055	-1.622
Equity in total	-265.055	-822
Provisions		
Other provisions	80.275	0
Provisions in total	80.275	0
Liabilities		
Trade creditors	138.676	332
Debt to group enterprises	4.286.577	5.263
Other debts	1.398.885	1.075
Short-term liabilities in total	5.824.138	6.670
Liabilities in total	5.824.138	6.670
Equity and liabilities in total	5.639.358	5.848

- 1 Uncertainties concerning the enterprise's ability to continue as a going concern
- 5 Contingencies

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Results brought forward</u>	<u>In total</u>
Equity 1 January 2019	800.000	-1.622.328	-822.328
Profit or loss for the year brought forward	<u>0</u>	<u>557.273</u>	<u>557.273</u>
	<u>800.000</u>	<u>-1.065.055</u>	<u>-265.055</u>

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

There are uncertainties concerning the company's ability to continue as a going concern, due to the liabilities towards the company's creditors. However the management of the parent company, Produl OY, has confirmed by a Letter of subordination, that all debt and liabilities towards Produl A/S, will be junior and subordinated to all other creditors.

	<u>2019</u>	<u>2018</u>
2. Staff costs		
Salaries and wages	3.560.492	3.440
Pension costs	278.149	277
Other costs for social security	13.507	12
Other staff costs	<u>30.209</u>	<u>25</u>
	<u>3.882.357</u>	<u>3.754</u>
Average number of employees	<u>6</u>	<u>5</u>

3. Tax on ordinary results

Adjustment for the year of deferred tax	0	300
Adjustment of tax for previous years	<u>-307.207</u>	<u>0</u>
	<u>-307.207</u>	<u>300</u>

The value of the tax loss, 4 mio. DKK is not included in the accounts due to an uncertainty of when it will be used.

4. Goodwill

Cost 1 January	<u>6.895.950</u>	<u>6.896</u>
Cost 31 December	<u>6.895.950</u>	<u>6.896</u>
Amortisation 1 January	-5.516.761	-4.827
Amortisation for the year	<u>-689.595</u>	<u>-690</u>
Amortisation 31 December	<u>-6.206.356</u>	<u>-5.517</u>
Book value 31 December	<u>689.594</u>	<u>1.379</u>

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

5. Contingencies

Contingent liabilities

The company has entered into lease agreements. The lease contract may be terminated with a notice period of 6 months.

The total lease commitment amounts to 101 T.DKK.

Operational leasing

The company has entered into operational leasing contracts with an average annual leasing payment of 110 T.DKK. The leasing contracts have 36 months left to run, and the total outstanding leasing payment is 442 T.DKK.

Joint taxation

Hultafors Group Danmark A/S, company reg. no 14252533 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.