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A.W. FABER-CASTELL NORDIC ApS

Tonsbakken 16-18
2740 Skovlunde
Business Registration No
34228264

Annual report 01.04.2017 - 31.03.2018

The Annual General Meeting adopted the annual report on 08.06.2018

Chairman of the General Meeting

Name: Peter Ejvind Seiverts

Member of Deloitte Touche Tohmatsu Limited

Contents

Entity details

Entity

A.W. FABER-CASTELL NORDIC ApS
Tonsbakken 16-18
2740 Skovlunde

Central Business Registration No (CVR): 34228264
Registered in: Ballerup
Financial year: 01.04.2017 - 31.03.2018

Supervisory Board

Constantin Peter Neubeck
Rolf Heinz Schifferens
Peter Ejvind Sieverts

Executive Board

Peter Ejvind Sieverts

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of A.W. FABER-CASTELL NORDIC ApS for the financial year 01.04.2017 - 31.03.2018.

The annual report is presented 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 31.03.2018 and of the results of its operations for the financial year 01.04.2017 - 31.03.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Skovlunde, 08.06.2018

Executive Board

Peter Ejvind Sieverts

Supervisory Board

Constantin Peter Neubeck

Rolf Heinz Schifferens

Peter Ejvind Sieverts

Independent auditor's report

To the shareholders of A.W. FABER-CASTELL NORDIC ApS

Opinion

We have audited the financial statements of A.W. FABER-CASTELL NORDIC ApS for the financial year 01.04.2017 - 31.03.2018, which comprise the income statement, balance sheet, statement of changes in equity 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 31.03.2018 and of the results of its operations for the financial year 01.04.2017 - 31.03.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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:

Independent auditor's report

- 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.

Independent auditor's report

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.

København, 08.06.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Stine Eva Grothen
statsautoriseret revisor
Identification No (MNE) mne29431

Management commentary

Primary activities

Objects of the Company is to operate within the sales and marketing of products from A.W. Faber-Castell Group and other related products, as well any other related activites.

Development in activities and finances

The income statement for the period 01.04.17 – 31.03.18 shows a loss of DKK 488,267 against a profit of T.DDK 221 for the period 01.04.16 – 31.03.17. The balance sheet shows equity of DDK 4,021,505

The management considers the loss for the year to be unsatisfactory, but expected.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017/18

	Notes	2017/18 DKK	2016/17 DKK'000
Gross profit		**5.897.088**	**6.665**
Staff costs	1	(6.202.609)	(6.246)
Depreciation, amortisation and impairment losses		(76.654)	(107)
Operating profit/loss		**(382.175)**	**312**
Other financial income		49.917	42
Other financial expenses		(284.366)	(48)
Profit/loss before tax		**(616.624)**	**306**
Tax on profit/loss for the year	2	128.357	(85)
Profit/loss for the year		**(488.267)**	**221**
Proposed distribution of profit/loss			
Retained earnings		(488.267)	221
		(488.267)	**221**

Balance sheet at 31.03.2018

	Notes	2017/18 DKK	2016/17 DKK'000
Acquired rights		56.207	19
Goodwill		0	0
Intangible assets	3	**56.207**	**19**
Other fixtures and fittings, tools and equipment		146.355	187
Property, plant and equipment	4	**146.355**	**187**
Fixed assets		**202.562**	**206**
Manufactured goods and goods for resale		7.065.519	5.902
Inventories		**7.065.519**	**5.902**
Trade receivables		6.786.541	7.380
Receivables from group enterprises		0	1.209
Deferred tax		127.834	0
Other receivables		186.920	157
Income tax receivable		93.797	0
Prepayments		81.279	75
Receivables		**7.276.371**	**8.821**
Cash		**3.550.083**	**4.084**
Current assets		**17.891.973**	**18.807**
Assets		**18.094.535**	**19.013**

Balance sheet at 31.03.2018

	Notes	2017/18 DKK	2016/17 DKK'000
Contributed capital		400.000	400
Other reserves		2.250.000	2.250
Retained earnings		1.371.505	1.860
Equity		**4.021.505**	**4.510**
Deferred tax		0	1
Provisions		**0**	**1**
Bank loans		765.779	0
Trade payables		4.319.989	4.933
Payables to group enterprises		6.785.412	7.775
Other payables		2.201.850	1.794
Current liabilities other than provisions		**14.073.030**	**14.502**
Liabilities other than provisions		**14.073.030**	**14.502**
Equity and liabilities		**18.094.535**	**19.013**
Contingent liabilities	5		

Statement of changes in equity for 2017/18

	Contributed capital DKK	**Other reserves DKK**	**Retained earnings DKK**	**Total DKK**
Equity beginning of year	400.000	2.250.000	1.859.772	4.509.772
Profit/loss for the year	0	0	(488.267)	(488.267)
Equity end of year	**400.000**	**2.250.000**	**1.371.505**	**4.021.505**

Notes

	2017/18 DKK	2016/17 DKK'000
1. Staff costs		
Wages and salaries	5.157.524	5.038
Pension costs	485.536	552
Other social security costs	489.863	472
Other staff costs	69.686	184
	6.202.609	**6.246**
Average number of employees	**9**	**9**

	2017/18 DKK	2016/17 DKK'000
2. Tax on profit/loss for the year		
Current tax	0	40
Change in deferred tax	(128.357)	45
	(128.357)	**85**

	Acquired rights DKK	Goodwill DKK
3. Intangible assets		
Cost beginning of year	130.949	74.562
Additions	60.000	0
Cost end of year	**190.949**	**74.562**
Amortisation and impairment losses beginning of year	(112.179)	(74.562)
Amortisation for the year	(22.563)	0
Amortisation and impairment losses end of year	**(134.742)**	**(74.562)**
Carrying amount end of year	**56.207**	**0**

Notes

	Other fixtures and fittings, tools and equipment DKK
4. Property, plant and equipment	
Cost beginning of year	373.144
Additions	13.209
Cost end of year	**386.353**
Depreciation and impairment losses beginning of year	(185.907)
Depreciation for the year	(54.091)
Depreciation and impairment losses end of year	**(239.998)**
Carrying amount end of year	**146.355**

5. Contingent liabilities

The company has concluded lease agreements with terms to maturity of 1, 11 and 35 months and average lease payments of DDK 15k, a total of DDK 178k.

Rent payments at 31 March 2018 amount to DDK 119k.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for report-ing class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and external expenses.

Revenue

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

Accounting policies

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Accounting policies

Intellectual property rights etc
Intellectual property rights comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

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