

Grohe A/S
Central Business Registration No
52503310
Sluseholmen 8 C, 2. th.
2450 Copenhagen SV

Annual report 2016

The Annual General Meeting adopted the annual report on 19.05.2016

Chairman of the General Meeting

Name: Lars Tinneberg Pedersen

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Entity details

Entity

Grohe A/S
Sluseholmen 8 C, 2. th.
2450 Copenhagen SV

Central Business Registration No: 52503310

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.03.2016

Board of Directors

Michael Josef Rauterkus, Chairman

Per Olof Jonas Persson Brennwald

Lars Tinneberg Pedersen

Executive Board

Per Olof Jonas Persson Brennwald, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen 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 Grohe A/S for the financial year 01.01.2016 - 31.03.2016.

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 31.03.2016 and of the results of its operations for the financial year 01.01.2016 - 31.03.2016.

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.

Copenhagen, 19.05.2016

Executive Board

Per Olof Jonas Persson
Brennwald
Chief Executive Officer

Board of Directors

Michael Josef Rauterkus
Chairman

Per Olof Jonas Persson Brenn-
wald

Lars Tinneberg Pedersen

Independent auditor's reports

To the owners of Grohe A/S

Report on the financial statements

We have audited the financial statements of Grohe A/S for the financial year 01.01.2016 - 31.03.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.03.2016 and of the results of its operations for the financial year 01.01.2016 - 31.03.2016 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 19.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jens Baes

State Authorised Public Accountant

Jan Larsen

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Revenue	76.311	267.025	229.668	222.321	200.899
Gross profit/loss	24.266	82.446	68.467	68.356	65.006
Operating profit/loss	5.473	9.160	6.575	9.027	10.811
Net financials	(316)	(484)	(3.461)	(1.973)	975
Profit/loss for the year	4.051	8.811	(152)	3.729	8.482
Total assets	88.129	90.482	85.270	82.626	90.597
Investments in property, plant and equipment	1.757	4.245	2.439	1.689	2.021
Equity	18.803	14.777	16.057	22.259	18.529
Ratios					
Gross margin (%)	31,8	30,9	29,8	30,7	32,4
Net margin (%)	5,3	3,3	(0,1)	1,7	4,2
Return on equity (%)	24,1	57,2	(0,8)	18,3	58,2
Solvency ratio (%)	21,3	16,3	18,8	26,9	20,5

The income statement key figures for 2016 only include three months. Consequently, the key figures for 2016 are not comparable with previous financial years that include operations for 12 months, and because the balance sheet items in previous financial years are calculated at 31.12.

Management commentary

Primary activities

The object of Grohe A/S is to sell and market sanitary fittings and accessories domestically and abroad as well as related activities.

For 17 years, Grohe A/S has operated as the Scandinavian centre for competence in charge of the markets in Denmark, Norway, Sweden, Iceland and Finland in the areas of management, economics, marketing, logistics and service.

Development in activities and finances

In 2016, the Company's financial year only includes the three months period 01.01.2016 - 31.03.2016 against a 12 months period in 2015.

In 2016, the Company's revenue was DKK 76,311 thousand against DKK 267,025 thousand the year before. The income statement for 2016 shows a profit of DKK 4,051 thousand against a profit of DKK 8,811 thousand in 2015. The balance sheet shows equity of DKK 18,803 thousand at 31.03.2016. According to the annual report for 2015, Management forecasted positive results.

In 2015, the Company sold its property in Værløse with a profit, which have been recognised in 2016 in connection with the transfer, and in January 2016 the Company moved to new premises at Sluseholmen in Copenhagen.

Outlook

The budget for 2016/17 (revenue and expenses) is based on and in line with the anticipated small increase in the market and the expected development of new sales channels. By expanding its marketing and sales activities, the Company expects to increase its market share and thus to generate positive results.

Particular risks

The Company's activities are not associated with any particular risks in the industry.

Intellectual capital resources

The Company's long-standing activities on the market for sales and marketing of sanitary fittings have built competent and experienced members of staff.

Environmental performance

The Company's impact on the external environment is considered limited.

Foreign branches

The Company has established branches in Norway and Sweden.

Management commentary

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.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

The financial statements are presented in DKK.

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 one 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.

When recognising foreign branches that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign branches' equity at the beginning of the year at the balance sheet date ex-

Accounting policies

change rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

When recognising foreign branches that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

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.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on securities, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

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

Property, plant and equipment

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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:

Buildings	25 years
Other fixtures and fittings, tools and equipment	3-5 years

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 write-downs for bad and doubtful debts.

Accounting policies

Deferred tax

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement as such statement is prepared by the Parent.

Accounting policies

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The Entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue		76.311.141	267.024.528
Cost of sales		<u>(52.045.436)</u>	<u>(184.578.702)</u>
Gross profit/loss		24.265.705	82.445.826
Distribution costs	1	(15.918.618)	(52.999.667)
Administrative costs		(5.462.284)	(20.285.731)
Other operating income	2	<u>2.588.067</u>	<u>0</u>
Operating profit/loss		5.472.870	9.160.428
Other financial income	3	1.703.263	5.417.187
Other financial expenses	4	<u>(2.019.200)</u>	<u>(5.900.841)</u>
Profit/loss from ordinary activities before tax		5.156.933	8.676.774
Tax on profit/loss from ordinary activities	5	<u>(1.106.221)</u>	<u>134.036</u>
Profit/loss for the year		<u>4.050.712</u>	<u>8.810.810</u>
 Proposed distribution of profit/loss			
Retained earnings		<u>4.050.712</u>	<u>8.810.810</u>
		<u>4.050.712</u>	<u>8.810.810</u>

Balance sheet at 31.03.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Land and buildings		0	3.913.386
Other fixtures and fittings, tools and equipment		<u>9.397.349</u>	<u>8.353.283</u>
Property, plant and equipment	6	<u>9.397.349</u>	<u>12.266.669</u>
Fixed assets		<u>9.397.349</u>	<u>12.266.669</u>
Manufactured goods and goods for resale		<u>3.153.625</u>	<u>3.535.904</u>
Inventories		<u>3.153.625</u>	<u>3.535.904</u>
Trade receivables		58.025.290	62.050.181
Receivables from group enterprises		1.614.544	830.952
Deferred tax assets	7	1.658.936	2.564.887
Other short-term receivables		927.902	662.612
Prepayments	8	<u>1.845.735</u>	<u>770.723</u>
Receivables		<u>64.072.407</u>	<u>66.879.355</u>
Cash		<u>11.505.799</u>	<u>7.799.848</u>
Current assets		<u>78.731.831</u>	<u>78.215.107</u>
Assets		<u><u>88.129.180</u></u>	<u><u>90.481.776</u></u>

Balance sheet at 31.03.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	9	2.500.000	2.500.000
Retained earnings		<u>16.303.072</u>	<u>12.277.024</u>
Equity		<u>18.803.072</u>	<u>14.777.024</u>
Provisions for deferred tax	7	<u>5.592</u>	<u>0</u>
Provisions		<u>5.592</u>	<u>0</u>
Trade payables		3.907.048	3.517.259
Debt to group enterprises		31.725.911	23.691.967
Income tax payable		775.806	1.149.590
Other payables		<u>32.911.751</u>	<u>47.345.936</u>
Current liabilities other than provisions		<u>69.320.516</u>	<u>75.704.752</u>
Liabilities other than provisions		<u>69.320.516</u>	<u>75.704.752</u>
Equity and liabilities		<u><u>88.129.180</u></u>	<u><u>90.481.776</u></u>
Unrecognised rental and lease commitments	10		
Assets charged and collateral	11		
Related parties with control	12		
Ownership	13		
Consolidation	14		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	2.500.000	12.277.024	14.777.024
Exchange rate adjustments	0	(24.664)	(24.664)
Profit/loss for the year	0	4.050.712	4.050.712
Equity end of year	<u>2.500.000</u>	<u>16.303.072</u>	<u>18.803.072</u>

Notes

	2016	2015
	DKK	DKK
1. Staff costs		
Wages and salaries	10.516.758	33.572.827
Pension costs	1.150.285	4.461.829
Other social security costs	442.218	1.673.630
Other staff costs	196.293	619.566
	12.305.554	40.327.852
Average number of employees	64	58

According to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

2. Other operating income

Other operating income includes profit from the sale of the property in Værløse.

	2016	2015
	DKK	DKK
3. Other financial income		
Interest income	1	26.992
Exchange rate adjustments	1.703.262	5.390.195
	1.703.263	5.417.187

	2016	2015
	DKK	DKK
4. Other financial expenses		
Interest expenses	6.050	86.507
Exchange rate adjustments	1.957.240	5.632.954
Other financial expenses	55.910	181.380
	2.019.200	5.900.841

	2016	2015
	DKK	DKK
5. Tax on ordinary profit/loss for the year		
Current tax	203.856	2.587.146
Change in deferred tax for the year	902.365	(2.719.880)
Adjustment relating to previous years	0	(1.302)
	1.106.221	(134.036)

Notes

	Land and buildings DKK	Other fix- tures and fittings, tools and equipment DKK
6. Property, plant and equipment		
Cost beginning of year	7.867.676	21.020.232
Exchange rate adjustments	0	22.029
Additions	0	1.756.659
Disposals	(7.867.676)	0
Cost end of year	0	22.798.920
Depreciation and impairment losses beginning of the year	(3.954.290)	(12.666.949)
Exchange rate adjustments	0	(19.720)
Depreciation for the year	(1.453)	(714.902)
Reversal regarding disposals	3.955.743	0
Depreciation and impairment losses end of the year	0	(13.401.571)
Carrying amount end of year	0	9.397.349
	2016 DKK	2015 DKK
7. Deferred tax		
Property, plant and equipment	(27.592)	874.773
Liabilities other than provisions	22.000	22.000
Tax losses carried forward	1.658.936	1.668.114
	1.653.344	2.564.887

8. Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Shares	100	10.000,00	1.000.000
Shares	4	50.000,00	200.000
Shares	2	100.000,00	200.000
Shares	3	200.000,00	600.000
Shares	100	5.000,00	500.000
	209		2.500.000

Notes

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
10. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>8.887.095</u>	<u>9.235.396</u>

11. Assets charged and collateral

Import VAT from cross-border sales is secured by way of cash of DKK 1,187 thousand.

12. Related parties with control

Grohe International GmbH, Germany

13. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Grohe International GmbH, Feldmühleplatz 15, 40545 Düsseldorf, Germany

Grohe Beteiligungs GmbH, Feldmühleplatz 15, 40545 Düsseldorf, Germany

14. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

LIXIL Corporation, 36F, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, 100-6036 Tokyo, Japan

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Grohe International GmbH, Feldmühleplatz 15, 40545 Düsseldorf, Germany

The consolidated financial statements are available on request.