Tyrolit A/S

Herstedøstervej 21, 2, DK-2600 Glostrup

Annual Report for 1. januar - 31. december 2017

CVR No 55 05 01 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 27/4 2018

Christoph Swarovski
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Tyrolit A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Glostrup, 2 March 2018

Executive Board

Clas Gustav Torsten Karlsson

Board of Directors

Christoph Swarovski (chairman) Chairman	Alfred Landl	Arno Pichler

Independent Auditor's Report

To the Shareholder of Tyrolit A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Tyrolit A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Independent Auditor's Report

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 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 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:

- 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 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

Independent Auditor's Report

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.

Hellerup, 2 March 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Poul Madsen
Statsautoriseret revisor
mne10745

Company Information

The Company	Tyrolit A/S Herstedøstervej 21, 2 DK-2600 Glostrup Telephone: + 45 43 55 74 00 Facsimile: + 45 43 55 74 60 E-mail: tyrolit-dk@tyrolit.com Website: www.tyrolit.com CVR No: 55 05 01 12 Financial period: 1 January - 31 December Municipality of reg. office: Glostrup
Board of Directors	Christoph Swarovski (chairman), Chairman Alfred Landl Arno Pichler
Executive Board	Clas Gustav Torsten Karlsson
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Lawyers	Advokatfirmaet Koch & Christensen Sankt Annæ Plads 6 1250 København K
Bankers	Handelsbanken Park Alle 290 2605 Brøndby

Management's Review

Financial Statements of Tyrolit A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

Tyrolit A/S mainly sell grinding products to the Danish market, and to minor extent the Company carries on exportation to the Baltic countries. Tyrolit A/S sells direcet to steelworks, the manufacturing industry, building and construction enterprises and major wholesalers.

Tyrolit A/S is the market leader within abrasives in Denmark. Goods are mainly produced by Tyrolit Swarovski KG in Austria and SIA in Switzerland.

Development in the year

The income statement of the Company for 2017 shows a profit of DKK 1,918,645, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 14,885,676.

Operating risks

The Company has long-term contracts with the most important suppliers the largest of whom, Tyrolit Swarovski KG, is also part of the same group. Therefore, the related risk is uncharged and not hedged.

Market risks

The general market development in Denmark is also decisive for Tyrolit A/S' results. The purchasing power from the wood industry is expected to continue to be weak but otherwise, the market is expected to develop slightly positively.

Strategy

It is Tyrolit A/S's strategy to sell and distribute abrasives in all relevant markets. Tyrolit must always be able to offer what the customers demand as regards quality, service and know-how. Moreover, Tyrolit A/S must grow organically and show a profitability which complies with the requirements of the owners.

Targets and expectations for the year ahead

Research and development

Tyrolit A/S has no research activity or development activity. However, Tyrolit A/S intends to launch new products, which mainly originate from Tyrolit Swarovski KG and SIA.

Management's Review

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Gross profit/loss		**9.492.203**	**10.888.465**
Staff expenses	1	-6.946.441	-7.044.430
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-29.161	-4.870
Profit/loss before financial income and expenses		**2.516.601**	**3.839.165**
Financial income	3	30.016	55.121
Financial expenses	4	-74.794	-87.210
Profit/loss before tax		**2.471.823**	**3.807.076**
Tax on profit/loss for the year	5	-553.178	-841.249
Net profit/loss for the year		**1.918.645**	**2.965.827**

Distribution of profit

	2017 DKK	2016 DKK
Proposed distribution of profit		
Proposed dividend for the year	2.000.000	2.000.000
Retained earnings	-81.355	965.827
	1.918.645	**2.965.827**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK	DKK
Goodwill		0	0
Intangible assets	6	**0**	**0**
Other fixtures and fittings, tools and equipment		125.065	0
Leasehold improvements		0	406
Property, plant and equipment	7	**125.065**	**406**
Fixed assets		**125.065**	**406**
Inventories		**7.514.592**	**8.800.866**
Trade receivables		8.325.958	5.794.540
Receivables from group enterprises		4.031.444	4.139.328
Other receivables		92.315	193.049
Deferred tax asset		329.586	440.608
Prepayments		505.945	560.011
Receivables		**13.285.248**	**11.127.536**
Cash at bank and in hand		**4.406.632**	**4.881.213**
Currents assets		**25.206.472**	**24.809.615**
Assets		**25.331.537**	**24.810.021**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		600.000	600.000
Retained earnings		12.285.676	12.367.031
Proposed dividend for the year		2.000.000	2.000.000
Equity		**14.885.676**	**14.967.031**
Trade payables		2.835.914	3.344.263
Payables to group enterprises		3.619.263	3.648.072
Corporation tax		442.156	55.506
Other payables		3.548.528	2.795.149
		10.445.861	**9.842.990**
Debt		**10.445.861**	**9.842.990**
Liabilities and equity		**25.331.537**	**24.810.021**
Contingent assets, liabilities and other financial obligations	8		
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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	600.000	12.367.031	2.000.000	14.967.031
Ordinary dividend paid	0	0	-2.000.000	-2.000.000
Net profit/loss for the year	0	-81.355	2.000.000	1.918.645
Equity at 31 December	**600.000**	**12.285.676**	**2.000.000**	**14.885.676**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
1	**Staff expenses**		
	Wages and salaries	6.231.882	6.343.817
	Pensions	647.830	633.054
	Other social security expenses	66.729	67.559
		6.946.441	**7.044.430**
	Average number of employees	**11**	**11**

		2017	2016
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Depreciation of property, plant and equipment	29.161	4.870
		29.161	**4.870**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
3	**Financial income**		
	Interest received from affiliates	0	678
	Exchange profits	30.016	54.443
		30.016	**55.121**

		2017	2016
		DKK	DKK
4	**Financial expenses**		
	Interst paid to affiliates	8.935	3.395
	Other financial expenses	1.887	0
	Exchange loss	63.972	83.815
		74.794	**87.210**

		2017	2016
		DKK	DKK
5	**Tax on profit/loss for the year**		
	Current tax for the year	442.156	55.506
	Deferred tax for the year	111.022	785.743
		553.178	**841.249**

6 Intangible assets

	Goodwill
	DKK
Cost at 1 January	4.803.996
Cost at 31 December	4.803.996
Transfers for the year	0
Revaluations at 31 December	0
Impairment losses and amortisation at 1 January	4.803.996
Impairment losses and amortisation at 31 December	4.803.996
Carrying amount at 31 December	**0**

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	430.494	139.804
Additions for the year	153.820	0
Disposals for the year	0	0
Cost at 31 December	584.314	139.804
Impairment losses and depreciation at 1 January	430.494	139.398
Depreciation for the year	28.755	406
Impairment losses and depreciation at 31 December	459.249	139.804
Carrying amount at 31 December	**125.065**	**0**
Depreciated over	1-10 years	3 years

Notes to the Financial Statements

	2017	2016
	DKK	DKK

8 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has entered into lease agreements with a lease commitment of DKK 838k up to 2020.

The Company has entered into a rent agreement with a period of notice of 12 months. The Company´s rent commitment in this connection amounts to DKK 260k.

The Company has entered into a stock-agreement with a period of notice of 12 months. The Company´s rent commitment in this connection amounts to DKK 192k.

9 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Selskabets ultimative moderselskab er Swarovski International Holding A.G. Schweiz	

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Tyrolit A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

10 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue is not disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

10 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Tools and equipment	1-10 years
Leasehold improvements	3 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Notes to the Financial Statements

10 Accounting Policies (continued)

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.