

**Pettinaroli A/S Northern Europe
Central Business Registration No
58495913
Mandal Allé 21
5500 Middelfart**

Annual report 2015

The Annual General Meeting adopted the annual report on 11.03.2016

Chairman of the General Meeting

Name: Kim Svaneborg Pedersen

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Entity details

Entity

Pettinaroli A/S Northern Europe
Mandal Allé 21
5500 Middelfart

Central Business Registration No: 58495913

Founded: 31.05.1976

Registered in: Middelfart

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Ugo Giovanni Pettinaroli, Chairman

Morten Lorentzen

Kim Svaneborg Pedersen

Jørgen Pedersen

Giulio Pettinaroli

Maria Pia Pettinaroli

Laura Fortis

Bent Juul Jørgensen

Executive Board

Kim Svaneborg Pedersen

Arne Clausen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

Postboks 10

5100 Odense 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 Pettinaroli A/S Northern Europe for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015.

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.

Middelfart, 11.03.2016

Executive Board

Kim Svaneborg Pedersen

Arne Clausen

Board of Directors

Ugo Giovanni Pettinaroli
Chairman

Morten Lorentzen

Kim Svaneborg Pedersen

Jørgen Pedersen

Giulio Pettinaroli

Maria Pia Pettinaroli

Laura Fortis

Bent Juul Jørgensen

Independent auditor's reports

To the owners of Pettinaroli A/S Northern Europe

Report on the financial statements

We have audited the financial statements of Pettinaroli A/S Northern Europe for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement 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 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Report on other legal and regulatory requirements

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.

Odense, 11.03.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Per Therkelsen

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Gross profit	13,040	11,780	12,454	14,394	11,931
Operating profit/loss	3,500	1,460	1,591	5,082	2,708
Net financials	(538)	(628)	(759)	(535)	(509)
Profit/loss for the year	2,248	625	605	3,403	1,802
Total assets	42,279	40,062	41,181	49,546	39,513
Investments in property, plant and equipment	277	554	503	652	280
Equity	4,638	2,890	2,765	4,960	2,998
Invested capital including goodwill	41,937	41,113	45,364	44,530	39,805
Cash flows from (used in) operating activities	1,370	2,579	(779)	4,704	(794)
Cash flows from (used in) investing activities	(297)	(554)	(490)	(248)	(207)
Cash flows from (used in) financing activities	(500)	(500)	(2,800)	(1,441)	(356)
Ratios					
Return on invested capital including goodwill (%)	8.4	3.6	3.6	11.5	6.9
Return on equity (%)	59.7	22.1	15.7	85.5	79.2
Solvency ratio (%)	11.0	7.2	6.7	10.0	7.6

Management commentary

Primary activities

The company's principal activities have, like in previous years, comprised sale of Italian heating and plumbing components in a number of North European countries. The Company acts as sales and distribution centre for Fratelli Pettinaroli S.p.A. in Northern Europe.

Development in activities and finances

2015 has clearly shown an upwards trend in building industry and Pettinaroli A/S benefits from its significant market share in Denmark. This has led to positive development in the company's earnings.

The decision of the board of directors to expand in export markets was executed by hiring additional staff. This action has increased the share of sales to export countries in front of the domestic sales.

The management is satisfied with the operational result of 2015 and expects a steady growth in the coming years.

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

The annual report of Pettinaroli A/S Northern Europe 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 reporting class C.

The accounting policies applied for 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 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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, other operating income, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale 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 costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

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 write-downs 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. Repayments from public authorities are included in staff costs.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and equipment comprise amortisation, depreciation 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 equipment.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on 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, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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.

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 5 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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:

Equipment	3-10 years
Leasehold improvements	10 years

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. Cost of manufactured goods consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

Accounting policies

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

The proposed dividend for the financial year is disclosed as a separate item in equity.

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.

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

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA} \times 100}{\text{Average invested capital incl goodwill}}$	The return generated by the Entity on the investors' funds.
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.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Gross profit		13,039,938	11,779,845
Staff costs	1	(9,167,526)	(9,996,128)
Depreciation, amortisation and impairment losses		<u>(372,523)</u>	<u>(323,352)</u>
Operating profit/loss		3,499,889	1,460,365
Other financial income		2,618	1,800
Other financial expenses		<u>(540,838)</u>	<u>(630,272)</u>
Profit/loss from ordinary activities before tax		2,961,669	831,893
Tax on profit/loss from ordinary activities	2	<u>(713,637)</u>	<u>(206,689)</u>
Profit/loss for the year		<u>2,248,032</u>	<u>625,204</u>
Proposed distribution of profit/loss			
Dividend for the financial year		1,800,000	500,000
Retained earnings		<u>448,032</u>	<u>125,204</u>
		<u>2,248,032</u>	<u>625,204</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Completed development projects		44,390	0
Intangible assets	3	44,390	0
Other fixtures and fittings, tools and equipment		1,033,001	1,150,767
Leasehold improvements		10,207	12,215
Property, plant and equipment	4	1,043,208	1,162,982
Fixed assets		1,087,598	1,162,982
Manufactured goods and goods for resale		16,882,884	16,567,302
Inventories		16,882,884	16,567,302
Trade receivables		20,549,566	18,880,376
Other short-term receivables		196,647	337,109
Income tax receivable		0	99,940
Prepayments		198,380	211,764
Receivables		20,944,593	19,529,189
Cash		3,363,954	2,802,664
Current assets		41,191,431	38,899,155
Assets		42,279,029	40,062,137

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital	5	500,000	500,000
Retained earnings		2,338,070	1,890,038
Proposed dividend		1,800,000	500,000
Equity		<u>4,638,070</u>	<u>2,890,038</u>
Provisions for deferred tax		120,988	95,267
Provisions		<u>120,988</u>	<u>95,267</u>
Bank loans		24,150	36,063
Trade payables		747,061	800,280
Income tax payable		250,916	0
Other payables		36,497,844	36,240,489
Current liabilities other than provisions		<u>37,519,971</u>	<u>37,076,832</u>
Liabilities other than provisions		<u>37,519,971</u>	<u>37,076,832</u>
Equity and liabilities		<u>42,279,029</u>	<u>40,062,137</u>
Contingent liabilities	7		
Ownership	8		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	1,890,038	500,000	2,890,038
Ordinary dividend paid	0	0	(500,000)	(500,000)
Dividend	0	0	1,800,000	1,800,000
Profit/loss for the year	0	448,032	0	448,032
Equity end of year	500,000	2,338,070	1,800,000	4,638,070

Cash flow statement 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Operating profit/loss		3,499,889	1,460,365
Amortisation, depreciation and impairment losses		372,523	323,352
Working capital changes	6	<u>(1,626,790)</u>	<u>1,862,099</u>
Cash flow from ordinary operating activities		2,245,622	3,645,816
Financial income received		2,618	1,800
Financial income paid		(540,838)	(630,272)
Income taxes refunded/(paid)		<u>(337,060)</u>	<u>(438,173)</u>
Cash flows from operating activities		1,370,342	2,579,171
Acquisition etc of intangible assets		(48,425)	0
Acquisition etc of property, plant and equipment		(277,214)	(554,075)
Sale of property, plant and equipment		<u>28,500</u>	<u>0</u>
Cash flows from investing activities		(297,139)	(554,075)
Dividend paid		<u>(500,000)</u>	<u>(500,000)</u>
Cash flows from financing activities		(500,000)	(500,000)
Increase/decrease in cash and cash equivalents		573,203	1,525,096
Cash and cash equivalents beginning of year		<u>2,766,601</u>	<u>1,241,507</u>
Cash and cash equivalents end of year		<u>3,339,804</u>	<u>2,766,603</u>
Cash and cash equivalents at year-end are composed of:			
Cash		3,363,954	2,802,664
Securities		<u>(24,150)</u>	<u>(36,061)</u>
Cash and cash equivalents end of year		<u>3,339,804</u>	<u>2,766,603</u>

Notes

	2015	2014
	DKK	DKK
1. Staff costs		
Wages and salaries	7,455,745	8,238,077
Pension costs	1,194,762	1,263,601
Other social security costs	114,821	135,528
Other staff costs	402,198	358,922
	9,167,526	9,996,128
	2015	2014
	DKK	DKK
2. Tax on ordinary profit/loss for the year		
Current tax	687,916	182,062
Change in deferred tax for the year	27,474	24,627
Effect of changed tax rates	(1,753)	0
	713,637	206,689
		Completed development projects DKK
3. Intangible assets		
Cost beginning of year		208,600
Additions		48,425
Cost end of year		257,025
Amortisation and impairment losses beginning of year		(208,600)
Amortisation for the year		(4,035)
Amortisation and impairment losses end of year		(212,635)
Carrying amount end of year		44,390

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
4. Property, plant and equipment		
Cost beginning of year	3,561,221	20,080
Additions	277,214	0
Disposals	(77,898)	0
Cost end of year	3,760,537	20,080
Depreciation and impairment losses beginning of the year	(2,410,454)	(7,865)
Depreciation for the year	(327,565)	(2,008)
Reversal regarding disposals	10,483	0
Depreciation and impairment losses end of the year	(2,727,536)	(9,873)
Carrying amount end of year	1,033,001	10,207

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
5. Contributed capital			
A-share	500	1,000.00	500,000
	500		500,000

The share capital has not been changed in the past 5 years.

	2015 DKK	2014 DKK
6. Change in working capital		
Increase/decrease in inventories	(315,582)	157,431
Increase/decrease in receivables	(1,515,344)	1,823,626
Increase/decrease in trade payables etc	204,136	(118,958)
	(1,626,790)	1,862,099

7. Contingent liabilities

The company has assumed a lease liability which totals DKK 1,660k at the balance sheet date. The lease contract are non-terminable for a period of up to 50 months.

The company has entered into a rental contract which is non-terminable for a period of 6 months. The annual rent is DKK 892k.

Notes

8. Ownership

The following shareholders are recorded in the company's register of shareholders as owning more than 5% of the votes or the share capital.

Svaneborg Holding ApS

Sandøvænget 1

5500 Middelfart

Fratelli Pettinaroli S.p.A.

Via Pianelli 38

28017 S. Maurizio d'Opaglio (NO) Italy