Deloitte.

Pettinaroli A/S Northern Europe

Mandal Alle 21
5500 Middelfart
CVR No. 58495913

Annual report 2019

The Annual General Meeting adopted the annual report on 29.05.2020

Kim Svaneborg Pedersen
Conductor

Contents

Entity details

Entity

Pettinaroli A/S Northern Europe

Mandal Alle 21

5500 Middelfart

CVR No.: 58495913

Registered office: Middelfart

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Bent Juul Jørgensen, Chairman

Ugo Pettinaroli

Kim Svaneborg Pedersen

Jørgen Pedersen

Maria Pia Pettinaroli

Laura Fortis

Morten Lorentzen

Giulio Pettinaroli

Executive Board

Kim Svaneborg Pedersen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
P. O. Box 10
5100 Odense

Statement by Management

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 29.05.2020

Executive Board

Kim Svaneborg Pedersen
CEO

Board of Directors

Bent Juul Jørgensen
Chairman

Ugo Pettinaroli

Kim Svaneborg Pedersen

Jørgen Pedersen

Maria Pia Pettinaroli

Laura Fortis

Morten Lorentzen

Giulio Pettinaroli

Independent auditor's report

To the shareholders of Pettinaroli A/S Northern Europe

Opinion

We have audited the financial statements of Pettinaroli A/S Northern Europe for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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.

Odense, 29.05.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Per Krause Therkelsen
State Authorised Public Accountant
Identification No (MNE) mne19698

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	14,100	12,675	11,866	12,706	13,040
Operating profit/loss	4,297	2,136	1,318	1,798	3,500
Net financials	(289)	(349)	(297)	(449)	(538)
Profit/loss for the year	3,090	1,371	771	1,030	2,248
Total assets	49,086	39,072	38,085	38,419	42,279
Investments in property, plant and equipment	27	159	120	37	277
Equity	6,580	4,590	3,838	3,868	4,638
Ratios					
Return on equity (%)	55.33	32.53	20.01	24.22	60,70
Equity ratio (%)	13.41	11.75	10.08	10.07	10.97

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

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.

Description of material changes in activities and finances

The Business Strategy of 2016 is now fully implemented and the financial development in 2019 expresses this in the most positive way producing the best result in the last 5 years and more than doubling the operational profit. At the same time we have invested in expanding the organization to express even more clearly that Pettinaroli A/S acts as a sales division in the group.

The board and the management has agreed to continue the strategy for the coming years to consolidate the targets and we see no reason why the results can not be improved even further. Hence the management has presented the board of directors with an optimistic budget and plans for 2020.

In 2020 several IT investments is planned in order to improve the management tools and the reporting to the management/board. We have also planned to start up a small workshop in the warehouse to facilitate new preassembled products per market demand.

The management expects a 8% growth of the business in 2020.

The result of 2019 is clearly above expectations and considered more than satisfactory.

Events after the balance sheet date

The outbreak of the COVID-19 Pandemic in Asia late 2019 and the lockdown in Denmark on March 12th 2020 has temporarily disrupted the usual business and the management expects a moderate influence of the business. Depending on when the restrictions are lifted this disruption may turn into a longer, more severe disruption but this is much too early to say yet.

Q1/2020 showed a growth above the budget and management expects the Q2/2020 result to be influenced by the world wide crisis. Expectation is a result between 10-25% below the 2019 level of business. Q3+Q4 long term preview is a completion of the postponement of business from Q2 and a normalization of the turnover and earnings. If a long lockdown is seen this may even push business from 2020 into the coming year and influence the Q3/Q4 result but still too early to say.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		**14,099,942**	**12,675,121**
Staff costs	1	(9,649,238)	(10,466,370)
Depreciation, amortisation and impairment losses		(153,592)	(72,393)
Operating profit/loss		**4,297,112**	**2,136,358**
Other financial income		69,574	31,146
Other financial expenses		(359,049)	(379,779)
Profit/loss before tax		**4,007,637**	**1,787,725**
Tax on profit/loss for the year	2	(917,196)	(416,502)
Profit/loss for the year		**3,090,441**	**1,371,223**
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		2,682,000	1,100,000
Retained earnings		408,441	271,223
Proposed distribution of profit and loss		**3,090,441**	**1,371,223**

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects	4	488,641	15,335
Intangible assets	3	**488,641**	**15,335**
Other fixtures and fittings, tools and equipment		296,679	380,309
Leasehold improvements		2,175	4,183
Property, plant and equipment	5	**298,854**	**384,492**
Fixed assets		**787,495**	**399,827**
Manufactured goods and goods for resale		20,190,724	15,097,746
Inventories		**20,190,724**	**15,097,746**
Trade receivables		24,744,614	22,964,122
Receivables from group enterprises		26,019	0
Other receivables		50,248	27,534
Prepayments		227,580	486,197
Receivables		**25,048,461**	**23,477,853**
Cash		**3,059,275**	**96,184**
Current assets		**48,298,460**	**38,671,783**
Assets		**49,085,955**	**39,071,610**

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	6	500,000	500,000
Retained earnings		3,398,128	2,989,687
Proposed dividend		2,682,000	1,100,000
Equity		**6,580,128**	**4,589,687**
Deferred tax		156,777	112,037
Provisions		**156,777**	**112,037**
Other payables		314,203	0
Non-current liabilities other than provisions	7	**314,203**	**0**
Bank loans		578,520	867,335
Trade payables		457,634	301,126
Income tax payable		651,164	189,384
Other payables	8	40,347,529	33,012,041
Current liabilities other than provisions		**42,034,847**	**34,369,886**
Liabilities other than provisions		**42,349,050**	**34,369,886**
Equity and liabilities		**49,085,955**	**39,071,610**
Contingent liabilities	9		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	2,989,687	1,100,000	4,589,687
Ordinary dividend paid	0	0	(1,100,000)	(1,100,000)
Profit/loss for the year	0	408,441	2,682,000	3,090,441
Equity end of year	**500,000**	**3,398,128**	**2,682,000**	**6,580,128**

Notes

1 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	7,885,167	8,476,822
Pension costs	1,312,131	1,301,339
Other social security costs	86,635	105,514
Other staff costs	365,305	582,695
	9,649,238	**10,466,370**

Average number of full-time employees	**15**	**17**

	Remuneration of management 2019 DKK
Executive Board	1,574,411
Board of Directors	227,588
	1,801,999

2 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	867,164	385,375
Change in deferred tax	44,740	31,127
Adjustment concerning previous years	5,292	0
	917,196	**416,502**

3 Intangible assets

	Completed development projects DKK
Cost beginning of year	257,025
Transfers	413,761
Additions	514,756
Cost end of year	**1,185,542**
Amortisation and impairment losses beginning of year	(241,690)
Transfers	(413,761)
Amortisation for the year	(41,450)
Amortisation and impairment losses end of year	**(696,901)**
Carrying amount end of year	**488,641**

4 Development projects

Development projects comprises costs for IT projects to improve the ERP system. Development projects has a depreciation period of 5 years, which is based on the estiamted useful live.

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	3,519,669	20,080
Transfers	(413,761)	0
Additions	26,504	0
Cost end of year	**3,132,412**	**20,080**
Depreciation and impairment losses beginning of year	(3,139,360)	(15,897)
Transfers	413,761	0
Depreciation for the year	(110,134)	(2,008)
Depreciation and impairment losses end of year	**(2,835,733)**	**(17,905)**
Carrying amount end of year	**296,679**	**2,175**

6 Share capital

	Number	Par value DKK	Nominal value DKK
A-share	500	1000	500,000
	500		**500,000**

7 Non-current liabilities other than provisions

	Due after more than 12 months 2019 DKK
Other payables	314,203
	314,203

8 Other payables

	2019 DKK	2018 DKK
VAT and duties	508,298	347,567
Holiday pay obligation	825,755	1,097,067
Other costs payable	39,013,476	31,567,407
	40,347,529	**33,012,041**

9 Contingent liabilities

The company has assumed a lease liability which totals DKK 1.040k at the balance sheet date. The lease contract are non-terminable for a period of up to 43 months.

The company has signed a rental contract which is non-terminable for a period of 6 months. The annual rent is DKK 965k.

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 reporting 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 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.

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 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 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.

Depreciation, amortisation 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.

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

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:

Other fixtures and fittings, tools and 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.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns 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.

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

Income tax receivable or payable

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