Carpenter Holdings ApS

Michael Drewsens Vej 9-11
8270 Højbjerg
Denmark

CVR no. 10 02 26 57

Annual report 2016

The annual report was presented and approved at the Company's annual general meeting on

22 May 2017

chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Carpenter Holdings ApS for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 22 May 2017
Executive Board:

Frank Werner Sander

Board of Directors:

S.F. Pauley

Stanley Frank Pauley Chairman	Frank Werner Sander	Lars M. Kongsted Kjeldsen

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Board of Directors:

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Aarhus, 22 May 2017
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Frank Werner Sander

Board of Directors:

Stanley Frank Pauley Chairman	Frank Werner Sander	Lars M. Kongsted Kjeldsen

KPMG

Independent auditor's report

To the shareholders of Carpenter Holdings ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Carpenter Holdings ApS for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these consolidated financial statements and parent company financial statements.

KPMG

Independent auditor's report

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 consolidated financial statements and parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group and the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

KPMG

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 22 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Stenskrog
State Authorised
Public Accountant

Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Carpenter Holdings ApS
Michael Drewsens Vej 9-11
8270 Højbjerg
Denmark

Telephone:	+45 86 29 23 11
CVR no.:	10 02 26 57
Established:	1 March 2000
Registered office:	Aarhus
Financial year:	1 January – 31 December

Board of Directors

Stanley Frank Pauley, Chairman
Frank Werner Sander
Lars M. Kongsted Kjeldsen

Executive Board

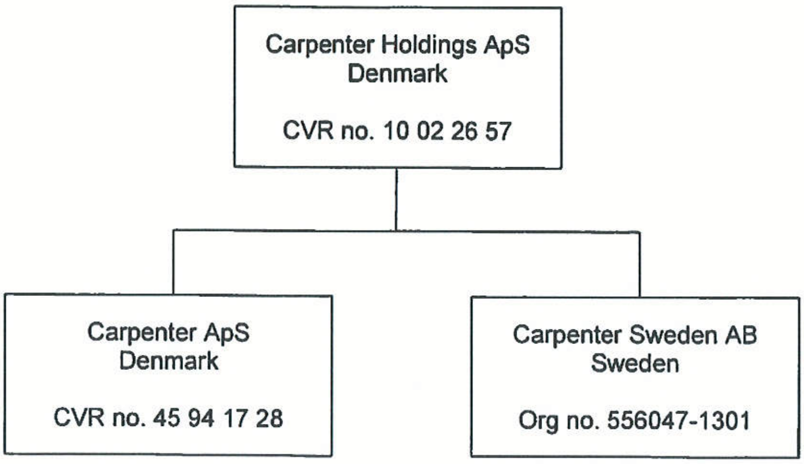
Frank Werner Sander

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V
Denmark

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014
Key figures			
Revenue	367,892	379,023	396,043
Gross profit	134,522	132,675	125,412
Ordinary operating profit	40,840	41,567	29,985
Profit from financial income and expenses	656	378	1,838
Profit for the year	32,289	32,900	24,093
Total assets	355,964	326,595	293,404
Equity	299,971	271,007	236,151
Investment in property, plant and equipment	3,536	4,421	5,231
Ratios			
Gross margin	36.6%	35.0%	31.7%
Operating margin	11.1%	11.0%	7.6%
Current ratio	688.1%	663.2%	545.8%
Solvency ratio	84.3%	83.0%	80.5%
Average number of full-time employees	214	212	215

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

With reference to section 128(4) of the Danish Financial Statements Act no financial highlights for the Group have been prepared for the years 2012-13 as consolidated statements in this period was done at higher group level.

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

The Group's principal activities

As parent company, Carpenter Holdings ApS fully owns the two operational companies Carpenter ApS and Carpenter Sweden AB. The Group's principal activities comprise production and sale of flexible polyurethane foam.

Development in activities and financial position

In 2016, the Group's revenue came in at DKK 367,892 thousand against DKK 379,023 thousand in 2015. The income statement for 2016 shows a profit of DKK 32,289 thousand against DKK 32,900 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 299,971 thousand.

In an overall perspective, performance in 2016 was in line with last year and expectations and is considered satisfactory.

Events after the balance sheet date

No events have occurered after the balance sheet date significantly affecting the assessment of the annual report.

Outlook

Results for 2017 are expeteced to be in line with 2016.

Price risks

The Group applies polyol as raw material which, due to considerable price fluctuations characterising the volatile market for polyol, implies a particular risk as price increases might not be fully reflected in the price of finished goods.

Currency risks

Altough a currency risk does exist with regard to Carpenter Sweden AB's purchase of raw materials in EUR, overall currency risk is deemed insignificant.

Interest rate risks

As interest-bearing debt does not make up a significant amount during the financial year, a change in interest level will not have any significant direct effect on earnings.

Intellectual capital

The Group's production of polyurethane products requires a high degree of knowledge by its employees.

Environmental matters

The Group's production has a heavy environmental impact in terms of storage of raw materials, reporting to authorities, contingency plan in case of accidents, etc.

Management's review

Operating review

Corporate social responsibility

Carpenter Holdings ApS and its subsidiaries haven't implemented at the current stage a formal policy on corporate social responsibility (CSR) including specific policies for the environmental, climate impact and human rights.

Goals and policies for the underrepresented gender

Board of Directors

The Company is a subsidiary of E.R. Carpenter Holding B.V and ultimately Carpenter Co. Carpenter Holdings ApS's Board of Directors are appointed by the parent company. It is the parent company's objective that the Board of Directors represent competences to effectively fulfil it tasks, from a strategic, managerial and controlling perspective. The Company will seek to identify candidates with the Industry's best profiles and skills, considered best for the Company as a whole. In this context, gender is considered in the nomination of candidates for the Board of Directors, with due regard to the Company's other recruitment criteria, including requirements for professional qualifications, industry experience, educational background, etc.

Board of Directors consists from 3 members, which are all males. The Company has set a target by the end of 2020 to hire 1 female as a member to the Board of Directors. This intention is so far has not been fulfilled as there have not been any changes to Board of Directors during 2016.

Carpenter Holdings ApS operates in a male dominance industry, where female candidates for Board positions are limited. This could create difficulties in achieving our target. We remain focus on encouraging gender diversity in all levels of our company and promoting and creating equal opportunities for both genders.

Other management levels

The Company has not implemented any policies, in regards to other management levels, due to the lack of employees.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent Company	
DKK'000	Note	2016	2015	2016	2015
Revenue	2	367,892	379,023	0	0
Cost of goods sold		-195,651	-209,947	0	0
Other operating income		50	2,585	0	0
Other external costs		-37,769	-38,986	-100	-5
Gross profit		134,522	132,675	-100	-5
Staff costs	3	-86,677	-83,112	0	0
Depreciation, amortisation and impairment		-7,005	-7,996	0	0
Operating profit		40,840	41,567	-100	-5
Financial income	4	2,845	1,640	383	311
Financial expenses		-2,189	-1,262	-9	-8
Profit before tax		41,496	41,945	274	298
Tax on profit for the year	5	-9,207	-9,045	-53	-70
Profit for the year	6	32,289	32,900	221	228

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2016	2015	2016	2015
ASSETS					
Fixed assets					
Property, plant and equipment	7				
Land and buildings		56,345	59,619	0	0
Plant and machinery		8,161	9,098	0	0
Fixtures and fittings, tools and equipment		1,568	1,220	0	0
		66,074	69,937	0	0
Investments					
Equity investments in group entities	8	0	0	198,918	198,918
		0	0	198,918	198,918
Total fixed assets		66,074	69,937	198,918	198,918
Current assets					
Inventories					
Raw materials and consumables		21,121	21,841	0	0
Work in progress		1,416	887	0	0
Finished goods and goods for resale		7,223	7,718	0	0
		29,760	30,446	0	0
Receivables					
Trade receivables		58,318	57,939	0	0
Receivables from group entities	9	56,442	40,990	20,040	25,379
Other receivables		83	284	0	0
Corporation tax		0	136	0	136
Prepayments		496	1,403	0	0
		115,339	100,752	20,040	25,515
Cash at bank and in hand		144,791	125,460	12,471	6,388
Total current assets		289,890	256,658	32,511	31,903
TOTAL ASSETS		355,964	326,595	231,429	230,821

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2016	2015	2016	2015
EQUITY AND LIABILITIES					
Equity	10				
Share capital		1,500	1,500	1,500	1,500
Retained earnings		298,471	269,507	229,478	229,257
Total equity		299,971	271,007	230,978	230,757
Provisions					
Provisions for deferred tax	11	13,861	16,887	0	0
Total provisions		13,861	16,887	0	0
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		17,050	15,407	0	0
Payables to group entities		369	591	0	0
Corporation tax		4,705	2,127	387	0
Other payables		20,008	20,576	64	64
		42,132	38,701	451	64
Total liabilities other than provisions		42,132	38,701	451	64
TOTAL EQUITY AND LIABILITIES		355,964	326,595	231,429	230,821

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group		
DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	1,500	234,651	236,151
Transferred over the profit appropriation	0	32,900	32,900
Foreign exchange adjustment, foreign subsidiary	0	1,956	1,956
Equity at 1 January 2016	1,500	269,507	271,007
Transferred over the profit appropriation	0	32,289	32,289
Foreign exchange adjustment, foreign subsidiary	0	-3,325	-3,325
Equity at 31 December 2016	1,500	298,471	299,971

	Parent Company		
DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	1,500	229,029	230,529
Transferred over the profit appropriation	0	228	228
Equity at 1 January 2016	1,500	229,257	230,757
Transferred over the profit appropriation	0	221	221
Equity at 31 December 2016	1,500	229,478	230,978

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

		Group	
DKK'000	Note	2016	2015
Profit for the year		32,289	32,900
Other adjustments of non-cash operating items	15	7,158	7,198
Depreciation, amortisation and impairment losses		7,005	7,996
Cash flows from operations before changes in working capital		46,452	48,094
Changes in working capital	16	-13,181	8,822
Corparation tax paid		-8,981	-7,429
Cash flows from ordinary activities		24,290	49,487
Interest income		657	378
Cash flows from operating activities		24,947	49,865
Acquisition of property, plant and equipment		-3,536	-4,421
Proceeds from sales of property, plant and equipment		156	4,844
Cash flows from investing activities		-3,380	423
Cash flows for the year		21,567	50,288
Cash and cash equivalents at the beginning of the year		125,460	74,240
Unrealised value adjustments for the year		-2,236	932
Cash and cash equivalents at year end		144,791	125,460

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of Carpenter Holdings ApS for 2016 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

— Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.

— Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Carpenter Holdings ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates. A group chart is included on page 7.

On consolidation, intragroup income and expenses, shareholdings, intragroup balances and dividends and realised and unrealised gains and losses on intragroup transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of property, plant and equipment.

Cost of raw materials and consumables

Raw matrials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Group's employees, excluding reimbursements from public authorities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in subsidiaries are recognised in the income statement in the financial year in which dividend is declared. To the extent that the distributed dividend exceeds accumulated earnings at the acquisition date, the dividend is recognised as write-down of the cost of the equity investment.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	20-60 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Equity investments in group entities

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. when the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

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1 **Accounting policies (continued)**

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Segment information

Segment information is provided on geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

		Group		Parent Company	
	DKK'000	2016	2015	2016	2015
2	**Segment information**				
	Revenue, Denmark	101,474	101,338	0	0
	Revenue, Nordic region, other	163,038	174,054	0	0
	Revenue, Europe, other	99,499	98,856	0	0
	Revenue, other	3,881	4,775	0	0
		367,892	379,023	0	0

The distribution of revenue across business segments is, in accordance with the Danish Financial Statements Act, section 96 (1), not disclosed, as information about this may cause material damage to the Group.

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		Group		Parent Company	
	DKK'000	2016	2015	2016	2015
3	**Staff costs**				
	Wages and salaries	70,607	67,889	0	0
	Pensions	5,866	5,624	0	0
	Other social security costs	10,204	9,599	0	0
		86,677	83,112	0	0
	Average number of full-time employees	214	212	0	0

No remuneration of the Parent Company´s Executive Board or Board of Directors has been paid in 2016 and 2015.

		Group		Parent Company	
	DKK'000	2016	2015	2016	2015
4	**Financial income**				
	Interest income from group entities	1,050	804	305	305
	Foreign exchange gains	1,700	825	78	3
	Other interest income	95	11	0	3
		2,845	1,640	383	311
5	**Tax on profit/loss for the year**				
	Current tax for the year	11,839	9,660	59	70
	Adjustment of deferred tax for the year	-2,630	-615	0	0
	Adjustment of taxes in respect of prior years	-2	0	-6	0
		9,207	9,045	53	70
6	**Proposed profit appropriation**				
	Retained earnings	32,289	32,900	221	228

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7 Property, plant and equipment

	Group			
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	119,416	179,932	12,078	311,426
Foreign exchange adjustments in foreign entities	-733	-3,813	-107	-4,653
Additions	0	2,668	868	3,536
Disposals	0	-41	-861	-902
Cost at 31 December 2016	118,683	178,746	11,978	309,407
Depreciation and impairment losses at 1 January 2016	-59,797	-170,834	-10,858	-241,489
Foreign exchange adjustments in foreign entities	597	3,573	89	4,259
Depreciation	-3,138	-3,365	-502	-7,005
Depriciation on disposals	0	41	861	902
Depreciation and impairment losses at 31 December 2016	-62,338	-170,585	-10,410	-243,333
Carrying amount at 31 December 2016	56,345	8,161	1,568	66,074

8 Equity investments in group entities

	Parent Company	
DKK'000	2016	2015
Cost at 1 January	198,918	198,918
Cost at 31 December	198,918	198,918
Carrying amount at 31 December 2016	198,918	198,918

Name	Registered office	Voting rights and ownership interest
Carpenter ApS	Aarhus, Denmark	100%
Carpenter Sweden AB	Tranås, Sweden	100%

9 Receivables from group entities

The recievables from group entities fall due for payment upon requests.

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10 Equity

The share capital consists of 1 shares of a nominal value of DKK 1,500 thousand. There have been no changes in share capital during the last 5 years.

All shares rank equally.

11 Deferred tax

	Group		Parent Company	
DKK'000	2016	2015	2016	2015
Deferred tax at 1 January	16,887	17,331	0	0
Deferred tax adjustment for the year in the income statement	-2,630	-615	0	0
Exchange rate adjustment, foreign subsidiary	-396	171	0	0
	13,861	16,887	0	0

12 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. The jointly taxed entities' total net liability to SKAT amounted to DKK 387 thousand at 31 December 2016. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

Operating lease obligations

Remaining operating lease obligationsin the group at the balance sheet date fall due at DKK 145 thousand within 2 years (2016: DKK 221 thousand).

Operating lease obligations for the Parent Company is DKK 0 (2015:0)

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13 Fees to auditor appointed at the general meeting

	Group		Parent Company	
DKK'000	2016	2015	2016	2015
Statuary audit	452	444	28	27
Non-audit services	113	37	53	0
	565	481	81	27

14 Related party disclosures

Carpenter Holdings ApS' related parties comprise the following:

Control

The following related parties have a controlling interest in the Carpenter Holdings A/S Group:

E.R Carpenter Holding B.V., Netherlands, Parent
Carpenter Co., USA, Ultimate parent

Related party transactions

The Group and the Parent Company have chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

	Group	
DKK'000	2016	2015
15 Other adjustments		
Financial income	-2,845	-1,640
Financial expenses	2,188	1,262
Tax on profit for the year	9,207	9,045
Gains on the disposal of non-current assets	-158	-2,585
Other	-1,234	1,116
	7,158	7,198
16 Change in working capital		
Change in inventories	687	3,086
Change in receivables	-14,723	9,046
Change in trade and other payables	855	-3,310
	-13,181	8,822