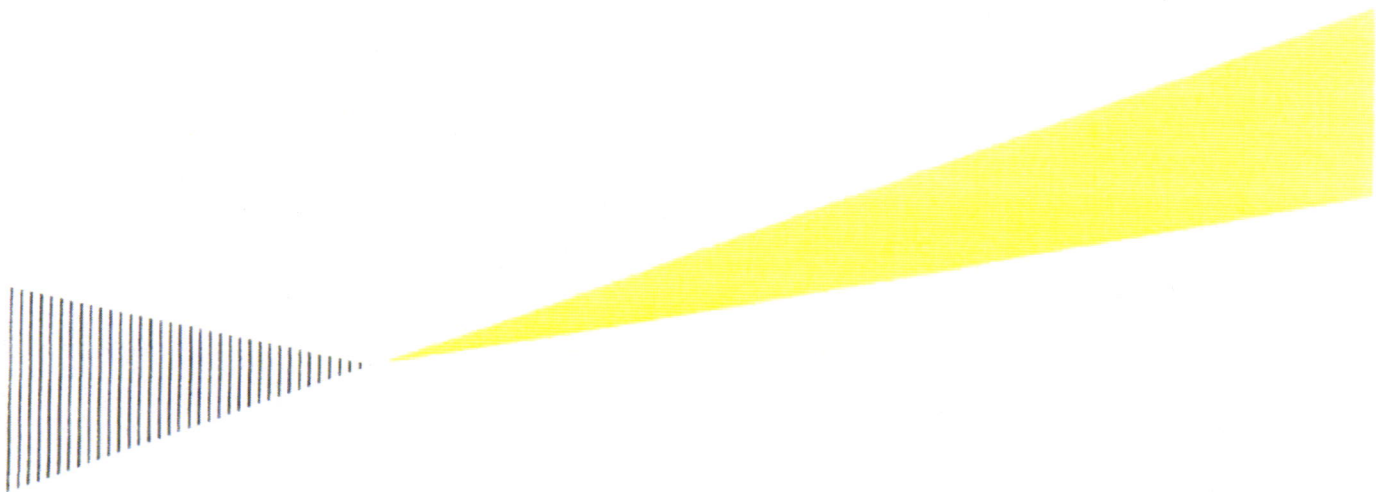


SurTec Scandinavia ApS

Rytterskolevej 10, 7000 Fredericia

CVR no. 13 82 95 78



Annual report 2015

Approved at the annual general meeting of shareholders on 28 April 2016

Chairman:

.....
Per Hjorth



Building a better
working world



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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 SurTec Scandinavia ApS for the financial year 1 January - 31 December 2015.

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 Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Taulov, 28 April 2016
Executive Board:


Per Hjorth

Board of Directors:


Karsten Grünke
Chandler Smith

Independent auditors' report

To the shareholder of SurTec Scandinavia ApS

Independent auditors' report on the financial statements

We have audited the financial statements of SurTec Scandinavia ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, cash flow statement and notes, including accounting policies. 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 according to Danish audit regulations. 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company'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 Company'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 evaluating 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 opinion.

Our audit has not resulted in any qualification.

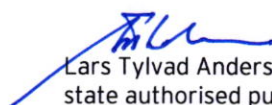
Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Vejle, 28 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



Lars Tylvad Andersen
state authorised public accountant

Management's review

Operating review

The Company's business review

The activities of the Company consist in sale of chemicals and equipment, plant and spare parts used in connection with chemical and electronic surface treatment.

Financial review

The income statement for 2015 shows a profit of DKK 531,808 against a profit of DKK 1,186,781 last year, and the balance sheet at 31 December 2015 shows equity of DKK 1,411,944.

The financial year has been marked by a decrease in gross profit as a result of increased selling expenses on the Swedish market.

The profit for the year is considered satisfactory.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Outlook

The Company's profit for 2016 is expected in the range of DKK 500,000 - 600,000.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Gross profit	3,021,527	3,827,233
2	Staff costs	-2,302,167	-2,237,038
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-10,554	-11,662
	Operating profit	708,806	1,578,533
	Financial income	904	2,594
	Financial expenses	-2,117	-21
	Profit before tax	707,593	1,581,106
3	Tax for the year	-175,785	-394,325
	Profit for the year	<u>531,808</u>	<u>1,186,781</u>
	Proposed profit appropriation		
	Proposed dividend recognised under equity	532,000	2,500,000
	Retained earnings/accumulated loss	-192	-1,313,219
		<u>531,808</u>	<u>1,186,781</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	25,320	35,874
		<u>25,320</u>	<u>35,874</u>
	Total non-current assets	<u>25,320</u>	<u>35,874</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	660,713	709,929
		<u>660,713</u>	<u>709,929</u>
	Receivables		
	Trade receivables	1,363,304	972,940
	Deferred tax assets	0	805
	Deferred income	39,935	60,343
		<u>1,403,239</u>	<u>1,034,088</u>
	Cash	<u>817,689</u>	<u>3,115,642</u>
	Total current assets	<u>2,881,641</u>	<u>4,859,659</u>
	TOTAL ASSETS	<u>2,906,961</u>	<u>4,895,533</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	200,000	200,000
	Retained earnings	679,944	680,136
	Dividend proposed for the year	532,000	2,500,000
	Total equity	<u>1,411,944</u>	<u>3,380,136</u>
	Provisions		
	Deferred tax	7,895	0
	Total provisions	<u>7,895</u>	<u>0</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	121,639	47,925
	Payables to group entities	130,131	41,356
	Income taxes payable	167,085	394,100
	Other payables	1,068,267	1,032,016
		<u>1,487,122</u>	<u>1,515,397</u>
	Total liabilities other than provisions	<u>1,487,122</u>	<u>1,515,397</u>
	TOTAL EQUITY AND LIABILITIES	<u>2,906,961</u>	<u>4,895,533</u>

- 1 Accounting policies
- 4 Contractual obligations and contingencies, etc.
- 5 Related parties

Financial statements for the period 1 January - 31 December

Cash flow statement

Notes	DKK	2015	2014
	Profit for the year	531,808	1,186,781
6	Adjustments	187,552	403,414
	Cash generated from operations (operating activities)	719,360	1,590,195
7	Changes in working capital	-122,000	586,414
	Cash generated from operations (operating activities)	597,360	2,176,609
	Interest received, etc.	904	2,594
	Interest paid, etc.	-2,117	-21
	Income taxes paid	-394,100	-316,850
	Cash flows from operating activities	202,047	1,862,332
	Dividends paid	-2,500,000	0
	Cash flows from financing activities	-2,500,000	0
	Net cash flow	-2,297,953	1,862,332
	Cash and cash equivalents at 1 January	3,115,642	1,253,310
8	Cash and cash equivalents at 31 December	817,689	3,115,642

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SurTec Scandinavia ApS for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the company are consistent with those of last year.

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and 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 at 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.

Income statement

Revenue

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
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Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Corporation 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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 due to changes in the tax rate are recognised in the income statement.

Liabilities

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

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

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

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short-term bank loans and short-term marketable securities which are subject to an insignificant risk of changes in value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
2 Staff costs		
Wages/salaries	2,169,950	2,104,091
Pensions	110,880	109,776
Other social security costs	21,337	23,171
	<u>2,302,167</u>	<u>2,237,038</u>
3 Tax for the year		
Estimated tax charge for the year	167,085	394,441
Deferred tax adjustments in the year	8,700	-116
	<u>175,785</u>	<u>394,325</u>

4 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the other danish group companies. As the company, together with the other danish group companies, the Company has joint and several unlimited liability for Danish corporation taxes. At 31 December 2015, the jointly taxed companies' net liabilities to SKAT is stated in the annual report of the administrative company EBI Atlantic A/S. Any subsequent corrections of the taxable income subject to joint taxation may entail that the Company's liability will increase

Other financial obligations

Other rent and lease liabilities:

DKK	2015	2014
Rent and lease liabilities	<u>162,927</u>	<u>309,375</u>

Lease liabilities include operating leases for cars, totalling DKK 162,927, with remaining contract terms of 1-2 years.

5 Related parties

SurTec Scandinavia ApS' related parties comprise the following:

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Freudenberg Group	69465 Weinheim, Germany	www.freudenberg.com

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
6 Adjustments		
Amortisation/depreciation and impairment losses	10,554	11,662
Financial income	-904	-2,594
Financial expenses	2,117	21
Tax for the year	175,785	394,325
	187,552	403,414
 7 Changes in working capital		
Change in inventories	49,216	-135,488
Change in receivables	-369,956	671,032
Change in prepayments and trade and other payables	198,740	50,870
	-122,000	586,414
 8 Cash and cash equivalents at year end		
Cash and cash equivalents according to the balance sheet	817,689	3,115,642
	817,689	3,115,642