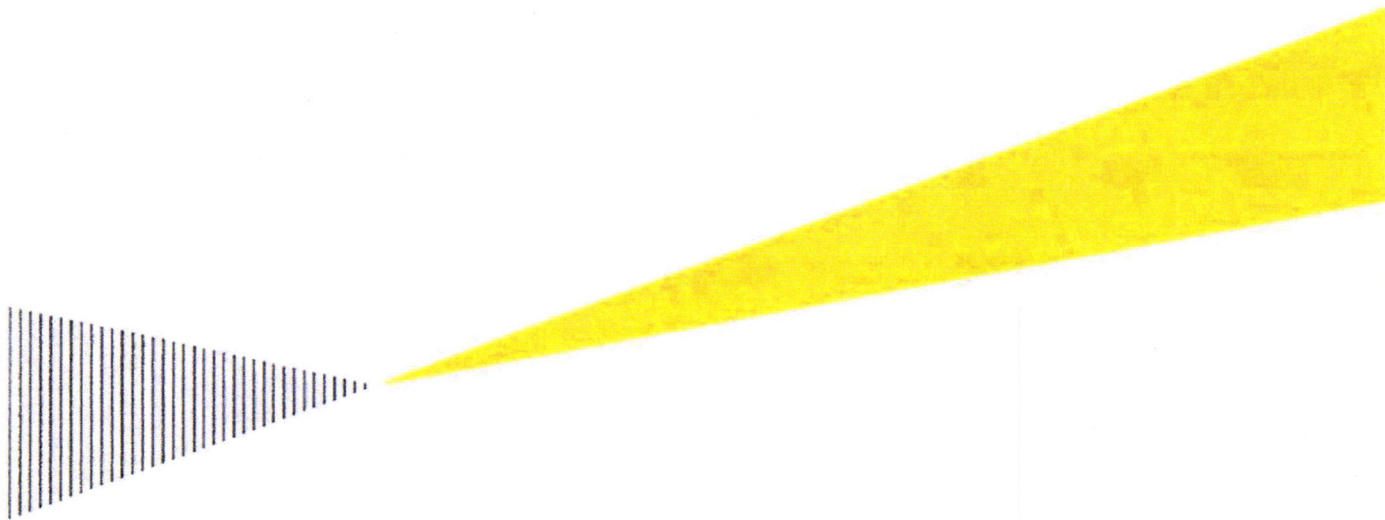


# SurTec Scandinavia ApS

Rytterskolevej 10, 7000 Fredericia

CVR no. 13 82 95 78



## Annual report 2016

Approved at the annual general meeting of shareholders on 27 April 2017

Chairman:

Per Hjorth



Building a better  
working world



## Contents

<b>Statement by the Board of Directors and the Executive Board</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>3</b>
<b>Management's review</b>	<b>5</b>
Company details	5
Management commentary	6
<b>Financial statements 1 January - 31 December</b>	<b>7</b>
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12



### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of SurTec Scandinavia ApS for the financial year 1 January - 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

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, 27 April 2017  
Executive Board:

Per Hjorth

Board of Directors:

Karsten Grünke

Chandler Smith

## Independent auditor's report

To the shareholder of SurTec Scandinavia ApS

### Opinion

We have audited the financial statements of SurTec Scandinavia ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations as well as the 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

### Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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.

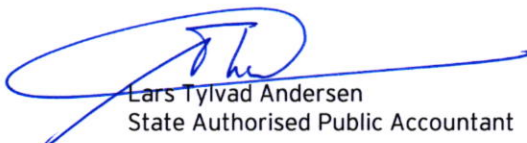
Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Vejle, 27 April 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Lars Tylvad Andersen  
State Authorised Public Accountant



## Management's review

### Company details

Name	SurTec Scandinavia ApS
Address, Postal code, City	Rytterskolevej 10, 7000 Fredericia
CVR no.	13 82 95 78
Established	1 January 1990
Registered office	Fredericia
Financial year	1 January - 31 December
Board of Directors	Karsten Grünke Chandler Smith
Executive Board	Per Hjorth
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Lysholt Allé 10, 7100 Vejle, Denmark

## **Management's review**

### **Management commentary**

#### **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 2016 shows a profit of DKK 182,873 against DKK 531,808 last year, and the balance sheet at 31 December 2016 shows equity of DKK 1,062,817. In the annual report for 2015, Management expected a profit in the range of DKK 500.000 - 600.000 but the financial year has been marked by a decrease in gross profit as a result of increased selling expenses on the Swedish market.

Management considers the Company's financial performance in the year satisfactory.

#### **Events after the balance sheet date**

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

#### **Outlook**

The Company's profit for 2017 is expected in the range of DKK 800.000 - 1.000.000.

## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK	2016	2015
	<b>Gross margin</b>	2,536,085	3,021,527
2	Staff costs	-2,295,229	-2,302,167
	Amortisation/depreciation and impairment of property, plant and equipment	-10,464	-10,554
	<b>Profit before net financials</b>	230,392	708,806
	Financial income	16,537	904
	Financial expenses	0	-2,117
	<b>Profit before tax</b>	246,929	707,593
3	Tax for the year	-64,056	-175,785
	<b>Profit for the year</b>	182,873	531,808
	<b>Recommended appropriation of profit</b>		
	Proposed dividend recognised under equity	182,000	532,000
	Retained earnings/accumulated loss	873	-192
		182,873	531,808



## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	14,856	25,320
		<u>14,856</u>	<u>25,320</u>
	<b>Total fixed assets</b>	<u>14,856</u>	<u>25,320</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Finished goods and goods for resale	678,601	660,713
		<u>678,601</u>	<u>660,713</u>
	<b>Receivables</b>		
	Trade receivables	1,374,495	1,363,304
	Prepayments	22,478	39,935
		<u>1,396,973</u>	<u>1,403,239</u>
	<b>Cash</b>	<u>541,426</u>	<u>817,689</u>
	<b>Total non-fixed assets</b>	<u>2,617,000</u>	<u>2,881,641</u>
	<b>TOTAL ASSETS</b>	<u><u>2,631,856</u></u>	<u><u>2,906,961</u></u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	200,000	200,000
	Retained earnings	680,817	679,944
	Dividend proposed for the year	182,000	532,000
	<b>Total equity</b>	<u>1,062,817</u>	<u>1,411,944</u>
	<b>Provisions</b>		
	Deferred tax	3,368	7,895
	<b>Total provisions</b>	<u>3,368</u>	<u>7,895</u>
	<b>Liabilities</b>		
	<b>Current liabilities</b>		
	Trade payables	181,136	121,639
	Payables to group entities	225,222	130,131
	Income taxes payable	68,560	167,085
	Other payables	1,090,753	1,068,267
		<u>1,565,671</u>	<u>1,487,122</u>
	<b>Total liabilities other than provisions</b>	<u>1,565,671</u>	<u>1,487,122</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,631,856</u></u>	<u><u>2,906,961</u></u>

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

## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2015	200,000	680,136	2,500,000	3,380,136
Transfer, see "Appropriation of profit"	0	-192	532,000	531,808
Dividend distributed	0	0	-2,500,000	-2,500,000
<b>Equity at 1 January 2016</b>	<b>200,000</b>	<b>679,944</b>	<b>532,000</b>	<b>1,411,944</b>
Transfer, see "Appropriation of profit"	0	873	182,000	182,873
Dividend distributed	0	0	-532,000	-532,000
<b>Equity at 31 December 2016</b>	<b>200,000</b>	<b>680,817</b>	<b>182,000</b>	<b>1,062,817</b>

## Financial statements for the period 1 January - 31 December

### Cash flow statement

Note	DKK	2016	2015
	Profit for the year	182,873	531,808
6	Adjustments	57,983	187,552
	Cash generated from operations (operating activities)	240,856	719,360
7	Changes in working capital	165,452	-122,000
	Cash generated from operations (operating activities)	406,308	597,360
	Interest received, etc.	16,537	904
	Interest paid, etc.	0	-2,117
	Income taxes paid	-167,108	-394,100
	<b>Cash flows from operating activities</b>	<b>255,737</b>	<b>202,047</b>
	Dividends paid	-532,000	-2,500,000
	<b>Cash flows from financing activities</b>	<b>-532,000</b>	<b>-2,500,000</b>
	<b>Net cash flow</b>	<b>-276,263</b>	<b>-2,297,953</b>
	Cash and cash equivalents at 1 January	817,689	3,115,642
8	<b>Cash and cash equivalents at 31 December</b>	<b>541,426</b>	<b>817,689</b>

## 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 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

#### Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

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

##### Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company'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 pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Depreciation

The item comprises depreciation of 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 of the assets are as follows:

Other fixtures and fittings, tools and equipment      3-5 years

##### 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 expenses required 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 expenses directly attributable to the acquisition.

##### Receivables

Receivables are measured at amortised cost.

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

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses 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.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. 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 Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the 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 paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities 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 expenses as well as 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 securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	2016	2015
<b>2 Staff costs</b>		
Wages/salaries	2,160,930	2,169,950
Pensions	111,996	110,880
Other social security costs	22,303	21,337
	<u>2,295,229</u>	<u>2,302,167</u>
 Average number of full-time employees	 <u>3</u>	 <u>3</u>
 <b>3 Tax for the year</b>		
Estimated tax charge for the year	68,583	167,085
Deferred tax adjustments in the year	-4,527	8,700
	<u>64,056</u>	<u>175,785</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 2016, 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	2016	2015
Rent and lease liabilities	<u>16,479</u>	<u>162,927</u>

Lease liabilities include operating leases for cars, totalling DKK 16,479, with remaining contract terms of 1 years.

### 5 Related parties

#### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Freudenberg Group	69465 Weinheim, Germany	<a href="http://www.freudenberg.com">www.freudenberg.com</a>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	<u>2016</u>	<u>2015</u>
<b>6 Adjustments</b>		
Amortisation/depreciation and impairment losses	10,464	10,554
Financial income	-16,537	-904
Financial expenses	0	2,117
Tax for the year	64,056	175,785
	<u>57,983</u>	<u>187,552</u>
<b>7 Changes in working capital</b>		
Change in inventories	-17,888	49,216
Change in receivables	6,266	-369,956
Change in trade and other payables	177,074	198,740
	<u>165,452</u>	<u>-122,000</u>
<b>8 Cash and cash equivalents at year-end</b>		
Cash according to the balance sheet	541,426	817,689
	<u>541,426</u>	<u>817,689</u>