

SurTec Scandinavia ApS

Rådhuspladsen 16, 1550 København V

CVR no. 13 82 95 78

Annual report 2019

Approved at the Company's annual general meeting on 15 June 2020

Chairman:



Dieter Siegfried Aichert





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	7
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 2019.

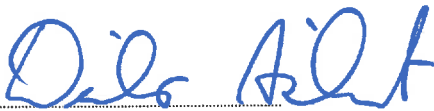
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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.

Copenhagen, 15 June 2020
Executive Board:




Dieter Siegfried Aichert

Board of Directors:



Karsten Grünke



Fulvio Lamberti

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 2019, which comprise 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 2019 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 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.

Independent auditor's report

- ▶ 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 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 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 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 the 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 the work we have performed, 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, 15 June 2020
Ernst & Young
CVR no. 30 70 02 28



Lars Tylvad Andersen
State Authorised Public Accountant
mne8854



Management's review

Company details

Name	SurTec Scandinavia ApS
Address, Postal code, City	Rådhuspladsen 16, 1550 København V
CVR no.	13 82 95 78
Established	1 January 1990
Registered office	København
Financial year	1 January - 31 December
Board of Directors	Karsten Grünke Fulvio Lamberti
Executive Board	Dieter Siegfried Aichert
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Lysholt Allé 10, 7100 Vejle, Denmark

Management's review

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 2019 shows a loss of DKK 80,300 against a profit of DKK 1,095,006 last year, and the balance sheet at 31 December 2019 shows equity of DKK 482,517. In the annual report for 2018, Management expected a profit in the range of DKK 1,000,000 - 1,200,000 which have not been realized in the financial year.

Management considers the Company's financial performance in the year not satisfactory.

Events after the balance sheet date

The outcome and potential impact on the Company's activity and financial impact on the business due to coronavirus outbreak is as of the date of the approval of the annual report uncertain given the rapid day-to-day development. On this basis management is currently unable to accurately assess the magnitude of the coronavirus outbreak on the 2020 financial performance. As of the date of the approval of the annual report Surtec Scandinavia A/S continues to work with its client and the financial short-term impact has been limited. The Board of Directors and Executive Board follows the situation closely.

There are no other events after the reporting period to be disclosed.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross profit	2,550,205	3,860,467
2	Staff costs	-2,640,868	-2,459,848
	Amortisation/depreciation and impairment of property, plant and equipment	0	-5,952
	Profit/loss before net financials	-90,663	1,394,667
	Financial income	7,501	28,665
	Financial expenses	-16,689	-10,757
	Profit/loss before tax	-99,851	1,412,575
3	Tax for the year	19,551	-317,569
	Profit/loss for the year	-80,300	1,095,006
	Recommended appropriation of profit/loss		
	Proposed dividend recognised under equity	0	1,095,006
	Retained earnings/accumulated loss	-80,300	0
		-80,300	1,095,006

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2019</u>	<u>2018</u>
	ASSETS		
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	0	1,441,024
		<u>0</u>	<u>1,441,024</u>
	Receivables		
	Trade receivables	924,002	1,326,419
	Deferred tax assets	13,509	0
	Income taxes receivable	258,946	0
	Prepayments	22,884	27,465
		<u>1,219,341</u>	<u>1,353,884</u>
	Cash	1,412,212	478,341
	Total non-fixed assets	<u>2,631,553</u>	<u>3,273,249</u>
	TOTAL ASSETS	<u>2,631,553</u>	<u>3,273,249</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	200,000	200,000
	Retained earnings	282,517	362,817
	Dividend proposed for the year	0	1,095,006
	Total equity	<u>482,517</u>	<u>1,657,823</u>
	Provisions		
	Deferred tax	0	6,042
	Total provisions	<u>0</u>	<u>6,042</u>
	Liabilities other than provisions		
4	Non-current liabilities other than provisions		
	Other payables	202,174	0
		<u>202,174</u>	<u>0</u>
	Current liabilities other than provisions		
	Trade payables	341,339	231,894
	Payables to group entities	281,722	56,880
	Income taxes payable	0	230,635
	Other payables	1,323,801	1,089,975
		<u>1,946,862</u>	<u>1,609,384</u>
	Total liabilities other than provisions	<u>2,149,036</u>	<u>1,609,384</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>2,631,553</u></u>	<u><u>3,273,249</u></u>

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

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2018	200,000	362,817	1,147,157	1,709,974
Transfer through appropriation of profit	0	0	1,095,006	1,095,006
Dividend distributed	0	0	-1,147,157	-1,147,157
Equity at 1 January 2019	200,000	362,817	1,095,006	1,657,823
Transfer through appropriation of loss	0	-80,300	0	-80,300
Dividend distributed	0	0	-1,095,006	-1,095,006
Equity at 31 December 2019	200,000	282,517	0	482,517

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK	2019	2018
	Profit/loss for the year	-80,300	1,095,006
7	Adjustments	-10,363	305,613
	Cash generated from operations (operating activities)	-90,663	1,400,619
8	Changes in working capital	2,618,309	-1,016,107
	Cash generated from operations (operating activities)	2,527,646	384,512
	Interest received, etc.	7,501	28,665
	Interest paid, etc.	-16,689	-10,757
	Income taxes paid	-489,581	-352,000
	Cash flows from operating activities	2,028,877	50,420
	Dividends paid	-1,095,006	-1,147,157
	Cash flows from financing activities	-1,095,006	-1,147,157
	Net cash flow	933,871	-1,096,737
	Cash and cash equivalents at 1 January	478,341	1,575,078
	Cash and cash equivalents at 31 December	1,412,212	478,341

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SurTec Scandinavia ApS for 2019 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

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

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

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 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation

The item comprises depreciation of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

Cash

Cash comprise cash.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 1 January - 31 December

Notes to the financial statements

DKK	2019	2018
2 Staff costs		
Wages/salaries	2,537,599	2,323,584
Pensions	85,697	114,262
Other social security costs	17,572	22,002
	<u>2,640,868</u>	<u>2,459,848</u>
Average number of full-time employees	<u>2</u>	<u>3</u>
3 Tax for the year		
Estimated tax charge for the year	0	319,526
Deferred tax adjustments in the year	-19,551	-1,957
	<u>-19,551</u>	<u>317,569</u>

4 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

5 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, has joint and several unlimited liability for Danish corporation taxes. At 31 December 2019, 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	2019	2018
Rent and lease liabilities	<u>42,533</u>	<u>186,425</u>

Lease liabilities include operating leases for cars, totalling DKK 42,533, with remaining contract terms of 4 months.

6 Related parties

Information about consolidated financial statements

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

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	<u>2019</u>	<u>2018</u>
7 Adjustments		
Amortisation/depreciation and impairment losses	0	5,952
Financial income	-7,501	-28,665
Financial expenses	16,689	10,757
Tax for the year	0	317,569
Deferred tax	-19,551	0
	<u>-10,363</u>	<u>305,613</u>
8 Changes in working capital		
Change in inventories	1,441,024	-905,586
Change in receivables	406,997	-8,724
Change in trade and other payables	770,288	-101,797
	<u>2,618,309</u>	<u>-1,016,107</u>