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MENETA ADVANCED SHIMS TECHNOLOGY A/S

KIRKEGYDEN 52, 5270 ODENSE N

ANNUAL REPORT

2015

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 2 May 2016**

Name of Chairman of the Meeting

CVR NO. 26 31 40 89

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COMPANY DETAILS

Company	Meneta Advanced Shims Technology A/S Kirkegyden 52 5270 Odense N
	Website: www.meneta.dk E-mail: men@meneta.dk
	CVR no.: 26 31 40 89 Established: 1 November 2001 Registered Office: Odense Financial Year: 1 January - 31 December
Board of Directors	Johnny Haakonsson, Chairman Mal Hartland, Vice-chairman Finn Blomstrøm Jeremy Mark Adams
Board of Executives	Kim Østergaard
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
Bank	Nordea Bank A/S Vester Stationsvej 7 5000 Odense C

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Meneta Advanced Shims Technology A/S for the year 1 January - 31 December 2015.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend that the Annual Report be approved at the Annual General meeting.

Odense, 15 March 2016

Board of Executives

Kim Østergaard

Board of Directors

Johnny Haakonsson

Mal Hartland

Finn Blomstrøm

Jeremy Mark Adams

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meneta Advanced Shims Technology A/S

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Meneta Advanced Shims Technology A/S for the financial year 1 January to 31 December 2015, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. 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 control as management determines is necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit Legislation. 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 auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 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.

The audit has not resulted in any qualification.

Opinion

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

INDEPENDENT AUDITOR'S REPORT

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 further 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.

Copenhagen, 15 March 2016

BDO Statsautoriseret revisionsaktieselskab, CVR-nr. 20 22 26 70

Ole C. K. Nielsen
State Authorised Public Accountant

Søren Søndergaard Jensen
State Authorised Public Accountant

KEY FIGURES AND RATIOS

	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000	2011 DKK '000
Income statement					
Net revenue.....	261.854	238.836	195.987	182.610	148.340
Gross profit.....	86.232	72.440	65.310	56.013	42.729
Operating profit/loss.....	22.904	14.178	15.319	13.695	144
Financial income and expenses, net.....	297	-301	-1.278	-745	-1.588
Profit/loss for the year.....	17.655	10.405	10.523	9.702	-1.100
Balance sheet					
Balance sheet total.....	157.653	151.538	122.285	116.015	114.888
Equity.....	80.474	62.819	52.415	43.012	33.311
Ratios					
Profit margin.....	8,7	5,9	7,8	7,5	0,1
Rate of return.....	15,0	10,1	11,8	0,0	0,0
Solvency ratio.....	51,0	41,5	42,9	37,1	29,0
Return on equity.....	24,6	18,1	22,1	25,4	Neg.
Average number of employees.....	127	114	89	76	78
Net turnover per employee.....	2.062	2.095	2.202	2.403	1.902
Index for net revenue.....	177	161	132	123	100

The comparative figures have not been adjusted for the change of accounting policies for the years 2009-2012 with respect to change of recognition according to the FIFO principle to recognition according to weighted average prices.

MANAGEMENT'S REVIEW

Principal activities

Meneta Advanced Shims Technology A/S develops, manufactures and sells shims (noise reduction product) for brake pads for use in the automotive industry.

Meneta ApS owns 52% of the share capital whereas a large manufacturer of friction material, TMD Friction Holdings (UK) Limited owns the remaining shares.

Development in activities and financial position

Result of the year made up a profit after tax of 17,7 mil. DKK. Revenue was increased by 10% compared to the year before, whereas earnings before tax were increased by 67% compared to the year before. Balance sheet shows 157,7 mil. DKK with a solidity rate of 51%.

The company has further strengthened its market position and continued to adjust staff and production capacity to prepare for continued growth and higher market share.

During the year the company invested in mainly production equipment and increased its CAPEX by 2,6 mil. DKK. Further investments in 2016 are expected to meet production capacity requirements.

Significant events after the end of the financial year

No events have occurred after the end of the financial year that may have a significant impact on the financial position of the company.

Special risks

A considerable part of the company's raw materials is dependent on the price of steel and oil. Raw materials, sales prices, assets, and liabilities are dependent on the development in a number of currencies. The currency exposure is constantly evaluated and risk hedging takes place according to determined policies and rules.

Environmental situation

The company is aware of the potential environmental impact of the products and of the production process. Efforts are being made on a regular basis to reduce the impact.

Knowledge resources

The company is ISO/TS 16949 certified.

Research and development activities

The means used for development activities have been recognised as expenses.

Future expectations

For the year 2016 we expect to further strengthen the company's position in the market through growth and higher market share. We expect an increase in revenue and profit of approx 7%.

The company's foreign branches

The company has a branch in Koblenz, Germany

ACCOUNTING POLICIES

The annual report of Meneta Advanced Shims Technology A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-sized enterprises.

The Annual Report is prepared consistently with the accounting principles used last year.

General about recognition and measurement

Income is recognised in the income statement as and when it is earned, including recognition of value adjustments of financial assets and liabilities. Any costs, including depreciation, amortisation and writedown, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is likely that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is likely that future economic benefits will flow from the company and the value of the liability can be measured reliably.

The initial recognition measures assets and liabilities at cost. Subsequently, assets and liabilities are measured as described in the following for each item.

Certain financial assets and liabilities are measured at amortised cost, recognising a constant effective interest over the term. Amortised cost is stated at initial cost less any deductions and with addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.

The recognition and measurement takes into account predictable losses and risks arising before the year-end reporting and which prove or disprove matters that existed at the balance sheet date.

The carrying amount of intangible and tangible fixed assets should be estimated annually to determine if there is any indication of impairment in excess of the amount reflected by normal amortisation or depreciation. If this is the case, write-down should be made to the lower recoverable amount.

Consolidated financial statements

The company is included in the consolidated financial statements of Meneta Holding ApS, Kirkegyden 52, 5270 Odense N, CVR number 27076998.

INCOME STATEMENT

Net revenue

The net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external costs

Other external costs include costs relating to distribution, sale, advertising, administration, premises, loss on bad debts, operating lease expenses and similar expenses.

Payments relating to operating lease agreements and other rental agreements are recognised in the income statement over the term of the contract. The company's total liability for operating lease and rental agreements is disclosed under contingencies.

ACCOUNTING POLICIES

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company’s employees. Repayments from public authorities are included in staff costs.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that can be attributed to the profit for the year, and is recognised directly in the equity by the portion that can be attributed to entries directly to the equity.

The company is jointly taxed with wholly owned Danish and foreign subsidiary enterprises. The current Danish corporation tax is distributed between the jointly taxed Danish companies in proportion to their taxable income, and with full distribution with refund regarding taxable losses. The jointly taxed companies are included in the tax-on-account scheme.

BALANCE SHEET

Tangible fixed assets

Production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-downs.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value as follows:

	Useful life	Residual value
Buildings.....	20-40 years	25-50%
Other investment assets.....	5-10 years	0%
Production plant and machinery.....	4-10 years	0%
Other plants, fixtures and equipment.....	3-7 years	0-30%
Leasehold improvements.....	3-8 years	0-30%

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost based on weighted average prices. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll costs and direct production costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax unit.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. A change in the deferred tax, which is a result of changes to tax rates, is recognised in the income statement with the exception of items that are taken directly to equity.

Liabilities

Liabilities are measured at amortised cost equal to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivable or payable is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

In accordance with section 86(4) of the Danish Financial Statements Act, the company has omitted to prepare a cash flow statement because these cash flows are included in the cash flow statement of the group, see the consolidated financial statements of Meneta Holding ApS

KEY FIGURES

The key figures are prepared in accordance with the guidance of the Danish Association of Financial Analysts on "Recommendation & Key Figures". Reference is made to survey of principal figures and key figures concerning the formula for calculation of individual key figures.

Profit margin:

$$\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$$

Rate of return:

$$\frac{\text{Profit before tax} \times 100}{\text{Avg. assets}}$$

Solvency ratio:

$$\frac{\text{Equity, end of period} \times 100}{\text{Total liabilities, end of period}}$$

Return on equity:

$$\frac{\text{Profit after tax} \times 100}{\text{Avg. equity}}$$

Net turnover per employee:

$$\frac{\text{Net turnover}}{\text{Average number of full - time employees}}$$

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2015 DKK '000	2014 DKK '000
NET REVENUE		261.854	238.836
Cost of sales.....		-144.599	-137.133
Other external expenses.....		-31.023	-29.263
GROSS PROFIT		86.232	72.440
Staff costs.....	1	-59.220	-53.074
Depreciation, amortisation and impairment.....		-4.108	-5.188
OPERATING PROFIT		22.904	14.178
Other financial income.....	2	850	432
Other financial expenses.....	3	-553	-733
PROFIT BEFORE TAX		23.201	13.877
Tax on profit.....	4	-5.546	-3.472
PROFIT FOR THE YEAR		17.655	10.405
PROPOSED DISTRIBUTION OF PROFIT			
Accumulated profit.....		17.655	10.405
TOTAL		17.655	10.405

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2015 DKK '000	2014 DKK '000
Production plants and machinery.....		12.808	17.894
Other plants, machinery, tools and equipment.....		606	904
Leasehold improvements.....		181	280
Tangible fixed assets in progress and prepayment.....		1.849	4.003
Tangible fixed assets.....	5	15.444	23.081
FIXED ASSETS.....		15.444	23.081
Raw materials and consumables.....		11.297	15.879
Work in progress.....		5.230	649
Finished goods and goods for resale.....		21.761	16.651
Inventory.....		38.288	33.179
Trade receivables.....		39.548	39.009
Receivables from group enterprises.....		55.660	49.561
Provision for deferred tax.....		0	161
Other receivables.....		2.881	3.123
Receivables corporation tax.....		366	3.355
Accounts receivable.....		98.455	95.209
Cash and cash equivalents.....		5.466	69
CURRENT ASSETS.....		142.209	128.457
ASSETS.....		157.653	151.538

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2015 DKK '000	2014 DKK '000
Share capital.....		525	525
Retained profit.....		79.949	62.294
EQUITY.....	7	80.474	62.819
Provision for deferred tax.....	6	491	0
PROVISION FOR LIABILITIES.....		491	0
Lease liabilities.....		4.092	6.257
Long-term liabilities.....	8	4.092	6.257
Short-term portion of long-term liabilities.....	8	2.165	2.152
Bank debt.....		18.249	13.284
Trade payables.....		27.087	30.264
Payables to group enterprises.....		6.434	23.155
Corporation tax.....		110	0
Other liabilities.....		18.551	13.607
Current liabilities.....		72.596	82.462
LIABILITIES.....		76.688	88.719
EQUITY AND LIABILITIES.....		157.653	151.538
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NOTES

	2015 DKK '000	2014 DKK '000	Note
Staff costs			1
Wages and salaries.....	54.020	49.679	
Pensions.....	3.933	2.687	
Social security costs.....	1.267	708	
	59.220	53.074	
Other financial income			2
Group enterprises.....	44	0	
Other interest income.....	806	432	
	850	432	
Other financial expenses			3
Group enterprises.....	332	293	
Other interest expenses.....	221	440	
	553	733	
Tax on profit			4
Calculated tax on taxable income of the year.....	4.894	3.301	
Adjustment of deferred tax.....	652	171	
	5.546	3.472	
Tangible fixed assets			5
		Other plants, machinery, tools and equipment	
	Production plants and machinery		
Cost at 1 January 2015.....	46.749	1.811	
Addition.....	4.702	50	
Disposal.....	-6.210	-58	
Cost at 31 December 2015.....	45.241	1.803	
Depreciation and write-down at 1 January 2015.....	28.940	822	
.....	-969	0	
Depreciation.....	4.462	375	
Depreciation and write-down at 31 December 2015.....	32.433	1.197	
Carrying amount at 31 December 2015.....	12.808	606	

NOTES

Tangible fixed assets (continued) Note
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	Leasehold improvements	Tangible fixed assets in progress and prepayment
Cost at 1 January 2015.....	692	4.003
Addition.....	0	2.210
Disposal.....	0	-4.364
Cost at 31 December 2015.....	692	1.849
Depreciation and write-down at 1 January 2015.....	412	
Depreciation.....	99	
Depreciation and write-down at 31 December 2015.....	511	
Carrying amount at 31 December 2015.....	181	1.849

Recognised assets not owned by the company: 7.080 DKK '000.

Provision for deferred tax 6

Provision for deferred tax relates to differences between the carrying amount and the tax value of securities, accounts receivable, intangible fixed assets and tangible fixed assets, including recognised finance leases.

The amount breaks down as follows:

	Carrying Value	Tax Value	Tax depre. or amort. above carrying value
Production plants and machinery.....	13.414	6.600	6.814
Leasehold improvements.....	181	277	-96
Inventory.....	38.289	36.386	1.903
Trade receivables.....	39.547	39.663	-116
Lease liabilities.....	-6.257	0	-6.257
Borrowing costs.....	0	16	-16
	85.174	82.942	2.232
Udskudt skat.....			491

Equity 7

	Share capital	Retained profit	Total
Equity at 1 January 2015.....	525	62.294	62.819
Proposed distribution of profit.....		17.655	17.655
Equity at 31 December 2015.....	525	79.949	80.474

The share capital has not been changed in the past 5 years.

NOTES

					Note
Long-term liabilities					8
	1/1 2015 total liabilities	31/12 2015 total liabilities	Repayment next year	Debt outstanding after 5 years	
Lease liabilities.....	8.409	6.257	2.165	0	
	8.409	6.257	2.165	0	

Contingencies etc. 9

Operating lease

The company has in addition to finance lease contracts entered into operating rent and lease agreements with an average annual lease payment of DKK ('000) 1.576.

Lease agreement

The company has an annual lease agreement with Meneta ApS. The annual lease is DKK ('000) 2,760 for 2016. The company has entered into a lease agreement with a residual period of 1 year with an annual lease of DKK ('000) 448.

Joint liabilities

The company is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income is stated in the annual report of Meneta Holding ApS, which serves as management company for the joint taxation.

Charges and securities 10

The company has issued a chattel mortgage of DKK ('000) 2,000, which is secured on machinery which was fully depreciated at 31 December 2015.

Production plant and machinery of a carrying amount of DKK ('000) 7,080 at 31 December 2015 is financed by a finance lease. The lease liabilities are stated at DKK ('000) 6,257 at 31 December 2015.

As security for bank debt of DKK ('000) 18,249 the company has issued a business charge of a nominal amount of DKK ('000) 15,000 on inventory and trade receivables of a total carrying amount of DKK ('000) 77,836 at 31 December 2015.

NOTES**Note****Related parties**

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Meneta Advanced Shims Technology A/S' related parties include:

Meneta ApS
Meneta Danmark ApS
Meneta Holding ApS
Meneta Automotive Component Pvt. Ltd.
Meneta (Shanghai) Co.
Ltd.Meneta Dalian Co.Ltd.

Controlling interest

Meneta ApS.

Other related parties with which the company has had transactions

The company's related parties with significant influence comprise subsidiaries and associates, the board of directors, board of executives, and leading employees of such companies as well as closely related family members of these. Related parties also comprise companies in which members of the above group hold significant interest.

Transactions with related parties

The company has not had significant transactions which were not performed on an arm's length basis.

Ownership

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The following shareholders are recorded in the company's register of shareholders as owning more than 5% of the votes or the share capital:

Meneta ApS
Kirkegyden 52
5270 Odense N

TMD Friction Holdings (UK) Limited
P.O. Box 18, Hunsworth Lane, Cleckheaton, West Yorkshire
England BD19 3UJ