# EBI Atlantic A/S

Odinsvej 1, Rindum, 6950 Ringkøbing

CVR no. 28 51 96 05

Annual report 2018

Approved at the Company's annual general meeting on 31/5 - 2019

Chairman:

.............................................................

Building a better working world

# Contents

## 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 EBI Atlantic A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Ringkøbing, 31 May 2019
Executive Board:

Frank Steen Sumborg

Board of Directors:

| | | |
|---|---|---|
| Dr. Andreas Klaus Oswald Raps<br>Chairman | Dr. Olaf Sebastian Weiss | Dr. Kai Uwe Markus Ziegler |
| Katsuhiro Murakami | Youshinobu Murata | Norio Uemura |

## 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 EBI Atlantic A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Ringkøbing, 31 May 2019
Executive Board:

Frank Steen Sumborg

Board of Directors:

| | | |
|---|---|---|
| Dr. Andreas Klaus Oswald Raps<br>Chairman | Dr. Olaf Sebastian Weiss | Dr. Kai Uwe Markus Ziegler |
| Katsuhiro Murakami | Youshinobu Murata | Norio Uemura |

# Independent auditor's report

To the shareholders of EBI Atlantic A/S

## Opinion

We have audited the financial statements of EBI Atlantic A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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

- 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.
- 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.

Aarhus, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lone N. Eskildsen

Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085

# Management's review

## Company details

| | |
|---|---|
| Name | EBI Atlantic A/S |
| Address, Postal code, City | Odinsvej 1, Rindum, 6950 Ringkøbing |
| CVR no. | 28 51 96 05 |
| Registered office | Vejen |
| Financial year | 1 January - 31 December |
| Board of Directors | Dr. Andreas Klaus Oswald Raps, Chairman<br>Dr. Olaf Sebastian Weiss<br>Dr. Kai Uwe Markus Ziegler<br>Katsuhiro Murakami<br>Youshinobu Murata<br>Norio Uemura |
| Executive Board | Frank Steen Sumborg |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>Værkmestergade 25, P.O. Box 330, 8100 Aarhus C,<br>Denmark |

## Financial highlights

| EUR'000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Key figures | | | | | |
| Ordinary operating profit/loss | -285 | -138 | -128 | -55 | -96 |
| Net financials | 426 | 87 | -46 | 473 | 16 |
| Profit/loss for the year | 67,398 | 20,810 | 19,645 | 13,425 | 24,524 |
| Total assets | 25,016 | 72,970 | 106,270 | 123,297 | 127,309 |
| Equity | 24,775 | 69,602 | 105,729 | 121,126 | 127,269 |
| Financial ratios | | | | | |
| Return on assets | -0.6% | -0.2% | -0.1% | 0.0% | -0.1% |
| Equity ratio | 99.0% | 95.4% | 99.5% | 98.2% | 100.0% |
| Return on equity | 142.8% | 23.7% | 17.3% | 10.8% | 19.5% |

# Management's review

## Business review

The activity of the Company is to own investments in subsidiaries in Europe, Africa and North, South and Central America.

The Company's business segment regarding subsidiaries comprises two divisions:

The Seals Division
The Seals division sells sealing products, including mechanical axial sealings, braided and static sealings for the industry and specialties products connected to the mentioned areas.

Expansion Joints Division
The division supplies total solutions, which compensate for termic expansions, vibrations and assembling imbalances in pipes, ducts and other systems, primarily within the energy sector. The solutions are based on compensator technology within fabric, rubber, elastomers and special compensators with steel parts, sealing products and engineering. Focus is on customized quality, design, engineering, installation and after sales service.

## Financial review

The income statement for 2018 shows a profit of EUR 67,398 thousand against a profit of EUR 20,810 thousand last year, and the balance sheet at 31 December 2018 shows equity of EUR 24,775 thousand.

Profits from group enterprises after tax are recognised in the income statement at EUR 67,295 thousand against EUR 20,897 thousand in 2017.

The result for the year is influenced by a gain on disposals of subsidiaries. At the end of 2018, the Company's equity amounted to EUR 24,775 thousand corresponding to an equity ration of approx. 99.0 %.

The Company's capital structure is considered to be sufficient.

## Knowledge resources

The Company's knowledge resources mainly consist of knowhow on compensator technology.

## Special risks

The Company is not exposed to special risks except for what is usual to the line of business.

## Impact on the external environment

The Company’s impact on the external environment and work environment and measures for prevention aim at the least possible risk of pollution and at minimising the risk of accidents. The Company has an environmental approval.

## 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 expects a reduced result in 2019 since some subsidiaries were disposed in 2018.

# Financial statements 1 January - 31 December

## Income statement

| Note | EUR'000 | 2018 | 2017 |
|---|---|---|---|
| | Administrative expenses | -284 | -139 |
| | Operating profit/loss | -284 | -139 |
| | Income from investments in group entities | 67,295 | 20,897 |
| 2 | Financial income | 445 | 91 |
| 3 | Financial expenses | -19 | -4 |
| | Profit before tax | 67,437 | 20,845 |
| 4 | Tax for the year | -39 | -35 |
| | Profit for the year | 67,398 | 20,810 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | EUR'000 | 2018 | 2017 |
|---|---|---|---|
| | ASSETS | | |
| | Fixed assets | | |
| 5 | Investments | | |
| | Investments in group entities, net asset value | 22,963 | 72,808 |
| | | 22,963 | 72,808 |
| | Total fixed assets | 22,963 | 72,808 |
| | Non-fixed assets | | |
| | Receivables | | |
| | Receivables from group entities | 1,941 | 29 |
| | Income taxes receivable | 102 | 102 |
| | Other receivables | 10 | 0 |
| | Deferred income | 0 | 31 |
| | | 2,053 | 162 |
| | Total non-fixed assets | 2,053 | 162 |
| | TOTAL ASSETS | 25,016 | 72,970 |
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 6 | Share capital | 128 | 128 |
| | Retained earnings | 24,647 | 69,474 |
| | Total equity | 24,775 | 69,602 |
| | Provisions | | |
| 5 | Provision, investments in group entities | 0 | 426 |
| | Total provisions | 0 | 426 |
| | Liabilities other than provisions | | |
| | Current liabilities other than provisions | | |
| | Trade payables | 18 | 0 |
| | Payables to group entities | 4 | 2,888 |
| | Income taxes payable | 199 | 34 |
| | Other payables | 20 | 20 |
| | | 241 | 2,942 |
| | Total liabilities other than provisions | 241 | 2,942 |
| | TOTAL EQUITY AND LIABILITIES | 25,016 | 72,970 |

1 Accounting policies
7 Contractual obligations and contingencies, etc.
8 Collateral
9 Related parties

# Financial statements 1 January - 31 December

## Statement of changes in equity

| Note | EUR'000 | Share capital | Retained earnings | Total |
|---|---|---|---|---|
| | Equity at 1 January 2018 | 128 | 69,474 | 69,602 |
| 10 | Transfer, see "Appropriation of profit" | 0 | 67,398 | 67,398 |
| | Exchange adjustment | 0 | -13 | -13 |
| | Dividend distributed | 0 | -112,212 | -112,212 |
| | Equity at 31 December 2018 | 128 | 24,647 | 24,775 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies

The annual report of EBI Atlantic A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements for EBI Atlantic A/S and its group entities are part of the consolidated financial statements for Freudenberg & Co. KG which can be found at www.freudenberg.com under Home - Press - Publications. .

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

### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company , Freudenberg & Co. KG, which can be obtained at www.freudenberg under Home - Press - Publications.

### Reporting currency

The financial statements are presented in euros (EUR), as the Company's most significant transactions are settled in EUR.

### Foreign currency translation

Transactions denominated in foreign currencies are translated into euros at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into euros at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

## Income statement

### Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration.

### Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses.

### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

## Balance sheet

### Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

### 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.

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.

### 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)

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets $= \dfrac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$

Equity ratio $= \dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity $= \dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

# Financial statements 1 January - 31 December

## Notes to the financial statements

| | EUR'000 | 2018 | 2017 |
|---|---|---|---|
| 2 | Financial income | | |
| | Interest receivable, group entities | 350 | 0 |
| | Other financial income | 95 | 91 |
| | | 445 | 91 |
| 3 | Financial expenses | | |
| | Interest expenses, group entities | 0 | 4 |
| | Other financial expenses | 19 | 0 |
| | | 19 | 4 |
| 4 | Tax for the year | | |
| | Estimated tax charge for the year | 39 | 35 |
| | | 39 | 35 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 5 Investments

| EUR'000 | Investments in group entities, net asset value |
|---|---|
| Cost at 1 January 2018 | 101,057 |
| Disposals in the year | -71,584 |
| Cost at 31 December 2018 | 29,473 |
| Value adjustments at 1 January 2018 | -28,249 |
| Exchange adjustment | 95 |
| Dividend distributed | -4,579 |
| Share of the profit/loss for the year | 4,186 |
| Reversal of impairment losses on assets disposed | 22,463 |
| Transferred to provisions, investment in group entities | -426 |
| Value adjustments at 31 December 2018 | -6,510 |
| Carrying amount at 31 December 2018 | 22,963 |

| Name | Legal form | Domicile | Interest |
|---|---|---|---|
| Subsidiaries | | | |
| EagleBurgmann KE A/S | Limited company | Denmark | 100.00% |
| EagleBurgmann Mexico S.A. de C.V. | Limited company | Mexico | 99.99% |

# Financial statements 1 January - 31 December

## Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|---|---|---|
| **6 Share capital** | | |
| Analysis of the share capital: | | |
| 8,500 shares of DKK 15.00 nominal value each | 128 | 128 |
| | 128 | 128 |

The Company's share capital has remained DKK 128 thousand over the past 5 years.

### 7 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

### 8 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

### 9 Related parties

EBI Atlantic A/S' related parties comprise the following:

Parties exercising control

| Related party | Domicile | Basis for control |
|---|---|---|
| Burgmann International GmbH | Äussere Sauerlacher Str. 6-10, Wolfratshausen, Germany | Participating interest |
| Eagle Industry Co. Ltd. | 1-12-15 Shiba Daimon, Minato-ku, Tokyo, Japan | Participating interest |

Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|---|---|---|
| Freudenberg & Co. KG | Höhnerweg 2-4, D69469, Weinheim, Germany | Höhnerweg 2-4, D69469, Weinheim, Germany or www.freudenberg.com under Home - Press - Publications |

Related party transactions

There are no related party transactions that have not been carried through normal market terms.

# Financial statements 1 January - 31 December

## Notes to the financial statements

| EUR'000 | 2018 | 2017 |
|---|---|---|
| 10 Appropriation of profit | | |
| Recommended appropriation of profit | | |
| Retained earnings | 67,398 | 20,810 |
| | 67,398 | 20,810 |