EBI Atlantic A/S

Park Allé 34, 6600 Vejen

CVR no. 28 51 96 05

Annual report 2016

Approved at the annual general meeting of shareholders on 2/6 - 2017

Chairman:

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Building a better
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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 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 for the financial year 1 January - 31 December 2016.

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.

Vejen, 26 May 2017
Executive Board:

Tien Ba Cao

Board of Directors:

Andreas Klaus Oswald Raps Chairman	Olaf Sebastian Weiss	Michael Godeke Stomberg
Katsuhiro Murakami	Yasunari Unemura	Norio Uemura

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Tien Ba Cao

Board of Directors:

Andreas Klaus Oswald Raps Chairman	Olaf Sebastian Weiss	Michael Godeke Stomberg
Katsuhiro Murakami	Yasunari Unemura	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 2016, which comprise an 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 2016 and of the results of the Company's operations 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.

Aarhus, 26 May 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lone N. Eskildsen

Lone Nørgaard Eskildsen
State Authorised Public Accountant

Management's review

Company details

Name	EBI Atlantic A/S
Address, Postal code, City	Park Allé 34, 6600 Vejen
CVR no.	28 51 96 05
Registered office	Vejen
Financial year	1 January - 31 December
Board of Directors	Andreas Klaus Oswald Raps, Chairman Olaf Sebastian Weiss Michael Godeke Stomberg Katsuhiro Murakami Yasunari Unemura Norio Uemura
Executive Board	Tien Ba Cao
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Financial highlights

EUR'000	2016	2015	2014	2013	2012
Key figures					
Operating profit/loss	-128	-55	-96	-99	-89
Net financials	-46	473	16	16	22
Profit/loss for the year	19,645	13,425	24,524	20,128	16,426
Total assets	106,270	123,297	127,309	124,878	128,062
Equity	105,730	121,126	127,269	124,787	127,991
Financial ratios					
Return on assets	-0.1%	0.0%	-0.1%	-0.1%	-0.1%
Solvency ratio	99.5%	98.2%	100.0%	99.9%	99.9%
Return on equity	17.3%	10.8%	19.5%	15.9%	12.3%

Management's review

Management commentary

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 2016 shows a profit of EUR 19,645 thousand against EUR 13,425 thousand last year, and the balance sheet at 31 December 2016 shows equity of EUR 105,730 thousand.

Profits from group enterprises after tax are recognised in the income statement at EUR 19,868 thousand against DKK 13,239 thousand in 2015.
At the end of 2016, the Company's equity amounted to EUR 105,730 thousand, corresponding to an equity ratio of approx. 99.5 %.

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 difficult market conditions due to the current level in oil price.
However, the company continues to focus on sales improvements, further integration and consolidation of factory footprint inside the EagleBurgmann Group.

Financial statements for the period 1 January - 31 December

Income statement

Note	EUR'000	2016	2015
	Administrative expenses	-128	-55
	Operating profit/loss	-128	-55
	Income from investments in group entities	19,868	13,239
2	Financial income	0	475
3	Financial expenses	-46	-2
	Profit before tax	19,694	13,657
4	Tax for the year	-49	-232
	Profit for the year	19,645	13,425

Financial statements for the period 1 January - 31 December

Balance sheet

Note	EUR'000	2016	2015
	ASSETS		
	Fixed assets		
5	Investments		
	Investments in group entities, net asset value	90,885	92,337
		90,885	92,337
	Total fixed assets	90,885	92,337
	Non-fixed assets		
	Receivables		
	Receivables from group entities	15,320	30,929
	Income taxes receivable	34	0
	Deferred income	31	31
		15,385	30,960
	Total non-fixed assets	15,385	30,960
	TOTAL ASSETS	106,270	123,297
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	128	128
	Retained earnings	91,102	120,998
	Dividend proposed for the year	14,500	0
	Total equity	105,730	121,126
	Provisions		
5	Provision, investments in group entities	502	2,026
	Total provisions	502	2,026
	Liabilities		
	Current liabilities		
	Payables to group entities	18	1
	Income taxes payable	0	133
	Other payables	20	11
		38	145
	Total liabilities other than provisions	38	145
	TOTAL EQUITY AND LIABILITIES	106,270	123,297

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

Financial statements for the period 1 January - 31 December

Statement of changes in equity

Note	EUR'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2016	128	120,998	0	121,126
10	Transfer, see "Appropriation of profit"	0	5,145	14,500	19,645
	Exchange adjustment	0	-5,541	0	-5,541
	Dividend distributed	0	-29,500	0	-29,500
	Equity at 31 December 2016	128	91,102	14,500	105,730

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of EBI Atlantic A/S for 2016 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.

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial statements for the period 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

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

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

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2	Financial income		
	Other financial income	0	475
		0	475
3	Financial expenses		
	Interest expenses, associates	0	1
	Other financial expenses	46	1
		46	2
4	Tax for the year		
	Estimated tax charge for the year	55	186
	Tax adjustments, prior years	-6	46
		49	232

Financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Investments

EUR'000	Investments in group entities, net asset value
Cost at 1 January 2016	139,341
Cost at 31 December 2016	139,341
Value adjustments at 1 January 2016	-47,004
Exchange adjustment	-5,542
Dividend distributed	-14,254
Share of the profit/loss for the year	19,868
Transferred to provisions, investment in group entities	-1,524
Value adjustments at 31 December 2016	-48,456
Carrying amount at 31 December 2016	90,885

Of the total carrying amount, negative net assets in group entities, EUR 502 thousand have been recognised under provisions.

Name	Legal form	Domicile	Interest
Subsidiaries			
EagleBurgmann Austria GmbH	Limited company	Austria	100.00 %
EagleBurgmann Production Center Judenburg GmbH	Limited company	Austria	100.00 %
EagleBurgmann Belgium B.V.B.A.	Limited company	Belgium	100.00 %
EagleBurgmann (Switzerland) AG	Limited company	Switzerland	100.00 %
EagleBurgmann s.r.o.	Limited company	The Czech Republic	100.00 %
EagleBurgmann S.A.S.	Limited company	France	100.00 %
EagleBurgmann BT S.p.A.	Limited company	Italy	100.00 %
EagleBurgmann Italia S.r.l.	Limited company	Italy	100.00 %
EagleBurgmann Ibérica S.A.	Limited company	Spain	100.00 %
EagleBurgmann Hungária Kft.	Limited company	Hungary	100.00 %
EagleBurgmann Norway AS	Limited company	Norway	100.00 %
EagleBurgmann Sweden AB	Limited company	Sweden	100.00 %
EagleBurgmann B.V.	Limited company	The Netherlands	100.00 %
Burgmann Industries Holding GmbH	Limited company	Germany	100.00 %
EagleBurgmann Endüstrieyel Sizdirmazlik Sanyai ve Ticaret Limited Sirketi	Limited company	Turkey	99.99 %
EagleBurgmann Seals South Africa (Proprietary) Ltd.	Limited company	South Africa	100.00 %

Financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Investments (continued)

EagleBurgmann KE A/S	Limited company	Denmark	100.00 %
EagleBurgmann do Brazil-Verdacoes Industrialis Ltda.	Limited company	Brazil	99.93 %
EagleBurgmann Mexico S.A. de C.V.	Limited company	Mexico	99.99 %
EagleBurgmann de Venezuela C.A.	Limited company	Venezuela	55.00 %
EagleBurgmann OOO	Limited company	Russia	100.00 %
EagleBurgmann Canada Inc.	Limited company	Canada	100.00 %
EagleBurgmann Colombia S.A.S.	Limited company	Colombia	100.00 %

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	EUR'000	2016	2015
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 EUR 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 2016.

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 for the period 1 January - 31 December

Notes to the financial statements

	EUR'000	2016	2015
10	Appropriation of profit		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	14,500	0
	Retained earnings	5,145	13,425
		19,645	13,425