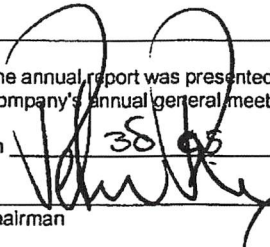


Carpenter ApS  
Michael Drewsens Vej 9-11  
8270 Højbjerg  
Denmark

Telephone +45 86 29 23 11

**Carpenter ApS**

## Annual report 2015

The annual report was presented and approved at the  
Company's annual general meeting  
on 30 05 2016  
  
chairman

CVR no. 45 94 17 28

## **Contents**

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

The Board of Directors and the Executive Board have today discussed and approved the annual report of Carpenter ApS for the financial year 1 January – 31 December 2015.

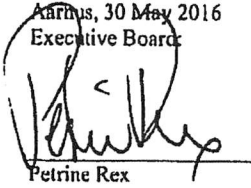
The annual report has been prepared in accordance with the Danish Financial Statements Act.

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.

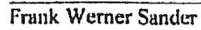
Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

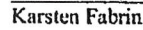
Aarhus, 30 May 2016  
Executive Board



Petrine Rex

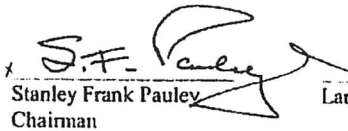


Frank Werner Sander

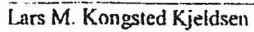


Karsten Fabrin

Board of Directors:



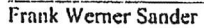
Stanley Frank Pauley  
Chairman



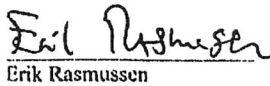
Lars M. Kongsted Kjeldsen



Michael Gordon Lowery



Frank Werner Sander



Erik Rasmussen



Herluf Schmidt

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

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

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

Aarhus, 30 May 2016

Executive Board:

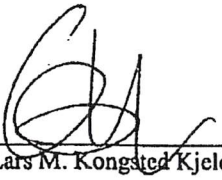
\_\_\_\_\_  
Petrine Rex

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Frank Werner Sander

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Karsten Fabrin

Board of Directors:

\_\_\_\_\_  
Stanley Frank Pauley  
Chairman

  
\_\_\_\_\_  
Lars M. Kongsted Kjeldsen

\_\_\_\_\_  
Michael Gordon Lowery

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Erik Rasmussen

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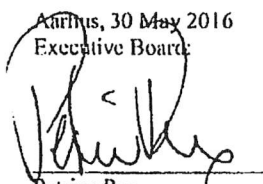
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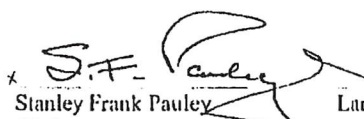
Aarhus, 30 May 2016  
Executive Board:

  
Petrine Rex

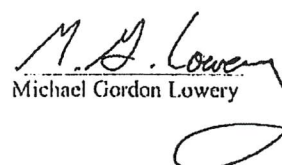
  
Frank Werner Sander

  
Karsten Fabrin

Board of Directors:

\*   
Stanley Frank Pauley  
Chairman

Lars M. Kongsted Kjeldsen

  
Michael Gordon Lowery

  
Frank Werner Sander

Erik Rasmussen

Herluf Schmidt



## **Independent auditor's report**

**To the shareholders of Carpenter ApS**

### **Independent auditor's report on the financial statements**

We have audited the financial statements of Carpenter ApS for the financial year 1 January – 31 December 2015. The financial statements comprise 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 that Management determines is necessary to enable the preparation of financial statements that are 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 conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 evaluating 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.

Our audit has not resulted in any qualification.



## Independent auditor's report

### *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 and cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

### **Statement on the Management's review**

In accordance with 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.


Aarhus, 30 May 2016

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Jon Beck  
State Authorised  
Public Accountant



Jakob Westerdahl  
State Authorised  
Public Accountant

## **Management's review**

### **Company details**

Carpenter ApS  
Michael Drewsens Vej 9-11  
8270 Højbjerg  
Denmark

Telephone: +45 86 29 23 11  
E-mail: info.dk@carpenter.com  
CVR no.: 45 94 17 28  
Established: 28 June 1967  
Registered office: Aarhus  
Financial year: 1 January – 31 December

### **Board of Directors**

Stanley Frank Pauley, Chairman  
Lars M. Kongsted Kjeldsen  
Michael Gordon Lowery  
Frank Werner Sander  
Erik Rasmussen  
Herluf Schmidt

### **Executive Board**

Petrine Rex  
Frank Werner Sander  
Karsten Fabrin

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Bredskifte Allé 13  
DK-8210 Aarhus N



## Management's review

### Financial highlights

DKK'000	2015	2014	2013	2012	2011
Revenue	209,658	222,362	217,308	212,404	214,784
Ordinary operating profit	26,303	20,177	20,611	14,325	6,213
Financial income	135	522	552	108	475
<b>Profit for the year</b>	<b>20,888</b>	<b>15,632</b>	<b>16,315</b>	<b>10,817</b>	<b>5,014</b>
Total assets	189,828	165,647	184,913	171,226	208,613
Investment in property, plant and equipment	2,305	2,007	0	282	486
<b>Equity</b>	<b>159,738</b>	<b>138,850</b>	<b>163,218</b>	<b>146,903</b>	<b>165,086</b>
Gross margin	32.9%	27.5%	27.8%	27.5%	24.6%
Operating margin	12.5%	9.1%	9.5%	6.7%	2.9%
Return on equity	14.0%	10.3%	10.5%	6.9%	3.1%
Solvency ratio	84.1%	83.8%	88.3%	85.8%	79.1%
<b>Average number of full-time employees</b>	<b>97</b>	<b>90</b>	<b>87</b>	<b>87</b>	<b>94</b>

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

## **Management's review**

### **Operating review**

#### **Principal activities of the Group**

The Company's principal activities comprise production and sale of flexible polyurethane foam.

#### **Development in activities and financial position**

In 2015, the Company's revenue came in at DKK 209,658 thousand as against DKK 222,362 thousand in 2014. The income statement for 2015 shows a profit of DKK 20,888 thousand as against DKK 15,632 thousand last year, and the balance sheet as 31 December 2015 shows equity of DKK 159,738 thousand.

In an overall perspective, performance in 2015 was in line with last year and expectations set forth in the annual report for the year ended 31 December 2014.

#### **Knowledge resources**

The Company's production and development of foam plastic products requires a high degree of knowledge by its employees.

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

No events have occurred after the balance sheet date significantly affecting the assessment of the annual report.

#### **Outlook**

Results for 2016 are expected to be down on 2015.

#### **Risks**

##### ***Price risks***

The Company applies polyol as raw material which, due to considerable price fluctuations characterising the volatile market for polyol, implies a particular risk as price increases might not to the full extent be incorporated in the price of finished goods.

##### ***Currency risks***

The vast part of the acquisition of raw materials, etc. from abroad and the sale of finished goods to foreign countries in foreign currencies are made in EUR for which the currency risk is deemed limited.

## **Management's review**

### **Operating review**

#### *Interest rate risks*

As interest-bearing debt does not make up a significant amount during the financial year, a change in the interest level will not have any significant direct effect on earnings.

#### **Impact on the external environment**

The Company's production has a heavy environmental impact in terms of storage of raw materials, reporting to authorities, contingency plan in case of accidents, etc.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

The annual report of Carpenter ApS for 2015 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

### **Cash flow statement**

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Carpenter Holdings ApS.

### **Foreign currency translation**

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

### **Income statement**

#### **Revenue**

Income from the sale of goods and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

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

#### **Cost of raw materials and consumables**

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **Other operating income**

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of property, plant and equipment.

#### **Other external costs**

Other external costs include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debt, payments under operating leases, etc.

#### **Staff costs**

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

#### **Depreciation of property, plant and equipment**

The item comprises depreciation of property, plant and equipment.

Depreciation is based on cost reduced by any residual value and is calculated on a straight-line basis over the expected useful lives of the assets, which is specified as follows:

Buildings	50 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years
Buildings, installations	10-30 years

Land is not depreciated.

#### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

#### **Tax on profit/loss for the year**

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

#### **Balance sheet**

##### **Property, plant and equipment**

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

##### **Impairment of non-current assets**

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

##### **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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

## **Financial statements 1 January – 31 December**

### **Accounting policies**

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

### **Receivables**

Receivables are measured at amortised cost.

Write-down for bad debt losses is made where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

### **Prepayments**

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

### **Equity**

#### ***Dividends***

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a

### **Corporation tax and deferred tax**

The company is covered by the Danish rules on compulsory joint taxation of the Carpenter Holdings ApS Group's Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

### Liabilities other than provisions

Financial liabilities comprise trade payables and other liabilities, etc. are measured at net realisable value.

### Financial ratios

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

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$



## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2015	2014
Revenue		209,658	222,362
Cost of raw materials and consumables		-124,127	-140,843
Other operating income		4,162	165
Other external costs		-20,619	-20,435
<b>Gross profit</b>		<b>69,074</b>	<b>61,249</b>
Staff costs	1	-39,721	-37,711
Depreciation of property, plant and equipment		-3,050	-3,361
<b>Ordinary operating profit</b>		<b>26,303</b>	<b>20,177</b>
Financial income	2	779	673
Financial expenses	3	-645	-151
<b>Profit before tax</b>		<b>26,437</b>	<b>20,699</b>
Tax on profit for the year	4	-5,549	-5,067
<b>Profit for the year</b>		<b>20,888</b>	<b>15,632</b>
<b>Proposed profit appropriation</b>			
Retained earnings		20,888	15,632
		<u>20,888</u>	<u>15,632</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2015	2014
<b>ASSETS</b>			
<b>Property, plant and equipment</b>	5		
Land and buildings		40,817	43,259
Plant and machinery		3,065	2,006
Fixtures and fittings, tools and equipment		763	806
		44,645	46,071
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		15,089	16,610
Work in progress		134	246
Finished goods and goods for resale		1,619	1,946
		16,842	18,802
<b>Receivables</b>			
Trade receivables		30,149	40,794
Receivables from group entities		25,967	25,713
Other receivables		278	249
Prepayments		1,037	652
		57,431	67,408
<b>Cash at bank and in hand</b>		70,910	33,366
<b>Total current assets</b>		145,183	119,576
<b>TOTAL ASSETS</b>		189,828	165,647

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	6		
Share capital		48,000	48,000
Retained earnings		111,738	90,850
<b>Total equity</b>		159,738	138,850
<b>Provisions</b>			
Provisions for deferred tax	7	4,006	3,786
<b>Total provisions</b>		4,006	3,786
<b>Current liabilities other than provisions</b>			
Trade payables		8,511	11,926
Payables to group entities		5,038	258
Corporation tax		5,329	4,762
Other payables		7,206	6,065
		26,084	23,011
<b>Total liabilities other than provisions</b>		26,084	23,011
<b>TOTAL EQUITY AND LIABILITIES</b>		189,828	165,647
<b>Contractual obligations, contingencies, etc.</b>	8		
<b>Related party disclosures</b>	9		

## Financial statements 1 January – 31 December

### Notes

	2015	2014
DKK'000		
<b>1 Staff costs</b>		
Wages and salaries	36,617	34,771
Pensions	2,714	2,665
Other social security costs	390	275
	<u>39,721</u>	<u>37,711</u>
Average number of full-time employees	<u>97</u>	<u>90</u>
<p>Staff costs include remuneration of the Company's Executive Board, DKK 1,958 thousand (2014: DKK 1,870 thousand), pensions, DKK 78 thousand (2014: DKK 75 thousand), and remuneration of the Company's Board of Directors, DKK 28 thousand (2014: DKK 36 thousand)</p>		
<b>2 Financial income</b>		
Interest income from group entities	499	499
Foreign exchange gains	271	70
Other interest income	9	104
	<u>779</u>	<u>673</u>
<b>3 Financial expenses</b>		
Foreign exchange losses	312	122
Other interest expense	333	29
	<u>645</u>	<u>151</u>
<b>4 Tax on profit for the year</b>		
Current tax for the year	5,329	4,761
Deferred tax adjustment for the year	220	306
	<u>5,549</u>	<u>5,067</u>

## Financial statements 1 January – 31 December

### Notes

#### 5 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	73,245	104,850	11,750	189,845
Additions	0	2,022	283	2,305
Disposals	-2,781	-9,098	-2,261	-14,140
Cost at 31 December 2015	70,464	97,774	9,772	178,010
Depreciation and impairment losses at 1 January 2015	29,986	102,844	10,944	143,774
Depreciation	1,761	963	326	3,050
Depreciation of disposals	-2,100	-9,098	-2,261	-13,459
Depreciation and impairment losses at 31 December 2015	29,647	94,709	9,009	133,365
<b>Carrying amount at 31 December 2015</b>	<b>40,817</b>	<b>3,065</b>	<b>763</b>	<b>44,645</b>

#### 6 Equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2014	48,000	115,218	163,218
Transferred, see the profit appropriation	0	15,632	15,632
Extraordinary dividend distributed	0	-40,000	-40,000
Equity at 1 January 2015	48,000	90,850	138,850
Transferred, see the profit appropriation	0	20,888	20,888
Equity at 31 December 2015	48,000	111,738	159,738

The share capital consists of 1 share of a nominal value of DKK 48,000 thousand. The share capital has not undergone any changes during the past five years.

DKK'000	2015	2014
<b>7 Deferred tax liability</b>		
Property, plant and equipment	-3,642	-3,555
Inventories	-228	-143
Trade receivables	-136	-88
	<b>-4,006</b>	<b>-3,786</b>

## **Financial statements 1 January – 31 December**

### **Notes**

#### **8 Contractual obligations, contingencies, etc.**

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc. may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

#### **9 Related party disclosures**

Carpenter ApS A/S' related parties comprise the following:

##### **Control**

Parent company:  
Carpenter Holdings ApS

Ultimate parent company:  
Carpenter Co., 560 Monument Ave., Richmond VA 23230, USA

Carpenter ApS is included in the consolidated financial statements of Carpenter Holdings ApS and Carpenter Co. The consolidated financial statements are available at the following addresses:

Carpenter Holdings ApS  
Michael Drewsens Vej 9  
8270 Højberg  
Denmark

Carpenter Co.  
560 Monument Ave.  
Richmond  
VA 23230  
USA36