

Carpenter ApS

Michael Drewsens Vej 9-11
8270 Høbjerg
Denmark

CVR no. 45 94 17 28

Annual report 2017

The annual report was presented and approved at
the Company's annual general meeting on

25 May 2018



chairman

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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 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations 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, 25 May 2018
Executive Board:



Petrine Rex

Frank Werner Sander



Karsten Fabrin

Board of Directors:

Stanley Frank Pauley
Chairman

Lars Melchior Kongsted
Kjeldsen

Bradford Beauchamp

Frank Werner Sander



Henning Kalle



Herluf Schmidt

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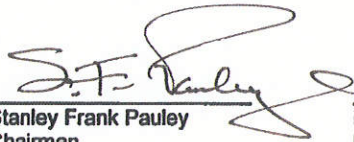
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Independent auditor's report

To the shareholder of Carpenter ApS

Opinion

We have audited the financial statements of Carpenter ApS for the financial year 1 January – 31 December 2017 comprising 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 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 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.

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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these 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 company 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

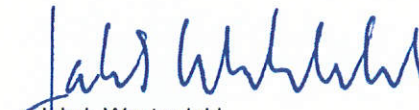
Aarhus, 25 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98


Michael Stenskrøg
State Authorised
Public Accountant
MNE no. 26819


Jakob Westerdahl
State Authorised
Public Accountant
MNE no. 31449

Carpenter ApS
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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 Melchior Kongsted Kjeldsen
Bradford Beauchamp
Frank Werner Sander
Henning Kølle
Herluf Schmidt

Executive Board

Petrine Rex
Frank Werner Sander
Karsten Fabrin

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

Annual general meeting

The annual general meeting will be held on 25 May 2018.

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Gross profit	67,024	65,024	69,073	61,249	60,458
Operating profit	18,948	21,353	26,302	20,177	20,611
Profit/loss from financial income and expenses	-7,873	987	135	522	552
Profit for the year	8,613	17,404	20,888	15,632	16,315
Total assets					
Equity	213,128	199,566	189,828	165,647	184,913
Investment in property, plant and equipment	185,755	177,142	159,738	138,849	163,218
	3,596	1,649	2,305	2,007	0
Ratios					
Return on equity	4.8%	10.3%	14.0%	10.3%	10.5%
Solvency ratio	87.3%	88.8%	84.1%	83.8%	88.3%
Average number of full-time employees					
	106	96	97	90	87

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Return on equity $\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

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

Management's review

Operating review

Principal activities

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

Development in activities and financial position

In 2017, the Company's revenue came in at DKK 233,459 thousand as against DKK 197,565 thousand in 2016. The income statement for 2017 shows a profit of DKK 8,613 thousand as against DKK 17,404 thousand last year, and the balance sheet as 31 December 2017 shows equity of DKK 185,755 thousand.

Although results for 2017 did not meet the expectations set out from 2016, from an overall perspective results are satisfactory. Performance for 2017 was influenced by limitations on chemical supplies followed by significant price increases on raw materials used for production of polyurethane foams. Further, a substantial conversion of DKK into USD in 2016 has provided a significant unrealised exchange loss in 2017 due to fluctuations in the USD rate.

Events after the balance sheet date

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

Outlook

Operating profit for 2018 is expected to be in line with 2017.

Financial 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

Apart from the currency risk related to cash at bank, the Company's currency risk is limited. 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 settled in euro, which is deemed to pose only a limited currency risk.

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.

Intellectual capital

The Company's production of polyurethane products requires a high degree of knowledge by its employees.

Management's review

Operating review

Environmental matters

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

Income statement

DKK'000	Note	2017	2016
Gross profit		67,024	65,024
Staff costs	2	-45,096	-40,815
Depreciation, amortisation and impairment		<u>-2,980</u>	<u>-2,856</u>
Operating profit		18,948	21,353
Financial income	3	1,573	1,364
Financial expenses		<u>-9,446</u>	<u>-377</u>
Profit before tax		11,075	22,340
Tax on profit/loss for the year	4	<u>-2,462</u>	<u>-4,936</u>
Profit for the year	5	<u>8,613</u>	<u>17,404</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment	6		
Land and buildings		37,406	39,078
Property, plant and equipment in progress		2,565	0
Plant and machinery		2,782	3,390
Fixtures and fittings, tools and equipment		1,300	969
		<u>44,053</u>	<u>43,437</u>
Total fixed assets		<u>44,053</u>	<u>43,437</u>
Current assets			
Inventories			
Raw materials and consumables		16,820	14,929
Work in progress		317	509
Finished goods and goods for resale		1,556	1,714
		<u>18,693</u>	<u>17,152</u>
Receivables			
Trade receivables		38,159	24,969
Receivables from group entities	7	41,482	41,582
Other receivables		148	83
Prepayments	8	262	280
		<u>80,051</u>	<u>66,914</u>
Cash at bank and in hand		<u>70,331</u>	<u>72,063</u>
Total current assets		<u>169,075</u>	<u>156,129</u>
TOTAL ASSETS		<u>213,128</u>	<u>199,566</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	9		
Contributed capital		48,000	48,000
Proposed dividends for the financial year		60,000	0
Retained earnings		<u>77,755</u>	<u>129,142</u>
Total equity		<u>185,755</u>	<u>177,142</u>
Provisions			
Provisions for deferred tax	10	<u>4,333</u>	<u>4,176</u>
Total provisions		<u>4,333</u>	<u>4,176</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		505	0
Trade payables		12,668	6,437
Payables to group entities		94	111
Corporation tax		2,306	4,762
Other payables		<u>7,467</u>	<u>6,938</u>
		<u>23,040</u>	<u>18,248</u>
Total liabilities other than provisions		<u>23,040</u>	<u>18,248</u>
TOTAL EQUITY AND LIABILITIES		<u>213,128</u>	<u>199,566</u>
Contractual obligations, contingencies, etc.	11		
Related party disclosures	12		

Financial statements 1 January – 31 December

Statement of changes in equity

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Proposed dividends for the financial year</u>	<u>Total</u>
Equity at 1 January 2017	48,000	129,142	0	177,142
Transferred over the profit appropriation	<u>0</u>	<u>-51,387</u>	<u>60,000</u>	<u>8,613</u>
Equity at 31 December 2017	<u>48,000</u>	<u>77,755</u>	<u>60,000</u>	<u>185,755</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Carpenter ApS for 2017 has been prepared 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.

Omission of 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 measured reliably 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 recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other external costs

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

Staff costs

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

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 for the year

Tax for the year comprises current corporation 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, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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. Indirect production overheads and borrowing costs are not recognised in cost.

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.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as other operating income or other external costs, respectively.

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 fixed 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 the 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 and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables 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 and deferred income

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

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the 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 statements 1 January – 31 December

Notes

2 Staff costs

DKK'000	<u>2017</u>	<u>2016</u>
Wages and salaries	41,522	37,559
Pensions	3,151	2,845
Other social security costs	<u>423</u>	<u>411</u>
	<u>45,096</u>	<u>40,815</u>
Average number of full-time employees	<u>106</u>	<u>96</u>

Staff costs include remuneration of the Company's Executive Board of DKK 2,011 thousand (2016: DKK 2,071 thousand) and pensions of DKK 80 thousand (2016: DKK 78 thousand) as well as remuneration of the Company's Board of Directors of DKK 0 (2016: DKK 0).

DKK'000	<u>2017</u>	<u>2016</u>
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3 Financial income

Interest income from group entities	812	745
Other financial income	315	11
Exchange adjustments	<u>446</u>	<u>608</u>
	<u>1,573</u>	<u>1,364</u>

4 Tax on profit/loss for the year

Current tax for the year	2,305	4,762
Deferred tax for the year	157	170
Adjustment of tax concerning previous years	<u>0</u>	<u>4</u>
	<u>2,462</u>	<u>4,936</u>

5 Proposed profit appropriation

Proposed dividends for the year	60,000	0
Retained earnings	<u>-51,387</u>	<u>17,404</u>
	<u>8,613</u>	<u>17,404</u>

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK'000	Land and buildings	Property, plant and equipment in progress	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	70,464	0	98,834	10,164	179,462
Additions for the year	74	2,565	258	699	3,596
Disposals for the year	0	0	-294	-555	-849
Cost at 31 December 2017	70,538	2,565	98,798	10,308	182,209
Depreciation and impairment losses at 1 January 2017	-31,386	0	-95,444	-9,195	-136,025
Depreciation for the year	-1,746	0	-866	-368	-2,980
Reversed depreciation and impairment losses on assets sold	0	0	294	555	849
Depreciation and impairment losses at 31 December 2017	-33,132	0	-96,016	-9,008	-138,156
Carrying amount at 31 December 2017	37,406	2,565	2,782	1,300	44,053

7 Receivables

The receivables from group entities fall due for payment upon requests.

8 Prepayments

DKK'000	2017	2016
Costs	92	126
Insurance	170	154
	262	280

9 Equity

The contributed capital consists of 1 share of a nominal value of DKK 48,000 thousand. There have been no changes in share capital during the last five years.

All shares rank equally.

Financial statements 1 January – 31 December

Notes

10 Deferred tax

DKK'000	2017	2016
Deferred tax at 1 January	4,176	4,006
Deferred tax adjustment for the year in the income statement	157	170
	<u>4,333</u>	<u>4,176</u>
Provisions for deferred tax relate to:		
Property, plant and equipment	4,177	3,996
Current assets	156	180
	<u>4,333</u>	<u>4,176</u>

11 Contractual obligations, contingencies, etc.

Contingent liabilities

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.

Operating lease obligations

The Company has entered into leases with a residual lease payment of DKK 53 thousand during the lease period, of which DKK 46 thousand falls due in 2018.

12 Related party disclosures

Carpenter ApS' 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.

Carpenter Holdings ApS
Michael Drewsens Vej 9
8270 Højbjerg
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Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.