

AGRAMKOW Fluid Systems A/S

Augustenborg Landevej 19, 6400 Sønderborg
CVR no. 12 24 55 99

Annual Report 2016

*Annual Report was presented and approved at the Annual
General Meeting*

Sønderborg, 24 May 2017

Ulrich Peter Mosch
Chairman

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Management's review

Company details

AGRAMKOW Fluid Systems A/S
Augustenborg Landevej 19
DK-6400 Sønderborg

Telephone:	+45 74 12 36 36
Fax:	+45 74 43 36 46
Website:	www.agramkow.com
E-mail:	agramkow@agramkow.com
CVR no.:	12 24 55 99
Established:	1 January 1988
Registered office:	Sønderborg

Financial year: 2016

Board of Directors

Ulrich Peter Mosch, Chairman
Kjeld Kückelhahn
Bjarne Ravn Sørensen

Executive Board

Bjarne Ravn Sørensen, CEO

Auditors

Ernst & Young P/S
Værkmestergade 25
Postboks 330
DK-8100 Aarhus C
CVR no. 30 70 02 28

Annual general meeting

The annual general meeting is to be held on 24 May 2017.

Management's review

Financial highlights

DKKm	2016	2015	2014	2013	2012
Key figures					
Revenue	261,4	210,5	178,8	170,7	219,0
Gross profit	96,9	80,3	68,6	64,9	127,9
Ordinary operating profit	15,0	4,5	3,8	5,1	72,9
Financial income and expenses	-10,6	-6,2	-7,7	-3,9	-2,8
Profit for the year	10,2	-8,7	0,5	0,4	57,5
Non-current assets	210,1	193,7	207,8	211,2	58,5
Current assets	173,2	138,8	121,1	115,0	174,5
Total assets	383,3	332,5	328,9	326,2	233,0
Share capital	10,8	10,8	10,8	10,8	10,8
Equity	74,4	64,3	73,1	72,6	87,2
Provisions	17,3	13,0	11,2	10,4	9,2
Non-current liabilities other than provisions	97,9	124,1	145,4	166,7	30,7
Current liabilities other than provisions	193,7	131,1	99,2	76,5	105,9
Cash flows from operating activities	3,2	-3,1	10,1	37,6	6,7
hereof before financial expenses, net and tax	17,0	4,5	19,0	42,9	28,2
Cash flows from investing activities	-24,1	-7,6	-6,8	-168,3	-4,1
hereof investment in development projects	-3,8	-6,1	-5,2	-3,9	-2,7
hereof investment in goodwill	0,0	0,0	0,0	-163,4	0,0
hereof investment in equipment	-1,3	-1,6	-2,3	-0,9	-1,4
hereof capital increase in foreign subsidiaries	-21,7	0,0	0,0	-1,5	0,0
Cash flows from financing activities	32,1	8,2	0,9	104,9	13,3
hereof dividend paid	0,0	0,0	0,0	-21,3	-5,9
hereof dividend received from foreign subsidiaries	2,0	0,0	1,0	6,8	4,1
Total cash flows	11,2	-2,5	4,2	-25,8	15,9
Financial ratios					
Operating margin	5,7	2,1	2,1	3,0	33,3
Return on invested capital	4,2	1,4	1,2	1,8	36,7
Gross margin	37,1	38,1	38,4	38,0	58,4
Current ratio	89,4	105,9	122,1	150,3	164,8
Solvency ratio	19,4	19,3	22,2	22,3	37,4
Return on equity	14,7	-12,7	0,7	0,5	93,3
Average number of full-time employees	119	117	106	97	93

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.

At 1 January 2016 AGRAMKOW carried out a tax-free merger with the parent company Carl Schenck Denmark ApS with AGRAMKOW as the continuing company.

The merger was made after the pooling of interests method, where the booked value of the companies' assets and liabilities were merged.

Comparative figures and the 5-year key summary has been adjusted accordingly.

Management's review

Operating review

Principal activities of the Company

AGRAMKOW Fluid Systems A/S (www.agramkow.com) develops, manufactures and markets high-tech processing equipment for the appliance and automotive industries, fluid maintenance equipment for automotive workshops and solutions for environmental projects under the Montreal and Kyoto protocols.

Equipment and solutions for the appliance manufacturers comprise, among other things, integrated vacuum, leak detection and fluid fill systems as well as test and data collection systems for refrigerator, freezer and air conditioning factories worldwide. Fluid fill and data collection systems are supplied to car manufacturers. Equipment for the appliance and automotive industries is developed and manufactured in Sønderborg (DK) and marketed globally through AGRAMKOW partners, wholly-owned subsidiaries and affiliates (Schenck companies):

- AGRAMKOW Asia Pacific Pte. Ltd. (subsidiary), Singapore
- AGRAMKOW do Brasil Ltda (subsidiary), Brazil
- AGRAMKOW UK (branch), Great Britain
- AGRAMKOW DE (sales and service office), Germany
- Schenck RoTec Corp. (sales and service office), United States
- Schenck RoTec India Ltd. (sales and service office), India
- Schenck Shanghai Machinery Corp. Ltd. (sales, service and production facilities), China
- Schenck México S.A. de C.V. (sales and service office), Mexico

Development in activities and financial position

The Company has in 2016 generated a revenue of DKK 261 million against DKK 210 million in 2015.

Growth in revenue has occurred from both appliance and automotive industries in all parts of the world.

AGRAMKOW has consolidated its position in the automotive industry through some major projects. There is still considerable growth potential in converting equipment for new environmentally friendly refrigerants as HFO1234 and other refrigerants (CO2).

Within the appliance industry AGRAMKOW has expanded its market share and has in the financial year received a bigger project to Goodman (Daikin) in the US. The new platform in Mexico has made a good start and there are good development opportunities in the Mexican market, where new environmental friendly refrigerants are being implemented.

Profit/loss for the year

AGRAMKOW reported highly satisfactory results for 2016. With a positive result in 2016 the expectations expressed in last years report are met. AGRAMKOW has introduced several new concepts which have been well received and has strengthened its position.

Profit for the year came in at DKK 10.2 million as against DKK -8.7 million in 2015.

At January 1, 2016 AGRAMKOW carried out a tax-free intra-group merger with the parent company Carl Schenck Denmark ApS with AGRAMKOW as the continuing company.

The merger was made after the pooling of interest method, where the carrying amounts of the companies' assets and liabilities were merged. Due to the merger a goodwill of net DKK 178.8 million was recognized as of 1 January 2016. The comparative figures have been adjusted in connection with the merger.

Equity closed at DKK 74.4 million before the distribution of dividends, which is equivalent to a solvency ratio of 19.4%. During the financial year an exchange adjustments in respect of foreign subsidiaries had a negative impact DKK -0.1 million on equity.

During the financial year, capitalised product development rose by DKK 3.8 million. AGRAMKOW continuously invests heavily in product development, and several interesting products and concepts are in the pipeline for 2017.

Management's review

Significant post-balance sheet events

No events have occurred after the balance sheet date which could influence this annual report.

Outlook

Based on the backlog and expected new orders the Management expect that the profit in 2017 will increase to a level between DKK 11-12 million.

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 AGRAMKOW Fluid Systems A/S for the financial year 1 January – 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows 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 its financial position.

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

Sønderborg, 24 May 2017

Executive Board:

Bjarne Ravn Sørensen

CEO

Board of Directors:

Ulrich Peter Mosch

Chairman

Kjeld Kückelhahn

Bjarne Ravn Sørensen

Independent auditors' report

To the shareholders of AGRAMKOW Fluid Systems A/S.

Opinion

We have audited the financial statements of AGRAMKOW Fluid Systems A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement 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 and cash flows 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 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 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 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 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 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.
- 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.

Independent auditors' report

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 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, 24 May 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Henrik Andersen
State Authorised
Public Accountant

Financial statements for the period 1 January – 31 December**Income statement**

DKK'000	Note	2016	2015
Revenue		261.442	210.451
Changes in inventories of finished goods and work in progress		967	-2.711
Other operating income		1.056	1.786
Raw materials and consumables		-141.800	-102.027
Other external costs		-24.775	-27.244
Gross profit		96.890	80.255
Staff costs	1	-67.301	-59.802
Amortisation and depreciation	2	-14.544	-16.002
Operating profit		15.045	4.451
Profit/loss from foreign subsidiaries		8.981	-5.564
Financial income and expenses	3	-10.577	-6.197
Profit before tax		13.449	-7.310
Tax on profit for the year	4	-3.245	-1.403
Profit for the year		10.204	-8.713

Financial statements for the period 1 January – 31 December**Balance sheet - Assets**

DKK'000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets			
	5		
Completed development projects		3.803	6.599
Goodwill		168.459	178.820
Development projects in progress		5.054	1.477
		<u>177.316</u>	<u>186.896</u>
Property, plant and equipment			
	6		
Fixtures and fittings, tools and equipment		2.225	1.913
Leasehold improvements		650	845
		<u>2.875</u>	<u>2.758</u>
Investments			
	7		
Investments in foreign subsidiaries		29.932	4.080
		<u>29.932</u>	<u>4.080</u>
Total non-current assets		<u>210.123</u>	<u>193.734</u>
Current assets			
Inventories			
Raw materials and consumables		15.985	17.322
Work in progress		5.249	4.626
Finished goods		2.440	2.379
Prepayments for goods		2.772	3.497
		<u>26.446</u>	<u>27.824</u>
Receivables			
Trade receivables		72.923	55.702
Contract work in progress	8	33.395	20.536
Amounts owed by foreign subsidiaries and affiliates		14.705	19.108
Other receivables		5.468	6.511
Prepayments	9	299	363
		<u>126.790</u>	<u>102.220</u>
Cash at bank and in hand		<u>19.957</u>	<u>8.742</u>
Total current assets		<u>173.193</u>	<u>138.786</u>
TOTAL ASSETS		<u>383.316</u>	<u>332.520</u>

Financial statements for the period 1 January – 31 December**Balance sheet - Equity and Liabilities**

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	10	10.800	10.800
Reserve for development costs		2.953	0
Retained earnings		60.619	53.474
Total equity		74.372	64.274
Provisions			
Deferred tax	12	14.820	10.251
Other provisions	13	2.500	2.783
Total provisions		17.320	13.034
Non-current liabilities			
Amounts owed to parent company		97.876	124.145
Long-term liabilities		97.876	124.145
Current liabilities			
Bank loans and overdrafts		43	0
Prepayments received from customers		0	74
Work in progress for third party	8	27.208	18.853
Trade payables		13.502	12.430
Amounts owed to parent company, foreign subsidiaries and affiliates		124.777	77.123
Corporation tax		3.404	1.656
Other payables		24.814	20.931
Short-term liabilities		193.748	131.067
Total liabilities other than provisions		291.624	255.212
TOTAL EQUITY AND LIABILITIES		383.316	332.520
Contingent liabilities, etc.	14		
Related parties	15		
Derivative financial instruments	19		
Accounting policies	20		

Financial statements for the period 1 January – 31 December**Statement of changes in equity**

DKK'000	Note	Share capital	Reserve for develop- ment costs	Retained earnings	Total
Equity at 1 January 2015		10.800	0	62.296	73.096
Exchange adjustment of foreign subsidiaries		0	0	-97	-97
Other value adjustments of equity		0	0	-12	-12
Transferred of profit for the year		0	0	-8.713	-8.713
Equity at 1 January 2016		10.800	0	53.474	64.274
Exchange adjustment of foreign subsidiaries		0	0	-106	-106
Transferred of profit for the year	11	0	2.953	7.251	10.204
Equity at 31 December 2016		10.800	2.953	60.619	74.372

Financial statements for the period 1 January – 31 December**Cash flow statement**

DKK'000	Note	2016	2015
Operating profit		15.045	4.451
Depreciation and amortisation		14.544	16.002
Cash flows from operations (operating activities) before changes in working capital	16	29.589	20.453
Changes in working capital	17	-12.611	-15.951
Cash flows from operations (operating activities)		16.978	4.502
Financial expenses, net		-10.577	-6.197
Cash flows from operations (ordinary activities) before extraordinary items and tax		6.401	-1.695
Corporation tax paid		-3.245	-1.403
Cash flows from operating activities		3.156	-3.098
Acquisition of intangible assets		-3.828	-6.143
Acquisition of equipment		-1.251	-1.579
Disposal of equipment		0	140
Capital increase in foreign subsidiaries		-21.741	0
Disposal of foreign subsidiaries		0	328
Reversal of prior year revaluations of foreign subsidiaries		2742	-323
Other adjustments of non-cash investing items		-2	-11
Cash flows from investing activities		-24.080	-7.588
Changes in non-current liabilities		4.286	1.808
Amounts owed to parent company, subsidiaries and affiliated companies		25.788	6.374
Dividends received from foreign subsidiaries		2.022	0
Cash flows from financing activities		32.096	8.182
Net cash flows for the year	18	11.172	-2.504
Cash and cash equivalents at 1 January		8.742	11.246
Cash and cash equivalents at 31 December		19.914	8.742

Financial statements for the period 1 January – 31 December**Notes to the financial statements**

DKK'000	2016	2015
1 Staff costs		
Wages and salaries	61.439	54.315
Pensions	3.755	3.479
Other social security costs	1.191	847
Other staff costs	916	1.161
	<u>67.301</u>	<u>59.802</u>
Remueration to members of management:		
Executive Board	1.768	1.766
Board of Directors	60	50
	<u>1.828</u>	<u>1.816</u>
Average number of full-time employees	<u>119</u>	<u>117</u>
2 Amortisation and depreciation		
Development projects, see note 5	3.047	4.475
Goodwill, see note 5	10.363	10.363
Leasehold improvements, see note 6	272	247
Fixtures and fittings, tools and equipment, see note 6	862	917
	<u>14.544</u>	<u>16.002</u>
3 Financial income and expenses		
Financing income	46	290
Exchange adjustments	-4.125	511
Financing expenses	-467	-475
Financing expenses, parent company	-6.064	-6.523
	<u>-10.610</u>	<u>-6.197</u>
4 Tax on the profit for the year		
Tax former years	738	746
Estimated tax charge for the year	-891	-780
Deferred tax former years	1.477	-344
Changes in provisions for deferred tax	-4.569	-1.025
	<u>-3.245</u>	<u>-1.403</u>

Financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Intangible assets

DKK'000	Completed Developm. projects	Developm. projects in progress	Goodwill	Total
Cost at 1 January 2016	57.901	1.477	207.252	266.630
Additions for the year	251	3.577	0	3.828
Cost at 31 December 2016	58.152	5.054	207.252	270.458
Amortisation at 1 January 2016	51.302	0	28.430	79.732
Amortisation for the year	3.047	0	10.363	13.410
Amortisation at 31 December 2016	54.349	0	38.793	93.142
Carrying amount at 31 December 2016	3.803	5.054	168.459	177.316
Amortised over	3-5 years		20 years	

6 Equipment

DKK'000	Fixtures and fittings tools, etc.	Leasehold improve- ments	Total
Cost at 1 January 2016	18.832	1.308	20.140
Additions for the year	1.175	76	1.251
Cost at 31 December 2016	20.007	1.384	21.391
Amortisation at 1 January 2016	16.920	462	17.382
Amortisation for the year	862	272	1.134
Amortisation at 31 December 2016	17.782	734	18.516
Carrying amount at 31 December 2016	2.225	650	2.875
Amortised over	3-6 years	5 years	

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Investments

DKK'000	2016
	Foreign subsidiaries
Cost at 1 January 2016	21.266
Additions	21.741
Cost at 31 December 2016	43.007
Retained earnings and other adjustments at 1 January 2016	-17.186
Exchange adjustment	-106
Profit for the year after tax	8.981
Dividend to parent company	-2.022
Transferred	-2.742
Value adjustments at 31 December 2016	-13.075
Carrying amount at 31 December 2016	29.932

Subsidiaries:

- AGRAMKOW Asia Pacific Pte. Ltd., 15 Jalan Kilang Barat, Frontech Centre, Singapore
Wholly owned share capital SGD 500,000 (100%)
- AGRAMKOW do Brasil Ltda, Alameda Ezequiel Mantoanelli, 405, Indaiatuba - São Paulo, Brazil
Wholly owned share capital BRL 16,847,169 (100%)

Financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Work in progress

DKK'000	2016	2015
Sales value of work done	30.263	28.904
Received prepayments	-24.076	-27.221
	<u>6.187</u>	<u>1.683</u>
It can be classified as follows:		
Construction contracts (net assets)	33.395	20.536
Construction contracts (net liabilities)	-27.208	-18.853
	<u>6.187</u>	<u>1.683</u>

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent DKK 139 thousand, insurance policies 12 thousand, software DKK 131 thousand and other prepaid expenses DKK 17 thousand.

10 Share capital

The Company does not issue any share certificates.

The Company's share capital is 10.800 tDKK divided into shares of 1 tDKK each.

The share capital is in 2016 divided into nominally 5.940 tDKK in A-shares with serial numbers 1-5.000 and 9.861-10.800 (the "A-shares") and nominally 4.860 tDKK in B-shares with serial numbers 5.001-9.860 (the "B-shares").

There have been no changes in share capital during the last 5 years.

11 Proposed profit appropriation

DKK'000	2016	2015
Reserve for development costs	2.953	0
Retained earnings	7.251	-8.713
	<u>10.204</u>	<u>-8.713</u>

12 Deferred tax

DKK'000	2016	2015
Deferred tax at 1 January	10.251	9.226
Deferred tax adjustment	4.569	1.025
Deferred tax at 31 December	<u>14.820</u>	<u>10.251</u>
Deferred tax relates to:		
Intangible assets	1.949	1.777
Equipment	-152	-229
Current assets	13.023	8.703
	<u>14.820</u>	<u>10.251</u>

Financial statements for the period 1 January – 31 December

Notes to the financial statements

12 Other provision

The Company provides 2 years warranty on certain products.

A provision of DKK 2,500 thousand (2015: DKK 2,783 thousand) has been recognised for expected warranty requirements based on previous experience regarding the level of repairs and return of items.

14 Contingent liabilities, collateral, etc.

Contingent liabilities

DKK'000	2016	2015
The contingent liabilities are specified as follows:		
Operating lease payments with a maximum maturity of 5 years totals	9.156	12.057

Collateral

The Company is liable for bank loans of DKK 43 thousand. Of this amount, the liability in respect of foreign subsidiaries represents DKK 0 thousand with surety of DKK 1,781 thousand.

The bankers of the Company have issued performance and payment bonds of a total of DKK 28,896 thousand.

Tenancy commitment

The Company has a tenancy commitment of DKK 7,834 thousand, which is interminable until 1 October 2018.

Joint taxation

The Company is jointly taxed with its Danish affiliated companies. As management company, the Company has joint and several unlimited liability, together with the affiliated companies, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities.

15 Related parties

Parties exercising control

- Parent Carl Schenck AG, Landwehrstr. 55, 64293 Darmstadt, Germany (www.schenck.net)
- Parent Dürr AG, Bietigheim-Bissingen, Germany (www.durr.com)

Ultimate parent company's consolidated financial statements

Requisition of the ultimate parent company's financial statements are available on the following address:

- Dürr AG, Bietigheim-Bissingen, Germany (www.durr.com)

Related party transactions

Transactions with subsidiaries and affiliates have been incorporated in the financial statements and in accordance with transfer pricing.

The company has had the following transaction with related parties:

DKK'000	2016	2015
Sale of goods and services to foreign subsidiaries	31.563	20.840
Sale of goods and services to affiliates	17.117	910
Management fee from foreign subsidiaries	70	765
Expenses Management fee to parent company	3.339	3.054
Financing expenses, parent company	6.064	6.523

Financial statements for the period 1 January – 31 December

Notes to the financial statements

Related party transactions (continued)

DKK'000	2016	2015
Amounts owed by foreign subsidiaries	5.564	18.269
Amounts owed to foreign subsidiaries	17.768	3.565
Amounts owed by affiliates	9.141	839
Amounts owed to affiliates	79.355	53.149
Amounts owed to parent company	125.530	147.058

Information about remuneration to management

Information about remuneration to management appears from note 2, 'Staff costs'

Ownership/shareholders

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

- Carl Schenck AG, Landwehrstr. 55, 64293 Darmstadt, Germany (www.schenck.net)

DKK'000	2016	2015
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16 Cash generated from operations (operating activities) before changes in working capital

Revenue and other operating income	263.465	209.526
Costs	-166.575	-129.271
	96.890	80.255

17 Changes in working capital

Changes in inventories	1.378	72
Changes in trade receivables and other receivables	-16.114	-21.378
Changes in contract work in progress	-4.504	15.360
Changes in prepayments, trade and other payables	6.629	-10.005
	-12.611	-15.951

18 Net cash flows for the year

Cash flows from operating activities	3.156	-3.098
Cash flows from investing activities	-24.080	-7.588
Cash flows from financing activities	32.139	8.182
	11.215	-2.504

19 Derivative financial instruments

DKK'000	Contractual value		Gains and losses	
	2016	2015	2016	2015
Exchange transactions (hedging)	103.220	5.960	-435	-12

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies

The annual report of AGRAMKOW Fluid Systems A/S for 2016 has been prepared in accordance with the provisions applying of the Danish Financial Statements Act as regards medium-sized reporting class C.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of AGRAMKOW Fluid Systems A/S and its group entities are part of the consolidated financial statements of Dürr AG.

Effective from 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Reserve for development costs

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

Re 2: An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

The financial statements have otherwise been presented in accordance with the same accounting policies as applied last year.

At 1 January 2016 AGRAMKOW carried out a tax-free merger with the parent company Carl Schenck Denmark ApS with AGRAMKOW as the continuing company.

The merger was made after the pooling of interests method, where the booked value of the companies' assets and liabilities were merged. Comparative figures have been adjusted accordingly.

The pooling of interests method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the time of common control establishment. Assets and liabilities are measured at carrying amounts and comparative figures are restated accordingly.

Reporting currency

The financial statements are presented in Danish kroner.

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 at 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 at 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.

Foreign subsidiaries and affiliates

Foreign subsidiaries and affiliates are considered separate enterprises. Items in such enterprises' income statement are translated at the average exchange rates for the month, and their balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of such enterprises at the exchange rate at the balance sheet date and on translation of the income statement from the average exchange rates at the transaction date to closing.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

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 payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

Revenue

Income from sale of goods and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Income from the rendering of services is recognized as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Income from construction contracts where the purchaser has significantly influenced the construction of the asset is recognized as revenue as the production activities are carried on, implying that revenue corresponds to the market value of the contract work performed (production method). This method is used where the total income and expenses and the degree of completion of the contract can be made up reliably.

Where the income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognized only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at fair value of the agreed consideration exclusive VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Raw materials and consumables, etc.

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

Other external expenses

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

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Amortisation/depreciation and impairment of intangible assets and equipment.

The item comprises amortisation/depreciation and impairment of intangible assets and equipment.

The cost net of the expected residual value for completed development projects, acquired IP rights and goodwill is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

The expected useful lives are as follows:

Completed development projects	3-5 years
Goodwill	20 years
Other fixtures and fittings, tools and equipment, etc.	3-6 years
Leasehold improvements	5 years

It has by the management of the Company been decided to amortise the goodwill over a period of 20 years with the argument that there will overall be a continuously business potential on planning level and adequate growth throughout the next 20-25 years.

The Company is a worldwide known and registered brand name, which will be maintained and used going forward and the investment by the parent company is seen as a long-term investment with a big potential of growth.

Profits/losses from investments in foreign subsidiaries

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

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish affiliates are taxed on a joint basis. The Danish income tax charged is allocated between profit-making and loss-making Danish jointly taxed companies in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as minimum, reimbursed by the administration company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the administration company.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortization directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life.

Patents and licences are measured at cost less accumulated amortization and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licenses are amortised over the term of the license.

Goodwill is measured at cost less accumulated amortization and impairment losses. Goodwill is amortised on a straight-line basis over the estimated useful life.

Gains and losses on the sale of intangible assets are recognized in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of leasehold improvements, fixtures and fittings, tools and equipment, etc. are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains and losses are made as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of leasehold improvements, fixtures and fittings, tools and equipment, etc. are recognized in the income under "Other operating income" or "Other operating expenses", respectively.

Investments

Investments in foreign subsidiaries are measured under the equity method.

On initial recognition, investments in foreign subsidiaries are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the Company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Foreign subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises 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 enterprise's deficit. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

Acquisitions of new subsidiaries and associates are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of revaluations made is taken into account.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Impairment of non-current assets

Intangible assets, leasehold improvements, fixtures and fittings, tools and equipment, etc. and investments in foreign subsidiaries are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Inventories

Inventories are measured at cost in accordance with the weighted average method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs 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.

Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under 'Provisions' and is expensed in the income statement.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceeds the market value.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in foreign subsidiaries relative to cost. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

Guarantee commitments comprise expected cost of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees.

Corporation tax and deferred tax

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. 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

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 stated in the survey of financial highlights have been calculated as follows:

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