Air Liquide Danmark A/S

Annual report 2016

CVR no. 15 03 61 17

Approved at the Company's annual general meeting,
Chairman:

....
Lars Strandberg

Air Liquide Danmark A/S, Høje Taastrup Vej 42, DK-2630 Taastrup

INFORMATION ABOUT THE COMPANY

Company	Air Liquide Danmark A/S Høje Taastrup vej 42 2630 Taastrup	
	Phone	76 25 25 25
	Fax	76 25 25 35
	Homepage	www.airliquide.dk
	E-mail	info.denmark@airliquide.com
	CVR.no.	15 03 61 17
	Established	23 November 1962 under the name Hede Nielsen Investment A/S. Name changed in 1996 to Hede Nielsen A/S after merger with Hede Nielsen A/S (founded 1906). Name change in 2003 to the present name.
	Domicile	Høje Taastrup
	Accounting year	1 January - 31 December (55th accounting year)

Board	Lars Strandberg	Chairman
	Franck Boeuf	
	Jean-Baptiste Ripart	
	Guillaume Cottet	
	Joanne Deval	
	Floris Mackor	
	Dorthe Kracht	
	Jørn Grøndal Lorenzen	
Executive Board	Elias Margonis Martin Heinlin	
Auditor	Ernst & Young P/S Osvald Helmuths Vej 4 Postboks 250 2000 Fredriksberg	

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Air Liquide Danmark 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.

In our opinion, the financial statements gives 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.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position. We recommend that the annual report be approved at the annual general meeting.

Taastrup, 28 April 2017

Executive Board:

Elias Margonis	Martin Heinlin

Board of Directors:

Lars Strandberg Chairman	Franck Boeuf	Jean-Baptiste Ripart
Guillaume Cottet	Joanne Deval	Floris Mackor
	Dorthe Kracht	Jørn Grøndal Lorenzen

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Board of Directors

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Dorthe Kracht	Jørn Grøndal Lorenzen	

Independent auditor's report

To the shareholders of Air Liquide Danmark A/S

Opinion
We have audited the financial statements of Air Liquide Danmark A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 responsibilities for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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.

Independent auditor's report

- 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.

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.

Copenhagen, 28 April 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Alex Petersen
State Authorised
Public Accountant

FINANCIAL HIGHLIGHTS

	2016 mill DKK	2015 mill DKK	2014 mill DKK	2013 mill DKK	2012 mill DKK

Profit and loss acc Commitments related to production amount to kDKK 18 333, all of which falls due between 2017-2019.

	2016	2015	2014	2013	2012
Net sales	436,7	449,7	456,4	430,2	417,7
Gross margin ex. other external expenses	318,4	328,2	329,7	316,8	292,3
Ordinary operating profit	26,0	48,2	56,2	37,2	32,4
Financial items, net	-0,9	-0,9	-1,3	-1,7	-2,9
Net earnings	36,6	37,2	43,3	31,8	22,5
Balance sheet:					
Total balance	427,8	392,4	386,1	380,7	387,1
Total capital and reserves	196,9	160,3	159,2	135,9	115,2
Current year investments in tangible fixed assets	18,2	44,1	27,3	31,2	56,2
Employees:					
Number of average full-time employees	162	175	164	186	195
Ratios in %:					
Gross margin	72,9	73,0	72,2	73,6	70,0
Profit margin	5,9	10,7	12,3	8,7	7,7
Return on assets	6,3	12,4	14,7	9,7	8,4
Equity share	46,0	40,9	41,2	35,7	29,7
Return on equity	20,5	23,3	29,3	25,3	21,0

RATIOS

The ratios in financial highlights are calculated as follows:

Gross margin $$\frac{\text{Gross profit (Revenue - Cost of goods sold) x 100}}{\text{Net sales}}$$

Profit margin $$\frac{\text{Ordinary operating profit x 100}}{\text{Net sales}}$$

Return on assets $$\frac{\text{Ordinary operating profit x 100}}{\text{Average assets}}$$

Equity share $$\frac{\text{Total capital and reserves, end of year x 100}}{\text{Total liabilities, end of year}}$$

Return on equity $$\frac{\text{Net earnings x 100}}{\text{Avarage total capital and reserves}}$$

MANAGEMENT REPORT

MAIN ACTIVITIES

The main activities of the company are development, and the production and sales of industrial and medical gases, related equipment and services.

The company is part of the Air Liquide Group, a world wide group within industrial and medical gases.

The parent company of the Group, L'Air Liquide S.A., is quoted on the stock exchange in Paris.

THE FINANCIAL YEAR

Net earnings for the year amounted to 31,228 kDKK, a decrease of 16% compared to the result of last year, 37,167 kDKK. The result is considered very satisfactory considering the market condition.

Net Sales decreased in 2016 by 2.1% to 440,331 kDKK.

Gross profit decreased by 1.9% to 322,049 tkr. due to decreased sales.

Compared to the latest announced expectations in the financial statements for 2015, increase in activity was not archived as expected. This was due to increase price pressure. The result for the year is positively affected by the sales of Taastrup.

During the year land and property owned in Taastrup has been sold and partly leased back - on an operational lease.

Earnings before financial items decreased by 13.2% to 41,779 kDKK. This was primarily caused by reduction in Gross Profit

Financial costs stayed on the same level as last year.

SUBSEQUENT EVENTS

After the end of the year no events have occurred that could be considered to have a material influence on the financial position of the company.

REASEARCH AND DEVELOPMENT

Research and development activities mainly take place at group level in R&D centers in Germany and France.

IMPACT ON THE ENVIRONMENT

The activities of the company does not have any significant negative impact on the environment.

EXPECTED DEVELOPMENT

We expect to see an increased level of activity during 2017 in line with the expected incease of industrial production of 1.7%

Sales is expected to increase by 1.5%, out of which 2% is volume growth partially offset by a strong price pressure.

The increased sales in combination with continued efficiency savings willl increase the net result, excluding for the one-off effect of the Taastrup land and property sale in 2016.

Corporate Social Responsibility (CSR)
Air Liquide Danmark A/S is a subsidiary of the Air Liquide Group, quoted on the French stock exchange. The Company is therefore covered by the same policies that apply for all other subsidiaries. These policies are included in a document referred to as the "Bluebook" which describes the general principals, rules and processes that the Group is governed by in the same responsible way throughout the world.
The Company has issued 2 local documents that describe its CSR-policies:
1) **Fundamental Principles** - a compilation of the Air Liquide Group's fundamental values
2) **Code of Conduct**- a general set of rules- referring to applicable policies- for the Danish company, defining how the visions, objectives and attitudes included in the Fundamental Principles, are best adhered to. The Code of Conduct is the basis for the Danish management system as well as the Company's development in questions of safety, environment and human resources.
Both of these documents are accessible to employees via the Company's internet, and are known to all employees. The Company follows the highest standards in its work, especially regarding the respect of human rights and working rights as well as the protection of the environment. Furthermore, all laws and regulations, in particular Air Liquide Group ruels are complied with, and corruption is dealt with severely.

Employees
The Company offers its employees a safe work place, with respect for the individual whilst dealing with any form of discrimination. Salaries are competitive and are set in relationship to results. The Company promotes a culture of diversity, openness and transparency.
The Company carries out regular employee surveys, where employees can express their level of satisfaction with their work place. The results of these surveys are followed by the management, and initiatives are set in motion to deal with any weak points.
Besides the yearly performance appraisal review discussions we have also conducted personal interviews with a fifth of all employees letting them express their wishes for their future development. In 2016, personal interviews were thus conducted with one fifth of all employees.

Environment
Air Liquide Denmark has decided to focus their policies within climate and environment on climate, as Air Liquide Denmark has evaluated, that this is the area on which the company´s operations has the largest impact.
The Company strives as far as possible to protect natural resources and works towards sustainable development both within the Company and with its customers.
The Company respects environmental demands coming from the law, regulations and international agreements.
The use of energy and other limited resources on Company owned installations is being limited via technical developments. Eventual emissions and refuse must be controlled and handeled in accordance with applicable rules.
All employees have a responsibility to support the Company's environmental commitment by following applicable rules, routines and best practices. It is the individual employee's responsibility to inform his or her line manager of any situation where the relevant rules and routines are not being complied with or where there may be any form of environmental risk.
Systems have been installed on the Company's Air Separation Units (ASU's) to keep the use of electricity down to a minimum. Processes are gone through each year with external experts to find additional methods to bring down electricity consumption. These system optimisations resulted in improved efficiency in 2016 at our ASU's, such that consumption has fallen.
The Company has also invested in solutions for producing sustainably generated hydrogen as a fuel in the transport sector.
During the year 2016 the Company has primarily focused efforts on decrease of energy consumption and CO_2 emissions. As one of the initiatives the Company has reduced 33% of our dieseltrucks which led to reduction of 33% CO_2 emission.

Anti corruption
Employees within Air Liquide may not- either directly or indirectly- offer, promise, request, demand or accept bribes or any other inappropriate advantages or gifts in order to obtain a favourable position for the Company or for his or her own personal situation, or in order to influence the result of a negotiation. If there is the slightest doubt about these questions, the employee should consult his or her line manager.
All managers go through an annual training on how to avoid breaching these principles.

MANAGEMENT REPORT (Continued)

Gender representation in the management

The organisation must treat employees equally and employees must therefore be offered equal opportunities to pursue their career, independent of their origine, sexual orientation, gender, age, belief, handicap or any other characteristic which is protected by law.

The board has set an objective for the under-represented gender (women) to be 40%, meaning 2 out of 5 Company appointed board members must be women. It is expected to reach this goal by 2018.

Today 25 % of the members are women which is not in line with the Company's aims.

Therefore efforts are made to find appropriate candidates.

This is not in line with the Company's aims and efforts are being made to find appropriate candidates.

There is a policy to have 24% other management levels filled by the under represented gender (women) by 2017.

The following concrete initiatives have been put in place to increase the proportion of female managers:

Diversity programs and recruitment policies

At present we have increased the ratio of women managers from 8% in 2014 to 11% in 2015 and 17 % in 2016, an increase of 9%. As such, although we have yet to achieve our 2017 objective, we retain the 24% objective with the help of the intitiatives mentioned above

ACCOUNTING POLICIES

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large raporting class C entities.

Effective 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 other than those relating to the Company's land. 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.

The Company has in 2016 reassessed the amortisation period for acquired software. From 2016 the amortisation period for acquired software is 12,9 years compared to the previous used amortisation period of 7 years.
A reassessment has been made as the software is currently still used in by the Company and there is no current expectation that a new system is required before end of 2020. The change is recognised prospectively as a change in accounting estimates. The positive effect on the income statement in 2016 due to the change amounted to DKK 5.5 million.

Apart from the 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.

In accordance with section 86 (4) of the Danish Financial Statement Act no cash flow statement has been prepared, whereas this is included in a cash flow statement for L' Air Liquide S.A.

Referring to the Danish Financial Statements Act § 96, sub section 3, information on fees to Auditors elected on a general meeting, has been omitted. Reference to the consolidated financial statements of L'Air Liquide S.A., Paris.

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 rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. 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.

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

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustment of the hedged asset or liability.

ACCOUNTING POLICIES (continued)

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge 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 recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.
Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

INCOME STATEMENT

Revenue
On the conclusion of sales contracts which consist of several, separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

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

Revenue from the sale of goods
Income from the sale of goods for resale and finished goods, gas and related equipment, is recognised in revenue when the most significant rewards and risks have been passed on to the buyer and provided the income can be measured reliably and payment is expected to be received. The date at which the most significant rewards and risks are passed on is based on standardised terms of delivery based on Incoterms® 2010.

Income from the sale of goods where installation is a prerequisite for considering major risks to have been transferred to the purchaser is recognised in revenue when the installation is complete.

Revenue from the sale of services
Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Cost of goods sold

Cost of goods sold are indirectly and directly costs for raw material and assisting materials

Other external costs

Other external costs includes costs for distribution, sales, marketing, facilities and lost on debtors

Personnel cost

Personnel cost includes, salaries, vacation debt and other social security costs for the personnel in the company.

ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is computed on a straight line basis and is based on the expected financial useful lifetime of the assets and in accordance with the following rules:

Buildings	20 years	(5% p.a.)
Technical plant and machinery	30 years	(3.3% p.a.)
- Production plants	40 years	(2.5% p.a.)
Cylinders	20 - 40 years	(5 - 2.5% p.a.)
Equipment	5 - 10 years	(20 - 10% p.a.)
Acquired Software	12.9 years	(7.75% p.a.)
Completed development projects	5 years	(20% p.a)

The basis of depreciation is based on the residual value of the asset 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.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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

Tax on current year result
Tax for the year comprises current tax for the year and changes in deferred tax. 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.

Acquired Software
On initial recognition, intangible assets are measured at cost.
Development costs comprise expenses, salaries and amortisation charges directly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential 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 and 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. The amortisation period is usually 5 years.

Acquired software are measured at cost less accumulated amortisation and impairment losses.
Acquired software are amortised on a straight-line basis.

Property, plant and equipment
Tangible fixed assets includes land and buildings, leashold improvements, technical plant and machinery, equipment and cylinders. Tangible fixed assets are valued at cost less accumulated depreciation.

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Repair and maintenance costs are recognized as expenses when incurred. The costs of major inspections and overhauls (for example cylinder testing) are recognized as a separate component of the asset and are depreciated over the period between two major overhauls.

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 items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Inventories
Raw materials and finished goods are measured in accordance with FIFO method.

Work in progress and finished goods manufactured by the company are valued at cost price, direct wages and production overheads. Obsolete products are written down.

Receivables
Receivables are measured at amortised cost, which is nomally equal to the nominal value.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments and accrued income
Prepayments comprise expenses incurred concerning subsequent financial years.

Equity
Dividends expected to be paid for the year is shown as a separate entry in the equity specification. Proposed Dividend is included as an obligation at the time when it is approved by the General Assembly.

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 amortised or if they are no more part of the Company's operations by a transfer directly to distributable reserves under equity.

ACCOUNTING POLICIES (continued)

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Income tax and deffered tax

The tax corresponding to the result of the year plus adjustments for earlier years are expensed in the profit and loss account.
Provisions for deferred tax correspond to 25% of the difference between accounting value and tax value of tangible fixed assets, current assets and provisions.
Payment of tax on account is deducted in taxes payable at year-end.
Deferred tax assets are included at the value which they are expected to be utilized at, either through deduction in future income or offset in deferred tax payable.

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and 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 base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the 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 assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions comprise anticipated costs related to decommissioning cost, warranty commitments, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Liabilities

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

Other liabilities are measured at net realisable value.

INCOME STATEMENT

	Note	2016 1.000 DKK	2015 1.000 DKK
REVENUE	1	436 715	449 682
Costs of goods sold		118 281	121 459
Other external costs		177 784	164 821
GROSS MARGIN		140 649	163 402
Staff costs	2	89 132	87 866
Depreciation, amortization and impairment	3	25 550	27 379
OPERATING PROFIT		25 967	48 157
Other operating income	4	15 813	-
PROFIT BEFORE NET FINANCIALS		41 780	48 157
Financial Income		124	105
Financial expenses	5	979	1 034
PROFIT BEFORE TAX		40 925	47 228
Tax on current year result	6	4 351	10 061
PROFIT FOR THE YEAR		36 574	37 166

BALANCE SHEET

ASSETS	Note	2016 1.000 DKK	2015 1.000 DKK
INTANGIBLE ASSETS	3		
Software		6 512	8 239
Completed development projects		243	716
Development projects in progress		23 477	13 491
		30 232	22 446
PROPERTY, PLANT AND EQUIPMENT	3		
Land and buildings		29 162	36 313
Technical plant and machinery		136 391	160 259
Equipment		9 026	12 380
Cylinders		51 565	52 178
Assets under construction		15 163	16 979
		241 308	278 109
FINANCIAL ASSETS			
Other debtors		25	25
TOTAL ASSETS		271 565	283 601
NON-FIXED ASSETS			
Inventories		19 588	21 898
RECEIVABLES			
Trade receivables		85 868	72 775
Receivables from affiliated companies		14 259	9 740
Work in progress	7	220	27
Other receivables	8	27 624	711
Prepayments	9	5 144	2 785
		133 114	86 039
CASH		3 487	855
TOTAL NON - FIXED ASSETS		156 189	108 792
TOTAL ASSETS		427 753	392 393

BALANCE SHEET

EQUITY AND LIABILITIES	Note	2016 1.000 DKK	2015 1.000 DKK
EQUITY			
Share capital	10	44 000	44 000
Reserve for development costs	11	8 325	-
Revaluation reserve	11	56 888	56 888
Retained earnings		87 676	59 427
Dividend proposed for the financial year		-	-
TOTAL EQUITY	11	196 889	160 315
PROVISIONS			
Deferred tax	12	34 981	35 762
Decommissioning costs	13	331	267
TOTAL PROVISIONS		35 312	36 029
NON - CURRENT LIABILITIES OTHER THAN PROVISIONS			
Prepayment from customers		7 319	7 660
Payables to affiliated companies	14	63 000	8 932
		70 319	16 592
CURRENT LIABILITIES OTHER THAN PROVISIONS			
Current portion of payables to affiliated companies	14	7 000	35 485
Prepayment from customers		17 636	18 588
Trade creditors		54 958	39 997
Payables to affiliated companies		15 270	54 182
Income taxes	6	2 944	6 659
Other payables		27 424	24 546
		125 232	179 457
TOTAL LIABILITIES OTHER THAN PROVISIONS		195 552	196 050
TOTAL EQUITY AND LIABILITIES		427 753	392 394
CONTINGENT LIABILITIES	15		
RELATED PARTIES	16		

NOTES

1. REVENUE

The company sells industrial and medical gases and related equipment and services.

In accordance with the Danish Financial Statements Act section 96, subsection 1, the company has elected not to show any segmentation of the Net Sales.

2. STAFF COSTS

Wages and salaries, employees	78 549	75 392
Social security and other staff costs	1 239	1 401
Pension, company share	6 650	7 234
Salaries to the Executive Board	2 694	3 839
	89 132	87 865

The Executive Board has an incentive bonus scheme based on the result. There is a provision covering the amount.

Number of average full-time employees	168	175

3. INTANGIBLE AND TANGIBLE FIXED ASSETS (1.000 DKK)

	Acquired software	Completed development projects	Development projects in progress
Asset per 1 January	50 505	1 131	13 606
Adjustment to 1 January			6 707
Additions			8 848
Transfer			1 044
Disposals		482	1 591
Cost 31 December	50 505	649	26 526
Amortization and impairment 1 January	42 266	415	116
Depreciation on disposals disposals		276	
Amortization and impairment for the year	1 727	266	2 933
Amortization and impairment 31 December	43 993	406	3 048
Net book value	6 512	243	23 477

Development projects to be included in special reverse under equity "Reverse for development costs":

Additions in 2016	8 848
Reduction of reserve due to amortization and impairment	-522
Reserve for development costs, 2016	8 325

NOTES (continued)

	Land and buildings	Plant and machinery	Equipment	Cylinders	Assets under construction
Asset per 1 January	110 060	496 614	63 049	244 842	16 979
Adjustment to 1 January	0	-	-	0	-6 707
Additions	77	1 285		4 912	11 965
Transition	120	6 193	202	558	-7 074
Disposals	6 881	362	1 264	876	
Cost 31 December	103 375	503 731	61 987	249 437	15 163
Revaluations in previous years	13 277	49 373	10 284	0	-
Depreciation 1 January	87 024	402 707	60 953	192 665	-
Adjustment to 1 January	0	-	-	0	
Depreciation on disposals	1 078	362	1 088	876	-
Depreciation for the year	1 544	14 368	3 380	6 082	0
Depreciation 31 December	87 490	416 714	63 245	197 871	0
Net book value	29 162	136 391	9 026	51 565	15 163

Specification of depreciation, amortization and impairment	
Total disposals	9 382
Total depreciation on disposals	-3 403
Depreciation for the year	25 374
	31 353

Presented as Depreciation, amortization and impairment	25 550
Presented within Other revenue	5 803
	31 353

NOTES (continued)

4. OTHER OPERATING INCOME

Other operating income relates mainly to the sale of land and buildings in Taastrup Denmark.

5. FINANCIAL EXPENSE

Financial expenses includes 867 kDKK (2015: 867 kDKK) related to loans from affiliated companies.

6. TAX

The tax amount expensed in the profit and loss accont results from the following:

	2016 1.000 DKK	2015 1.000 DKK
Tax calculated on taxable income	5 124	3 444
Tax regarding previous year	-	-975
Change of deferred tax for the year	-774	7 592
Tax	4 351	10 061
Tax paid on account during the year	2 180	3 226

7. WORK IN PROGRESS

	2016 1.000 DKK	2015 1.000 DKK
Sales value of work	220	27
Prepaid	0	0
	220	27
Therefore in calculated:		
Work in progress (Assets)	220	27
Work in progress (Liabilities)	0	0
	220	27

8. OTHER RECEIVABLES (1.000 DKK)

0 DKK are due for payment after 31 December 2017
Other debtors mainly relates to the sale of land and buildings in 2016.

9. PREPAYMENTS

	2016 1.000 DKK	2015 1.000 DKK
Other prepayments	5 144	2 786
	5 144	2 786

Prepayments includes mainly rents and insurance.

10. SHARE CAPITAL

The share capital, par value 44 mio. DKK, consists of:

1 A-share of 300.000 DKK	300
1 A-share of 1.700.000 DKK	1 700
1 B-share of 6.626.000 DKK	6 626
1 B-share of 23.374.000 DKK	23 374
1 C-share of 12.000.000 DKK	12 000
	44 000

The Commpany's Share Capital has been unchanged in the last five years

NOTES (continued)

11. EQUITY

Movements in the equity can be specified as follows:

2015	Share capital	Share premium	Revaluation reserve	Retained earnings	Dividend for the financial year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Capital and reserves 1 January	44 000	30 635	26 928	21 585	36 087	159 235
Release of share premium		-30 635		30 635		-
Increase in revaluation reserve			29 960	-29 960		-
Dividend paid					-36 087	-36 087
Retained earnings				37 167	-	37 167
Dividend for the financial year				-	-	-
Capital and reserves 31 December	44 000	-	56 888	59 427	-	160 315

2016	Share capital	Reserve for development cost	Revaluation reserve	Retained earnings	Dividend for the financial year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Capital and reserves 1 January	44 000	-	56 888	59 427	-	160 315
Dividend paid					-	-
Transfered share premium		-		-		-
Adjustment of revaluation reserve			-	-		-
Appropriation of profit		8 325		28 249		36 574
Dividend for the financial year				-	-	-
Capital and reserves 31 December	44 000	8 325	56 888	87 676	-	196 889

NOTES (continued)

12. DEFERRED TAX

	2016 1.000 DKK	2015 1.000 DKK
Deferred tax 1 January	35 755	28 170
Adjustment of deferred tax according to note 3	-774	7 592
Deferred tax 31 December	34 981	35 762

Deferred tax relates to:

Buildings	-649
Machinery, equipment etc.	18 363
Cylinders	11 344
Acquired software	6 651
Debtors	-649
Michellaneous	-80
	34 981

13. DISMANTLING PROVISIONS

Provision for the dismantling of plant and machinery	331	267
	331	267

14. PAYABLES TO AFFILIATED COMPANIES

Payables to affiliated companies per 1 January 2016, non-current and current	44 410
Paid during the year	-44 410
New loan current year	70 000
Payables to affiliated companies per 31 December 2016	70 000

7 000 kDKK are due within one year, 28 000 kDKK are due for payments within 2-5 years, 35 000 kDKK are due for payments after 5 years

15. CONTINGENT LIABILITIES

Guarantees of kDKK 5.051 have been issued.

Rental and leasing commitments on land and buildings are kDKK 4.384 and will fall due after 31 December 2016

Leasing commitments on industrial equipment amount to kDKK 8.412

Commitments related to production amount to kDKK 18 333, all of which falls due between 2017-2019.

16. RELATED PARTIES

Each of the following shareholders holds more than 5% of the voting rights of the shares or 5% of the

total share capital:

Air Liquide International S.A.
75, Quai d'Orsay
F-75321 Paris Cedex 7
Frankrig

Air Liquide International Corporation
1114 Avenue of the Americas
New York, NY 10036
USA

NOTES (continued)

Related parties comprise the Company's shareholders, Board of Directors, Executive Board, employees and subsidaries of the ultimate parent company L'Air Liquide S.A., Paris

Air Liquide Danmark A/S is included in the consolidated financial statements of the ultimate parent company, L'Air Liquide S.A., Paris. The consolidated financial statements of the ultimate parent company can be obtained at https://www.airliquide.com/investors/documents-presentations

Transactions with related parties relates mainly of purchase and sale of gas and cylinders including short term financing from the parent company. Transactions with related parties have been performed within the arm's lenth principle.

		2016	2015
17.	APPROPRIATION OF PROFIT /LOSS	1.000 DKK	1.000 DKK
	Recommended appropriation of profit/loss		
	Transfered to reserves and equity	36 574	37 166

18. HEDGES

The Company uses forward exchange contracts to hedge expected currency risks, mainly related to purchase of goods in the coming year. Forward exchange contracts has been made for currency exposures in EUR, SEK and DKK with a future contractual value of DKK 68,511 thousand at 31 December 2016. At 31 December 2016 the total gain amounted to DKK 1.176 thousand which is recognised in the income statement.

Further, the variable price for electricity used for production is hedged.