

# **J. HVIDTVED LARSEN A/S**

Lillehøjvej 15  
8600 Silkeborg

Annual report  
1 January 2016 - 31 December 2016

**The annual report has been presented and  
approved on the company's general meeting the**

**29/05/2017**

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**Aurelio Lemos Villanueva**  
**Chairman of general meeting**

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# Company information

**Reporting company** J. HVIDTVED LARSEN A/S

Lillehøjvej 15  
8600 Silkeborg

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e-mail: info@hvidtved.com

CVR-nr: 20010088

Reporting period: 01/01/2016 - 31/12/2016

**Auditor**

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Jens Chr. Skous Vej 1

8000 Aarhus C

DK Denmark

CVR-nr: 33771231

P-number: 1016977795

# Statement by Management

The Executive Board and the Board of Directors have today considered and approved the annual report of J. Hvidtved Larsen A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position at 31.12.2016 of the company and of the results of the company's operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management's review contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting. The Annual General Meeting will be held after Bucher Industries AG's Annual General Meeting, which is scheduled to be held 19th of April 2017.

Silkeborg, the 27/01/2017

## Management

Brian Stage  
Chief Executive Officer

## Board of directors

Aurelio Lemos Villanueva  
Chairman of the board

Stefan Häni

Jörg Hüchting

Thomas Dubach

# The independent auditor's report on financial statements

To the Shareholders of J. Hvidtved Larsen A/S,

## Opinion

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.

We have audited the Financial Statements of J. Hvidtved Larsen A/S for the financial year 1 January - 31 December 2016, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes ("financial statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management 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 responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Aarhus, 27/01/2017

Michael Nielsson  
State Authorised Public Accountant  
PricewaterhouseCoopers Statsautoriseret  
Revisionspartnerselskab  
CVR: 33771231

Rasmus Møllgaard Stenskrøge  
State Authorised Public Accountant  
PricewaterhouseCoopers Statsautoriseret  
Revisionspartnerselskab  
CVR: 33771231

# Management's Review

## Primary activities

J. Hvidtved Larsen A/S manufactures truck-mounted sewer cleaning units and vacuum loaders. The systems are built to stand up to the heavy daily use year after year with maximum working time and minimum fuel consumption of benefit to the environment and the end-user's operating economy. Over the years, a considerable service and spare parts business has been developed to support the sale of new systems and to provide the customers with a strong full-line supplier.

J. Hvidtved Larsen A/S has subsidiaries in Sweden, UK, Australia and USA where the sale of systems, service and spare parts takes place.

## Development in activities and finances

The company realised a negative result after tax for 2016 of DKK 8.5m against a profit of DKK 19.6m in 2015. The result for the fiscal year is significantly lower than expected in the annual report of 2015 and is considered to be unsatisfying by management.

In March 2016 J. Hvidtved Larsen Group was acquired by the Swiss manufacturer of machinery and vehicles Bucher Industries AG. The result of 2016 is heavily affected by alignment of group accounting procedures and other costs related to the takeover. The total of costs related to the takeover amounts to DKK 4.4m before tax impact whereas alignment of group accounting procedures amounts to DKK 7.3m before tax impact, primarily consisting of more conservative evaluating net realizable value on inventories.

The result is also affected negatively by the development in British Punds after the United Kingdom decided to exit the European Union. The extend to which the result is affected cannot be measured exactly, however the affect is by management estimated to be in the range of DKK 7-9m before tax impact compared to 2015.

The company's balance sheet total amounts to DKK 155.1m at the end of the fiscal year against DKK 176.7m in 2015. The reason for the decrease is lower working capital and less capitalization of intangible assets. The company's activities in 2016 had a net cash inflow of DKK 4.2m.

J. Hvidtved Larsen A/S management is continuously evaluating the profitability of its subsidiaries. As a result of this evaluation, management in 2016 decided to close down subsidiaries in Australia and Sweden. Activities in Australia has been transferred to the sister company Bucher Municipal Australia Pty. Ltd., who has a stronger position in Australia of which both customers and J. Hvidtved Larsen A/S is expected benefit going forward. The Swedish subsidiary J. Hvidtved Larsen AB will close down in 2017. Service to existing Swedish customers will be performed by personnel from Greve in Denmark.

Management also decided to focus even more on developing and producing mainline sewage cleaners and therefore vacuum loaders – FlexVac® – and cleaning units specialized for septic tanks – MaskoFlex® will be phased out of the pro range.

## Change in accounting policies

The company has changed accounting policies regarding group investments to align with Bucher Group-policies. Group investments have previously been measured according to the equity method, but is in the financial statement for 2016 and going forward measured at cost price or net realizable value if lower than the cost price. Comparative figures have been changed in accordance with the Danish Financial Statements Act. The change ment a decrease in the company's total assets of DKK 1,599k, a decrease in liabilities of DKK 311k meaning a total effect on equity of DKK 1,288k. Profit for the year 2015 decreased with DKK 1,755k as a result of the change.

The company does no longer show a consolidated financial statement or a cash flow statement, as the company is no longer required to do so. J. Hvidtved Larsen A/S is included in the consolidated financial statement of Bucher Industries AG, Niederweningen, Switzerland, ISIN CH0002432174.

### **Market situation**

The demand for sewer cleaning units on the company's main markets has been stabilizing in 2016, but management is convinced the market will return to growth in 2017. The company has succeeded in keeping a strong position in the two largest markets in UK and Denmark. There is still increasing activity in the service and spare parts business. A new service center has been set up in Slough, UK, and there are expectations for further development of service network over the coming years.

In 2016 several sewage cleaning units have been delivered to the US market and management strongly believes in the potential of the US market and has increased sales activities in the US considerably and started to setup a service business and warehouse to support it.

### **Production and technical development**

Production and technical development has for some years now been centralized in Silkeborg. The work with obtaining production improvements through standardization, systematization and process has continued. In 2016 the first CityFlex® units from a flow production-line left the production facility. In 2017 the production and technical development will continue to work with the production flow and try to learn more from the new source of knowledge in Bucher Industries AG group, who has been specialists in flow production for years.

### **Raw materials**

J. Hvidtved Larsen A/S' most important raw material is steel. The security of supply has been established through a cooperation with several Danish steel suppliers. J. Hvidtved Larsen has large flexibility when it comes to choice of components and can relatively easily change to alternative suppliers.

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

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

### **Outlook**

Volume of orders at the beginning of 2017 is lower than in the beginning of 2016, but the company has invested heavily in sales activities in 4th quarter of 2016, which management is convinced will pay off in 2017. Furthermore the company has invested in flow production in 2016 and cut down significantly in overhead costs and unprofitable activities due to this year's loss. As a result management expects a revenue for 2017 in the range of DKK 375-400m and a positive EBIT.

Investments in 2017 is expected to be at the same level as 2016.

### **Particular risks**

The Group's most significant business risk continues to be the ability to continuously provide good service and produce high quality products at competitive prices.

Management assesses on a regular basis whether J. Hvidtved Larsen A/S has a sufficient capital structure, and the Board of Directors assesses whether the Company's capital structure is in accordance with the Company's interests. The general objective is to ensure a capital structure that supports long-term and profitable growth. It is Management's assessment that the present capital structure provides the necessary flexibility to meet the Company's future strategy.

In 2016 about one third of J. Hvidtved Larsen A/S' sales were in DKK or EUR. The company therefore holds a significant inherent currency risk. As a main rule J. Hvidtved Larsen A/S offers and order confirms all significant amounts in DKK, GBP, AUD, USD or EUR. Amounts denominated in EUR are not hedged. If agreements are concluded for purchasing and selling in other currencies than DKK, GBP or EUR, these are hedged. Sales in GBP are hedged based on the company's budgetted cash flow for the next half year, as the company has a relatively constant cashflow in GBP. For this reason, the company has attempted to eliminate the currency risks on a short term basis.

The collectibility of company's debtors are assessed individually. Overall, the matter is not considered to present a significant risk to the expected profit.



**Uncertainty relating to recognition and measurement**

No negatively affected uncertainty has been observed relating to recognition and measurement in the annual report.

**Unusual circumstances affecting recognition and measurement**

No significant unusual circumstances have occurred in the fiscal year.

**Ownership**

J. Hvidtved Larsen A/S is 100% owned by JHL Holding A/S.

The ultimate owner is Bucher Industries AG, of which the shares are registered for public trading on the SIX Swiss Exchange.

**Key figures and Financial Ratios**

	2016	2015	2014	2013	2012
	,000 kr.	,000 kr.	,000 kr.	,000 kr.	,000 kr.
<b>Key figures</b>					
Revenue	369,169	416,641	364,873	344,482	234,036
Gross profit	88,988	120,914	103,093	107,818	79,789
Profit (loss) from ordinary operating activities	-10,003	30,475	18,333	24,838	17,127
Net financials	-863	-4,598	-1,402	-4,572	-2,025
<b>Profit (loss)</b>	<b>-8,472</b>	<b>19,559</b>	<b>12,916</b>	<b>14,942</b>	<b>11,197</b>
Total assets	155,065	176,918	199,895	172,551	159,880
Investment in property, plant and equipment	1,460	1,262	1,521	5,907	10,278
<b>Equity</b>	<b>65,370</b>	<b>74,096</b>	<b>68,066</b>	<b>56,212</b>	<b>48,434</b>
<b>Financial ratios</b>					
Gross margin	24,1 %	29,0 %	28,3 %	31,3 %	34,1 %
Return on equity	-12,2 %	27,5 %	20,8 %	28,6 %	24,8 %
Solvency ratio	42,2 %	41,9 %	34,1 %	32,6 %	30,3 %

## Statement regarding social responsibility

### Policy

J. Hvidtved Larsen A/S takes responsibility for its products and production, also when it comes to social aspects, which is in line with the Company's CSR policy and basic values.

J. Hvidtved Larsen A/S' activities are carried out within the framework of current laws and regulations and observe the basic conventions on employee rights as defined by the International Labour Organization (ILO).

J. Hvidtved Larsen A/S respects the right of freedom of association and collective bargaining. J. Hvidtved Larsen A/S is strictly against forced labour, slave labour, child labour and any kind of discrimination.

J. Hvidtved Larsen A/S has no written policy on reduction of climate impact.

J. Hvidtved Larsen A/S has focus on two CSR areas:

- Employees
- Working with human rights and anti-corruption in the supply chain

### Employees

The Company is aware that attraction and retention of qualified labour are decisive for the company's competitiveness in future and therefore have significant management attention.

### Policy

The company has as safety policy, staff policy and a retention policy. The purpose of the policies is to avoid damage to people and equipment, to contribute to the employees' well-being and to be able to use experience and resources from senior staff by retaining them on the labour market. Moreover, J. Hvidtved Larsen A/S also aims at ensuring a gradual transition from the labour market to early retirement and pension.

### From policy to action

Performance interviews must be held at least once a year, and if necessary, more often.

The interviews are based on the employees' job satisfaction and efforts. Job satisfaction surveys are carried out on a continuous basis, but not every year. The results of these surveys are discussed at the joint consultative committees, and specific actions are taken to improve job satisfaction. The safety committee convenes at a fixed interval and with a fixed agenda. Cases, if any, and improvement measures are discussed at the meetings, and it is a key focus area to improve safety all the time.

The most recent job satisfaction survey was performed in 2015. The total score was improved on 88 percent of the benchmarks compared to previous surveys. In 2016 the company has worked with the output of the satisfaction survey. The work among other things led to the company offering health insurance to employees and implementing greater freedom in blue collar workers' self-determination on which courses and training to attend.

Individual agreements are concluded with senior employees so that the employees will be able to continue on the labour market after having reached the public pension age. In 2016 a total of 7 senior employees have been employed in J. Hvidtved Larsen A/S with a various weekly hours to fit the employee's capabilities and wishes.

## **Working with human rights and anti-corruption in the supply chain**

### **Policy**

J. Hvidtved Larsen A/S wants to act professionally and honestly towards all business partners, and the Company has a zero-tolerance approach to bribery and corruption. Suppliers with lack of focus on CSR may involve a risk for J. Hvidtved Larsen A/S, which is the reason why J. Hvidtved Larsen A/S currently seeks more information on the enterprises they cooperate with.

The purpose of J. Hvidtved Larsen A/S' activities in the supply chain is to see that suppliers respect human rights, employee rights and that anti-corruption are taken seriously.

### **From policy to action**

J. Hvidtved Larsen A/S primarily focuses on suppliers in the first link in the supply chain. In late 2015 J. Hvidtved Larsen A/S rewrote the company's standard purchase terms and conditions. An addendum was added to the cooperative agreements with the suppliers, including a set of 'Code of Conduct', which the suppliers commit themselves to follow. In 2016 the purchase department has worked on applying the new terms and 'Code of Conduct' to all new customer agreements and major existing suppliers. At the end of 2016 about 70 % of the company's major suppliers have agreed to the terms, which is a great leap forward compared to the end of 2015 where less than 10 % had agreed in writing.

In 2016, J. Hvidtved Larsen A/S has also adopted and implemented the anti-corruption and anti-bribery policy from Bucher Group which applies to all employees in J. Hvidtved Larsen A/S, both agents and consultants related to the enterprise.

## **Statement regarding the gender composition of the management**

J. Hvidtved Larsen A/S believes that diversity among employees, including equal distribution of gender, contributes positively to the working environment and strengthens business culture and competitiveness.

J. Hvidtved Larsen A/S has target figures and a policy for the gender composition in management. In accordance with targets and target figures for the gender composition of the board of directors, the target for the representation of the underrepresented gender on the board of directors elected by the general meeting is 20 percent by 2018. The target has been fixed with a time horizon of three years. In 2016 management has been searching for a potential female candidate for the board and succeeded to find a relevant candidate in the Bucher Group. However, the share of female chief executives in top management is still 0 percent, as all relevant parties have not yet been consulted.

The Executive Board in J. Hvidtved Larsen A/S is considered as other 'managerial levels'. The Executive Board currently consists of 1 person, who is a man. As a result, and in accordance with the disclosure requirements, J. Hvidtved Larsen A/S has achieved an equal gender composition at other managerial levels.

The long-term aim is that the Company reflects the surrounding society and especially the Company's customers, not only in terms of gender, but also in terms of nationality and ethnicity. This reflection of the surrounding society is to contribute to the Company being an attractive choice for customers as well as present and future employees and in this way enabling the Group to achieve its long-term business goals.

# Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class C, large enterprise.

Accounting policies are changed from previous period.

## Change in accounting policies

The company has changed accounting policies regarding group investments to align with Bucher Group-policies. Group investments have previously been measured according to the equity method, but is in the financial statement for 2016 and going forward measured at cost price or net realizable value if lower than the cost price. Comparative figures have been changed in accordance with the Danish Financial Statements Act. The change meant a decrease in the company's total assets of DKK 1,599k, a decrease in liabilities of DKK 311k meaning a total effect on equity of DKK 1,288k. Profit for the year 2015 decreased with DKK 1,755k as a result of the change.

The company no longer show a consolidated financial statement or a cash flow statement, as the company is no longer required to do so, as J. Hvidtved Larsen A/S is included in the consolidated financial statement of Bucher Industries AG, Niederweningen, Switzerland, ISIN CH0002432174.

The company's presentation of subcategories in inventories and receivables has been changed. Hence the distribution between Raw materials and consumables, Work in progress and Manufactured goods and goods for resale as well as Trade receivables and Receivables from group enterprises in the comparative figures has been changed. The changes has no effect on total assets, equity or profit/loss.

Presentation of prepayment for goods has been changed. In the financial statement of 2015 the Prepayments for goods were deducted in the value of inventories. In the financial statement for 2016 all prepayments are presented under short-term liabilities. Comparative figures have been changed accordingly, meaning higher assets and liabilities of DKK 237k in the comparative figures. The change had no effect on the equity or profit/loss.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement line item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Consolidated financial statements

With reference to the Danish Financial Statement Act article 112 section 2 the company has not prepared a consolidated financial statement. The company and group companies are consolidated in the consolidated financial statement of Bucher Industries AG, Niederweningen, Switzerland, ISIN CH0002432174.

**Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

**Derivative financial instruments**

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently fair value. Derivative financial instruments are recognised under other receivables or payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

**Income statement****Revenue**

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

**Cost of sales**

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**External expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

**Employee expenses**

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation expenses and impairment losses**

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

**Other finance income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other finance expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax expense**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income that has been adjusted for prepaid tax.

The Company is jointly taxed with its Danish parents and sister companies. The current Danish income tax is allocated among the jointly taxed Danish companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Balance sheet****Goodwill**

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 10 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

**Development projects and acquired intangible assets**

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect costs in the form of indirectly attributable staff costs used in the manufacturing process are recognised in cost based on time spent on each asset.

Completed development projects are amortised on a straight-line basis over the estimated useful lives. The amortisation period is five years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the residual term of the rights concerned.

Software is measured at cost less accumulated amortisation and impairment losses.

The basis of amortisation is cost. Straight-line amortisation is made on the basis of the following estimated useful lives of the assets:

Development projects, 5 years

Software, 3-7 years

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

- Buildings, 30 years
- Plant and machinery, 3-7 years
- Other fixtures and fittings, tools and equipment, 3-7 years
- Leasehold improvements, 3-7 years

Leasehold improvements are depreciated over the term, at least 5 years.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognised in the income statement as an adjustment to amortisation and impairment losses, or under other operating income if the selling price exceeds original cost.

Profits and losses from the sale of lease assets are recognised in the annual report as revenue and cost of sales with cost of sales calculated as the residual value at the time of sale.

### **Investments in group enterprises**

Investments in group enterprises are recognised and measured at cost price or net realizable value if lower than the cost price.

Net realizable value can be lower than DKK 0 if J. Hvidtved Larsen A/S has a legal or constructive obligation to cover liabilities of the relevant enterprise. If net realizable value is lower than DKK 0, any receivables from these enterprises are written down by the net realizable value if it is deemed irrecoverable. If the negative net realizable value exceeds the amount receivable, the remaining amount is recognised under provisions.

Dividends from the group enterprises is recognized as a profit. Any reevaluation in net realizable value will be recognized as profit or loss.

### **Inventories**

Inventories are measured at the lower of cost and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

**Cash and cash equivalents**

Cash comprises cash in hand and bank deposits.

**Provisions for deferred tax**

Deferred tax is recognised on temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Other provisions**

Other provisions comprise anticipated costs of non-recourse guarantee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Lease commitments**

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Income tax receivable or payable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.



**Cash flow statement**

With reference to the Danish Financial Statement Act article 86 section 4 the company does not prepare a cash flow statement. The company and group companies are consolidated in the cash flow statement in the consolidated financial statement of Bucher Industries AG.

**Key figures**

Ratios shown under Key figures are calculated as follows:

Gross margin:  $\text{Gross Profit} / \text{Revenue}$

Return on equity:  $\text{Profit or loss for the year} / \text{Average equity}$

Solvency ratio:  $\text{Equity} / \text{Assets}$

# Income statement 1 Jan 2016 - 31 Dec 2016

	Disclosure	2016 kr.	2015 kr.
Revenue .....	1	369,169,205	416,640,550
Cost of sales .....		-250,486,907	-268,175,206
Other operating income .....		732,268	579,264
External expenses .....		-30,426,635	-28,130,603
<b>Gross Result .....</b>		<b>88,987,931</b>	<b>120,914,005</b>
Employee expense .....	2	-92,615,885	-84,870,189
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets .....		-6,375,340	-5,568,695
<b>Profit (loss) from ordinary operating activities .....</b>		<b>-10,003,294</b>	<b>30,475,121</b>
Other finance income .....	3	1,910,036	3,077,671
Other finance expenses .....	4	-2,772,882	-7,675,916
<b>Profit (loss) from ordinary activities before tax .....</b>		<b>-10,866,140</b>	<b>25,876,876</b>
Tax expense .....	5	2,394,287	-6,318,329
<b>Profit (loss) .....</b>		<b>-8,471,853</b>	<b>19,558,547</b>

# Balance sheet 31 December 2016

## Assets

	Disclosure	2016 kr.	2015 kr.
Completed development projects .....		3,741,276	4,029,528
Acquired intangible assets .....		1,072,493	2,297,601
Goodwill .....		2,036,957	2,628,369
Development projects in progress and prepayments for intangible assets .....		0	1,748,268
<b>Intangible assets .....</b>	<b>6</b>	<b>6,850,726</b>	<b>10,703,766</b>
Land and buildings .....		18,775,195	19,851,970
Plant and machinery .....		2,061,823	2,113,263
Fixtures, fittings, tools and equipment .....		135,184	271,105
Leasehold improvements .....		518,886	561,191
<b>Property, plant and equipment .....</b>	<b>7</b>	<b>21,491,088</b>	<b>22,797,529</b>
Investments in group enterprises .....		2,591,416	2,591,416
Other receivables .....		222,732	781,135
<b>Investments .....</b>	<b>8</b>	<b>2,814,148</b>	<b>3,372,551</b>
<b>Total non-current assets .....</b>		<b>31,155,962</b>	<b>36,873,846</b>
Raw materials and consumables .....		14,957,145	20,996,616
Work in progress .....		32,767,133	31,259,337
Manufactured goods and goods for resale .....		27,745,257	29,800,217
<b>Inventories .....</b>		<b>75,469,535</b>	<b>82,056,170</b>
Trade receivables .....		15,954,945	36,765,299
Receivables from group enterprises .....		22,852,161	17,983,386
Tax receivables .....		928,647	0
Other receivables .....		5,113,307	2,987,644
<b>Receivables .....</b>		<b>44,849,060</b>	<b>57,736,329</b>
Cash and cash equivalents .....		3,590,640	252,099
<b>Current assets .....</b>		<b>123,909,235</b>	<b>140,044,598</b>
<b>Total assets .....</b>		<b>155,065,197</b>	<b>176,918,444</b>

# Balance sheet 31 December 2016

## Liabilities and equity

	Disclosure	2016 kr.	2015 kr.
Contributed capital .....	9	6,500,000	6,500,000
Retained earnings .....		48,870,353	67,596,063
Proposed dividend .....		10,000,000	0
<b>Total equity .....</b>		<b>65,370,353</b>	<b>74,096,063</b>
Provisions for deferred tax .....	10	2,274,759	3,912,000
Other provisions .....	11	2,925,000	2,335,000
<b>Provisions, gross .....</b>		<b>5,199,759</b>	<b>6,247,000</b>
Mortgage debt .....		14,971,795	16,688,711
Lease commitments .....		102,854	316,267
<b>Long-term liabilities other than provisions, gross .....</b>	<b>12</b>	<b>15,074,649</b>	<b>17,004,978</b>
Mortgage debt .....		1,723,050	1,719,511
Debt to banks .....		19,752	856,329
Prepayments received from customers .....		3,775,520	1,720,000
Trade payables .....		38,127,770	42,008,960
Payables to group enterprises .....		4,506,163	5,236,024
Tax payables .....		0	5,497,001
Other payables, including tax payables, liabilities other than provisions .....		21,172,217	22,532,578
Lease commitments .....		95,964	0
<b>Short-term liabilities other than provisions, gross .....</b>		<b>69,420,436</b>	<b>79,570,403</b>
<b>Liabilities other than provisions, gross .....</b>		<b>84,495,085</b>	<b>96,575,381</b>
<b>Liabilities and equity, gross .....</b>		<b>155,065,197</b>	<b>176,918,444</b>

	Disclosure
Disclosure of scope and nature of derivative financial instruments .....	13

# Statement of changes in equity 1 Jan 2016 - 31 Dec 2016

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
	kr.	kr.	kr.	kr.
Equity, beginning balance .....	6,500,000	68,883,937	0	75,383,937
Increase (decrease) of equity through changes in accounting policies .....		-1,287,874		-1,287,874
Net adjustments of hedging instruments .....		-253,857		-253,857
Profit (Loss) .....		-25,471,853	17,000,000	-8,471,853
Equity, ending balance .....	6,500,000	41,870,353	17,000,000	65,370,353

Equity beginning balance of DKK 75,384k shows the equity at 31st of december 2015 from the annual report 2015. After 1,288k in decrease of equity through changes in accounting policies regarding group investments, the equity at 31st of december 2015 is recognised at DKK 74,096k.

Net adjustments of hedging instruments consists of DKK 325k in changes in hedge accounting instruments and DKK 71k in deferred taxes regarding this change.

# Disclosures

## 1. Revenue

	<b>2016</b>	<b>2015</b>
	<b>kr.</b>	<b>kr.</b>
Sale of sewer cleaning units	315,421,429	360,569,377
Sale of spare parts and service for sewer cleaning units	51,573,169	53,596,003
Other sales	2,174,607	2,475,170
	<u>369,169,205</u>	<u>416,640,550</u>
Denmark	112,961,285	135,155,880
EU	227,008,257	251,948,098
Other countries	29,199,663	29,536,572
	<u>369,169,205</u>	<u>416,640,550</u>

## 2. Employee expense

	<b>2016</b>	<b>2015</b>
	<b>kr.</b>	<b>kr.</b>
Wages and salaries	84,737,127	77,963,298
Post employment benefit expenses	5,990,429	5,425,508
Social security contributions	1,888,329	1,481,383
	<u>92,615,885</u>	<u>84,870,189</u>

<b>Average number of employees</b>	<b>193</b>	<b>178</b>
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### Remunerating of management:

Total amount for all management categories	<u>16,562,193</u>	<u>2,890,618</u>
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**3. Other finance income**

	<b>2016</b>	<b>2015</b>
	<b>kr.</b>	<b>kr.</b>
Change in impairment of receivables from group entities	1,700,248	0
Other financial income from group entities	203,558	775,557
Other financial income	6,230	2,302,114
	<u>1,910,036</u>	<u>3,077,671</u>

**4. Other finance expenses**

	<b>2016</b>	<b>2015</b>
	<b>kr.</b>	<b>kr.</b>
Change in impairment of receivables from group entities	0	597,098
Other financial expenses from group entities	25,684	58,478
Other financial expenses	2,747,198	7,020,340
	<u>2,772,882</u>	<u>7,675,916</u>

**5. Tax expense**

	<b>2016</b>	<b>2015</b>
	<b>kr.</b>	<b>kr.</b>
Current tax	-828,648	7,035,000
Changes in deferred tax	-1,565,639	-623,543
Prior year adjustments	0	-93,128
	<u>-2,394,287</u>	<u>6,318,329</u>

## 6. Intangible assets

	<b>Completed development projects kr.</b>	<b>Acquired intangible assets kr.</b>	<b>Goodwill kr.</b>	<b>Development projects in progress kr.</b>
Cost, beginning of year	11,376,801	6,629,145	5,170,328	1,748,267
Transfer	1,507,243	0	0	-1,507,243
Additions	0	91,805	0	0
Disposals	-4,951,244	0	0	-241.024
<b>Cost, end of year</b>	<b>7,932,800</b>	<b>6,720,950</b>	<b>5,170,328</b>	<b>0</b>
Impairment and amortisation, beginning of year	-7,347,273	-4,331,543	-2,541,959	0
Impairment and amortisation, this year	-1,384,865	-1,316,914	-591,412	0
Disposals	4,540,614	0	0	0
<b>Impairment and amortisation, end of year</b>	<b>-4,191,524</b>	<b>-5,648,457</b>	<b>-3,133,371</b>	<b>0</b>
<b>Carrying value, end of year</b>	<b>3,741,276</b>	<b>1,072,493</b>	<b>2,036,957</b>	<b>0</b>

Completed development projects consists of development of features for sewer cleaning units. The impairment testing of the development costs is based on expectations of future sales of sewer cleaning units. Completed development projects are depreciated over a 5 year period.



## 7. Property, plant and equipment

	Land and buildings	Plants and machinery	Fixtures, fittings, tools and improve- ments equipment	Leasehold improvements
	kr.	kr.	kr.	kr.
Cost, beginning of year	36,899,442	11,092,424	952,055	2,698,007
Increase	63,196	944,946	291,370	160,983
Decrease	0	-319,999	-381,675	0
<b>Cost, end of year</b>	<b>36,962,638</b>	<b>11,717,371</b>	<b>861,750</b>	<b>2,858,990</b>
Impairment losses and depreciation, beginning of year	-17,047,473	-8,979,161	-680,950	-2,136,816
Impairment losses and depreciation, this year	-1,139,970	-970,108	-251,709	-203,288
Reversal on disposal	0	293,721	206,093	0
<b>Impairment losses and depreciation, end of year</b>	<b>-18,187,443</b>	<b>-9,655,548</b>	<b>-726,566</b>	<b>-2,340,104</b>
<b>Carrying value, end of year</b>	<b>18,775,195</b>	<b>2,061,823</b>	<b>135,184</b>	<b>518,886</b>

Plants and machinery includes assets held under finance leases of DKK 214k at 31.12.2016.

## 8. Investments

	<b>Investments in group enterprises kr.</b>	<b>Other receivables kr.</b>
Cost, beginning of year	2,591,421	781,135
Decrease	0	-742,403
Reclassifications	0	784,000
<b>Cost, end of year</b>	<b>2,591,421</b>	<b>822,732</b>
Impairment losses beginning of year	-5	0
Reclassification of impairment	0	-600,000
<b>Net revaluations, end of year</b>	<b>-5</b>	<b>-600,000</b>
<b>Carrying value, end of year</b>	<b>2,591,416</b>	<b>222,732</b>

Other receivables of DKK 784k is due on the balance sheet date, the remaining amount is due when the company decides to move from rented properties.

Investments in group enterprises include:

<b>Name, legal form and homeplace</b>	<b>Ownership</b>	<b>Equity</b>	<b>Profit (loss)</b>
J. Hvidtved Larsen AB, Eslöv, Sweden	100%	4,063,709	526,963
J. Hvidtved Larsen UK Ltd., Coalville, United Kingdom	100%	1,623,081	794,096
J. Hvidtved Larsen US Inc., Chicago, Illinois, USA	100%	388,270	642,588
J. Hvidtved Larsen Australia Pty Ltd, Sydney, Australia	100%	120,604	438,759

## 9. Contributed capital

Share capital consists of 6,500 shares of DKK 1,000.

Shares are not divided into classes.

There has been no changes in the share capital within the last 5 years.

## 10. Provisions for deferred tax

	2016 kr.	2015 kr.
Intangible assets	1,325,806	2,006,000
Property, plant and equipment	1,348,728	1,235,000
Fixed asset investments	0	151,400
Inventories	608,300	545,400
Receivables	-352,623	0
Liabilities other than provisions	-78,358	-25,800
Loss carry forwards	-577,094	0
	<u>2,274,759</u>	<u>3,912,000</u>
Change in deferred tax in income statement		1,565,639
Change in deferred tax in equity		71,602
Total change in deferred tax		<u>1,637,241</u>

## 11. Other provisions

Other provisions consist of guarantee commitments relating to delivered sewer cleaning units. Of the provision costs of DKK 1,755k is expected to occur within the next year. The remaining DKK 1,170k is expected to occur within 2-3 years.

## 12. Long-term liabilities other than provisions, gross

	Total debt, end of year kr.	Repayments, next year kr.	Longterm share kr.	Outstanding debt after 5 years kr.
Mortgage debt	16,694,845	1,723,050	14,971,795	8,290,384
Lease commitments	198,818	95,964	102,854	0
	<u>16,893,663</u>	<u>1,819,014</u>	<u>15,074,649</u>	<u>8,290,384</u>

## 13. Disclosure of scope and nature of derivative financial instruments

The company uses derivative financial instruments for hedging risk on sales and purchase of sewage cleaners in foreign currency. Derivative financial instruments are recognised at fair value under other receivables (Asset) or other payables (Liability).

At year end 31 December 2016 the company holds derivative financial instruments recognised at a value of DKK 548k (Asset). Hereof DKK 332k are deals with the company's bank as counterparty, whereas the remaining DKK 216k are deals with an intercompany counterpart in the Bucher Industries AG Group.

The derivative financial instruments held at 31 December 2016 consist net deals of GBP 10,003k, NOK 4,660k, SEK 3,300k, EUR 2,600k and USD 400k for settlement at DKK 117.190k.

## 14. Disclosure of contingent liabilities

The Company has since the 4th of March 2016 participated in a Danish joint taxation arrangement in which Beam A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is liable for income taxes and obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies .

Buy-back guarantees totalling DKK 26,556k have been provided for sewer cleaning units at 31 December 2016. At 31 December 2015 the buy-back guarantee amounted to DKK 22,452k.

### Rental and lease commitments

A lease has been concluded on premises at Kejstrup Tværvej in Silkeborg. The lease expires on 31 December 2017. The annual lease payment amounts to DKK 608k.

A lease has been concluded on premises at Stagehøjvej in Silkeborg. The lease has a notice of termination of 3 months. The annual lease payment amounts to DKK 150k.

A lease has been concluded on premises in Greve. The lease expires on 1 October 2018. The annual lease payment amounts to DKK 896k.

A lease has been concluded on premises in Nr. Aaby. The lease expires on 31 March 2018. The annual lease payment amounts to DKK 204k.

A lease has been concluded on premises in Roskilde. The lease has a notice of termination of 3 months. The annual lease payment amounts to DKK 43k.

Furthermore, operational lease contracts have been concluded on operating equipment at an annual lease payment of DKK 1,418k and a residual commitment of DKK 2,999k.

## 15. Disclosure of mortgages and collaterals

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property. Mortgage to the mortgagor is registered with a total nominal amount of DKK 19,419k on the property, Lillehøjvej 15, Silkeborg, Denmark.

Bank debt is secured by way of a deposited mortgage deeds registered to the mortgagor of DKK 8,332k nominal and a letter of indemnity of DKK 5,600k nominal, both on the property Lillehøjvej 15, Silkeborg, Denmark.

The carrying amount of Lillehøjvej 15, Silkeborg, Denmark is DKK 18,775k.

Bank debt is also secured by mortgage deed registered to the mortgagor of DKK 1,000k nominal on operating equipment and goodwill. The carrying amount of such equipment and goodwill is DKK 2,172k.

Security has been provided for JHL Holding A/S' bank debt.

Security has been provided for J. Hvidtved Larsen AB's bank debt.

Security has been provided for J. Hvidtved Larsen UK Ltd's bank debt.

## 16. Disclosure of ownership

### Ownership

The company has registered the following shareholders holding more than 5% of the voting rights or nominal value:

JHL Holding A/S, Lillehøjvej 15, 8600 Silkeborg, Denmark.

### Related parties with controlling interest

JHL Holding A/S, Silkeborg, Denmark, has a controlling interest in J. Hvidtved Larsen A/S as a result of its 100% ownership of the company. Bucher Industries Denmark ApS, Them, Denmark has a controlling interest as a result of its ownership of JHL Holding A/S, whereas the ultimate owner is Bucher Industries AG, Niederweningen, Switzerland. Bucher Industries AG's shares are publicly traded at SIX Swiss Exchange .

### Group relations

J. Hvidtved Larsen A/S and it's group investments is included in the consolidated financial statements of Bucher Industries AG, Niederweningen, Switzerland, ISIN CH0002432174. The consolidated financial statements of Bucher Industries AG can be downloaded at the company's website [www.bucherindustries.com](http://www.bucherindustries.com).

## 17. Information on auditors fees

	2016 kr.	2015 kr.
<b>PwC</b>		
Statutory audit services	280,000	0
Other assurance engagements	50,000	0
	<u>330,000</u>	<u>0</u>
<b>Deloitte</b>		
Statutory audit services	0	205,000
Other assurance engagements	11,700	33,500
Tax assistance	30,000	32,500
Other services	702,009	463,514
	<u>743,709</u>	<u>734,514</u>

## 18. Proposed distribution of results

	2016 kr.	2015 kr.
Proposed dividend recognised in equity .....	17,000,000	0
Extraordinary dividend recognised in equity .....	0	15,000,000
Retained earnings .....	-25,471,853	4,558,547
<b>Proposed distribution of profit (loss) .....</b>	<b>-8,471,853</b>	<b>19,558,547</b>