

Danfoss Power Solutions Holding ApS

CVR-no. 20 16 16 12

Nordborgvej 81
6430 Nordborg

Annual Report 2016

Årsrapporten er fremlagt og godkendt på
selskabets ordinære generalforsamling
d. 29. maj 2017.



Tom Andersen
Dirigent

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Statement by the executive and supervisory boards

The Board of Directors and the Executive Board have today discussed and adopted the annual report for 2016 of Danfoss Power Solutions Holding ApS.

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

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Company's financial position at December 31, 2016 and of the results of the Company's activities for the financial year January 1 - December 31, 2016.

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

Nordborg, May 23 2017

Executive Board:



Tom Andersen



Jens Gaarde Gad

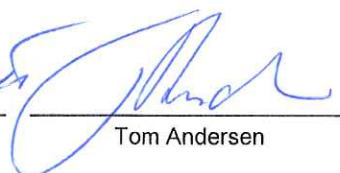
Board of Directors:



Kim Christensen
Chairman



Anders Stahlschmidt



Tom Andersen

Independent auditor's report

To the Shareholders of Danfoss Power Solutions Holding ApS

Opinion

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

We have audited the Financial Statements of Danfoss Power Solutions Holding ApS for the financial year January 1 - December 31, 2016, which comprise summary of significant accounting policies, income statement, balance sheet and notes.

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.

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 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.

Independent auditor's report, continued

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.

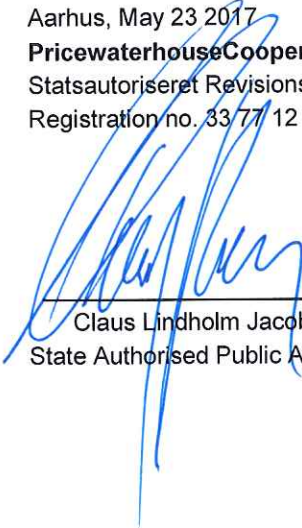
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, May 23 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Registration no. 33 77 12 31



Claus Lindholm Jacobsen

State Authorised Public Accountant



Mads Melgaard

State Authorised Public Accountant

Reports

Company details

Company: Danfoss Power Solutions Holding ApS
Nordborgvej 81
6430 Nordborg

Registration no.: 20 16 16 12
Fiscal year: January 1 - December 31
Registered office: Soenderborg

Board of Directors: Kim Christensen, chairman
Anders Stahlschmidt
Tom Andersen

Executive Board: Tom Andersen
Jens Gaarde Gad

Auditors: PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Jens Chr. Skous Vej 1
8000 Aarhus C

Accounting policies

In general

The annual report of Danfoss Power Solutions Holding ApS has been prepared in accordance with the provisions applying to class B enterprises under the Danish Financial Statements Act.

According to section 112 of the Danish Financial Statements Act, no consolidated financial statements are prepared for Danfoss Power Solutions Holding ApS' subgroup as the subgroup is duly included in the higher-ranking consolidated financial statements.

Recognition and Measurement

Costs incurred to generate annual earnings, include depreciation, amortisation and provisions as well as reversals due to changes in accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the asset value can be measured reliably. Liabilities are recognised in the balance sheet when an outflow of future economic benefits is probably, and the value can be measured reliably. On initial recognition, assets and liabilities are valued at cost. Subsequently, assets and liabilities are measured as described for each item below.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account. Revenue is recognised in income as it is earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost.

Foreign currency translation

During the year transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies, which are not settled at the balance sheet date, are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the exchange rates at the transaction date is recognised in the income statement as financial income or financial expenses.

Income statement

Administrative expenses

Administrative expenses comprise audit expenses incurred during the year etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc. Financial income and expenses are recognised in the income statement at the amounts concerning the financial year.

Dividends from subsidiaries and associates are measured at cost and recognised as financial income in the period when the dividends are declared. To the extent that dividend exceeds accumulated earnings after the acquisition date, the dividends are recognised as a reduction of the cost of investment.

Tax on profit / loss for the year

Tax on profit/loss for the year comprises current tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transaction is recognised directly in equity. The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Accounting policies, continued

Balance sheet

Investment in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. In case of indication of impairment, and impairment test is made. If the recoverable amount is lower than cost, investments are written down to this lower value. Impairments are recognized in the income statement under financial expenses. Reversal of impairments are recognized under financial income.

Receivables

Receivables are measured at amortised cost corresponding to net realisable value.

Amounts owned by group enterprises consist of cash pool balance towards Danfoss A/S.

Joint taxation contribution

Current tax payable and receivable is recognised in the balance sheet as tax calculated on the taxable income, adjusted for tax on prior years' taxable income and for tax paid in advance. The joint taxation balance is reported as amounts owned by or to group enterprises.

Other payables

Other payables, comprising trade payables and other payables, are measured at amortised cost corresponding to net realisable value.

Income statement January 1 - December 31

DKK'000

	Notes	<u>2016</u>	<u>2015</u>
Administrative expenses		<u>-62</u>	<u>-50</u>
Profit/loss before financial items		-62	-50
Financial income	2	64,736	1,031,384
Financial expense	3	<u>-50</u>	<u>-370</u>
Profit/loss before tax		64,624	1,030,964
Tax on the profit/loss for the year		<u>-231</u>	<u>-379</u>
Profit/loss for the year		<u>64,393</u>	<u>1,030,585</u>
Proposed profit appropriation			
Retained earnings		<u>64,393</u>	<u>1,030,585</u>
Total		<u>64,393</u>	<u>1,030,585</u>

Balance sheet as of December 31

Assets

DKK'000

	Notes	<u>2016</u>	<u>2015</u>
Non-current assets			
Investments			
Investments in subsidiaries		1,097,563	1,097,563
Investments in associates		12,294	12,294
Total investments		<u>1,109,857</u>	<u>1,109,857</u>
Total non-current assets		<u>1,109,857</u>	<u>1,109,857</u>
Current assets			
Receivables			
Amounts owned by group enterprises		821,216	764,756
Total receivables		<u>821,216</u>	<u>764,756</u>
Cash at bank and in hand		<u>0</u>	<u>572</u>
Total current assets		<u>821,216</u>	<u>765,328</u>
Total assets		<u><u>1,931,073</u></u>	<u><u>1,875,185</u></u>

Balance sheet as of December 31

Equity and liabilities

DKK'000

	Notes	<u>2016</u>	<u>2015</u>
Equity			
Share capital		254,514	254,514
Retained earnings		<u>1,676,509</u>	<u>1,612,117</u>
Total equity		<u>1,931,023</u>	<u>1,866,631</u>
Liabilities			
Current liabilities other than provisions			
Amounts owed to group enterprises		0	8,504
Other payables		<u>50</u>	<u>50</u>
Total liabilities other than provisions		<u>50</u>	<u>8,554</u>
Total equity and liabilities		<u><u>1,931,073</u></u>	<u><u>1,875,185</u></u>

Contractual obligations and contingencies, etc.

4

Group information

5

Subsequent events

6

Notes

DKK'000

1 Business area

The prime objective of Danfoss Power Solutions Holding ApS is to lead the financing and provide the stewardship function for the European and Asia-Pacific subsidiaries in the Danfoss Power Solutions Group. Accordingly, Danfoss Power Solutions Holding ApS has no employees, operations or sales.

	<u>2016</u>	<u>2015</u>
2 Financial income		
Interest income from group enterprises	1,126	2,034
Foreign exchange adjustment	23	0
Dividends from group enterprises	<u>63,587</u>	<u>1,029,350</u>
Total financial income	<u>64,736</u>	<u>1,031,384</u>
3 Financial expenses		
Interest expense to group enterprises	0	292
Interest expense and bank charges	<u>50</u>	<u>78</u>
Total financial expenses	<u>50</u>	<u>370</u>

4 Contractual obligations and contingencies, etc.

The Company is jointly taxed with other Danish companies in the Danfoss Group. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

5 Group information

Danfoss A/S, with registered office in Soenderborg municipality and registration no. 20165715, prepares the consolidated financial statements in which the Company is included as a subsidiary.

6 Subsequent events

Subsequent to December 31, 2016 there has been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the Annual Report.