

Cipp Technology Holding ApS

Gersonsvej 7
2900 Hellerup
Central Business Registration No
24221458

Annual report 2016/17

The Annual General Meeting adopted the annual report on 05.10.2017

Chairman of the General Meeting

Name: Jacob Østergaard Bergenholtz

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Entity details

Entity

Cipp Technology Holding ApS
Gersonsvej 7
2900 Hellerup

Central Business Registration No: 24221458
Registered in: Hellerup
Financial year: 01.05.2016 - 30.04.2017

Board of Directors

John Staunberg Dueholm, Chairman
Jacob Østergaard Bergenholtz
Jesper Wadum Nielsen
Ivan Bjerg-Larsen
Petra Margareta Ellegaard Helfferich

Executive Board

Jacob Østergaard Bergenholtz

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Cipp Technology Holding ApS for the financial year 01.05.2016 - 30.04.2017.

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 Entity's financial position at 30.04.2017 and of the results of its operations for the financial year 01.05.2016 - 30.04.2017.

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

We recommend the annual report for adoption at the Annual General Meeting.

Hellerup, 05.10.2017

Executive Board

Jacob Østergaard Bergenholtz

Board of Directors

John Staunsberg Dueholm
Chairman

Jacob Østergaard Bergenholtz

Jesper Wadum Nielsen

Ivan Bjerg-Larsen

Petra Margareta Ellegaard
Helfferich

Independent auditor's report

To the shareholders of Cipp Technology Holding ApS

Opinion

We have audited the financial statements of Cipp Technology Holding ApS for the financial year 01.05.2016 - 30.04.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 30.04.2017 and of the results of its operations for the financial year 01.05.2016 - 30.04.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 05.10.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jacob Nørmark
State Authorised Public Accountant

Lars Andersen
State Authorised Public Accountant

Management commentary

Primary activities

The activities of the Company consist in commercial, investment and consultancy activities. The activities can be exercised directly or through capital investments in other enterprises.

Development in activities and finances

The income statement for the period 01.05.2016 – 30.04.2017 showed a profit of DKK 20.406.312 against DKK 4.881.011 for the period 01.01.2016 – 30.04.2016.

Management considers result of the year to be satisfactory.

Outlook

The Group expects a positive development of the activities and financial performance for the coming financial year.

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.

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Gross profit		28.308.782	7.800.899
Staff costs	1	(4.830.743)	(1.985.799)
Depreciation, amortisation and impairment losses		<u>(834.469)</u>	<u>(410.001)</u>
Operating profit/loss		22.643.570	5.405.099
Income from investments in group enterprises		776.647	238.393
Other financial income		3.322.524	555.167
Other financial expenses		<u>(799.078)</u>	<u>(36.091)</u>
Profit/loss before tax		25.943.663	6.162.568
Tax on profit/loss for the year	2	<u>(5.537.351)</u>	<u>(1.281.557)</u>
Profit/loss for the year		20.406.312	4.881.011
Proposed distribution of profit/loss			
Extraordinary dividend distributed in the financial year		35.000.000	0
Transferred to reserve for net revaluation according to the equity method		(31.920.788)	(262.999)
Retained earnings		<u>17.327.100</u>	<u>5.144.010</u>
		20.406.312	4.881.011

Balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Completed development projects		4.981.036	4.794.482
Acquired rights		94.887	170.972
Intangible assets	3	<u>5.075.923</u>	<u>4.965.454</u>
Plant and machinery		0	2.341.254
Other fixtures and fittings, tools and equipment		0	82.113
Property, plant and equipment	4	<u>0</u>	<u>2.423.367</u>
Investments in group enterprises		25.642.267	44.599.526
Receivables from group enterprises		5.210.800	3.247.044
Fixed asset investments	5	<u>30.853.067</u>	<u>47.846.570</u>
Fixed assets		<u>35.928.990</u>	<u>55.235.391</u>
Manufactured goods and goods for resale		2.190.334	1.578.769
Inventories		<u>2.190.334</u>	<u>1.578.769</u>
Trade receivables		5.651.570	5.872.862
Receivables from group enterprises		47.678.819	36.937.052
Other receivables		932.966	1.144.954
Receivables		<u>54.263.355</u>	<u>43.954.868</u>
Cash		<u>806.061</u>	<u>3.381.173</u>
Current assets		<u>57.259.750</u>	<u>48.914.810</u>
Assets		<u>93.188.740</u>	<u>104.150.201</u>

Balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Contributed capital		125.000	125.000
Reserve for net revaluation according to the equity method		7.828.980	39.917.688
Retained earnings		<u>43.845.655</u>	<u>26.518.555</u>
Equity		<u>51.799.635</u>	<u>66.561.243</u>
Deferred tax		<u>1.382.000</u>	<u>1.304.000</u>
Provisions		<u>1.382.000</u>	<u>1.304.000</u>
Bank loans		19.879.476	21.047.046
Trade payables		6.740.536	2.677.356
Payables to group enterprises		5.762.181	337.587
Income tax payable		6.599.707	11.487.174
Other payables		<u>1.025.205</u>	<u>735.795</u>
Current liabilities other than provisions		<u>40.007.105</u>	<u>36.284.958</u>
Liabilities other than provisions		<u>40.007.105</u>	<u>36.284.958</u>
Equity and liabilities		<u>93.188.740</u>	<u>104.150.201</u>
Unrecognised rental and lease commitments	6		
Contingent liabilities	7		
Mortgages and securities	8		
Related parties with controlling interest	9		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	125.000	39.917.688	26.518.555	0
Extraordinary dividend paid	0	0	0	(35.000.000)
Exchange rate adjustments	0	(167.920)	0	0
Profit/loss for the year	0	(31.920.788)	17.327.100	35.000.000
Equity end of year	125.000	7.828.980	43.845.655	0
				Total DKK
Equity beginning of year				66.561.243
Extraordinary dividend paid				(35.000.000)
Exchange rate adjustments				(167.920)
Profit/loss for the year				20.406.312
Equity end of year				51.799.635

Notes

	2016/17	2015/16
	DKK	DKK
1. Staff costs		
Wages and salaries	4.681.086	1.945.396
Other social security costs	11.983	2.084
Other staff costs	137.674	38.319
	4.830.743	1.985.799
Average number of employees	4	
	2016/17	2015/16
	DKK	DKK
2. Tax on profit/loss for the year		
Tax on current year taxable income	5.459.351	1.140.356
Change in deferred tax for the year	78.000	141.201
	5.537.351	1.281.557
	Completed develop- ment projects DKK	Acquired rights DKK
3. Intangible assets		
Cost beginning of year	8.260.496	659.978
Additions	1.096.203	0
Cost end of year	9.356.699	659.978
Amortisation and impairment losses beginning of year	(3.466.014)	(489.006)
Amortisation for the year	(909.649)	(76.085)
Amortisation and impairment losses end of year	(4.375.663)	(565.091)
Carrying amount end of year	4.981.036	94.887

Notes

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
4. Property, plant and equipment		
Cost beginning of year	2.754.205	368.272
Disposals	(2.754.205)	0
Cost end of year	0	368.272
Depreciation and impairment losses beginning of the year	(412.951)	(286.159)
Depreciation for the year	(91.866)	(82.113)
Reversal regarding disposals	504.817	0
Depreciation and impairment losses end of the year	0	(368.272)
Carrying amount end of year	0	0
	Investments in group enterprises DKK	Receivables from group enterprises DKK
5. Fixed asset investments		
Cost beginning of year	4.681.838	3.247.044
Exchange rate adjustments	(267.959)	0
Additions	13.399.408	1.963.756
Cost end of year	17.813.287	5.210.800
Revaluations beginning of year	39.917.688	0
Exchange rate adjustments	100.049	0
Share of profit/loss for the year	3.851.834	0
Adjustment of intra-group profits	(3.075.187)	0
Dividend	(35.054.164)	0
Investments with negative equity depreciated over receivables	2.088.760	0
Revaluations end of year	7.828.980	0
Carrying amount end of year	25.642.267	5.210.800

Notes

	<u>Registered in</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:		
iMPREG USA Inc.	USA	100,0
Trenchless Consulting GmbH	Germany	100,0
iMPREG GmbH	Germany	100,0
iMPREG (Suzhou) Co. Ltd.	China	100,0
	<u>2016/17</u>	<u>2015/16</u>
	<u>DKK</u>	<u>DKK</u>
6. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	<u>229.520</u>	<u>374.480</u>

7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Anpartsselskabet af 16. November 2015 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Company is jointly registered for VAT with Cipp Technology Solutions A/S and thus jointly and severally liable for payment of VAT, cf. the Danish VAT Act.

8. Mortgages and securities

Bank debt is secured by way of letters of indemnity (floating charge) of DKK 3.000k on receivables.

9. Related parties with controlling interest

Cipp Technology Solutions A/S has controlling interest as Cipp Technology Solutions A/S holds all shares in the Company.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Non-comparability

Last year the Company changed its financial year. As the comparative figures cover a transition period from 01.01.2016 – 30.04.2016, the figures for 2016/17 are not directly comparable to the figures for 2016.

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 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.

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 rate 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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales and other external expenses.

Accounting policies

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.

Other operating income

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

Cost of sales

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

Other 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.

Staff costs

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

Depreciation, amortisation 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.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises as well as net capital gains on transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses etc.

Tax on profit/loss for the year

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.

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

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. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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:

Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Inventories

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

Cost consists of purchase price plus delivery costs.

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

Cash

Cash comprises bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets 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 financial liabilities

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

Income tax receivable or payable

Accounting policies

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