SPXFLOW

SPX Flow Technology Danmark A/S
Pasteursvej 1
8600 Silkeborg

Central Business Registration No 24 73 00 18

Annual report 2017

The Annual General Meeting adopted the annual report on 4 June 2018

Chairman of the General Meeting

Stephen Athan Tsoris

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Please note that English decimal and digit grouping symbols have been used in the financial statements.

Company details

Company

SPX Flow Technology Danmark A/S
Central Business Registration No: 24 73 00 18
Registered in: Silkeborg

Phone: +45 70 278 278
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Internet: www.spxflow.com

Board of Directors

Stephen Athan Tsoris, Chairman
Jeremy Wade Smeltser
Didde Nonbo Kristiansen
Jan Okholm Sørensen *(elected by the employees)*
Lars Holger Lycke Gad *(elected by the employees)*

Executive Board

Michael Vembye

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SPX Flow Technology Danmark A/S (the "Company") for the financial year 1 January - 31 December 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 Company's financial position at 31 December 2017 and results of operations for the financial year 1 January - 31 December 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.

Silkeborg, 4 June 2018

Executive Board

Michael Vembye
Chief Executive Officer

Board of Directors

Stephen Athan Tsoris
Chairman

Jeremy Wade Smeltser

Didde Nonbo Kristiansen

Jan Okholm Sørensen

Lars Holger Lycke Gad

Independent auditor's report

To the shareholders of SPX Flow Technology Danmark A/S

Opinion

We have audited the financial statements of SPX Flow Technology Danmark A/S for the financial year 01.01.2017 - 31.12.2017, 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 31-12-2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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 exits. 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:

- 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.

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.

Copenhagen, 4 June 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Max Damborg
State Authorised Public Accountant
Identification number (MNE)33772

Kåre Konge Breindal
State Authorised Public Accountant
Identification number (MNE)40761

Management commentary

Key figures (in DKK millions):	2017	2016	2015	2014	2013
Income statement					
Revenue	1,078.7	1,122.5	1,303.5	1,406.6	1,472.1
Gross profit	161.2	179.3	296.8	226.3	164.6
Operating profit/loss	(74.6)	(93.7)	(7.6)	(43.0)	(95.9)
Net financials	(4.4)	(2.0)	(2.1)	(2.1)	1.5
Net profit/loss for the year	(60.8)	(100.6)	(1.5)	(24.9)	(94.8)
Balance sheet					
Balance sheet total	717.4	785.6	908.8	946.6	1,023.0
Shareholders' equity	194.9	257.2	317.3	318.8	343.7
Investment in tangible fixed assets	0.2	4.6	6.2	4.2	3.3
Employees					
Average number of full-time employees	392	482.0	538	563	586
Ratios:					
Gross margin	14.9%	16.0%	22.8%	16.1%	11.2%
Equity ratio	27.2%	32.7%	34.9%	33.7%	33.6%

Key figures for 2016 and 2017 are not comparable to 2013 – 2015 due to the merger of SPX Flow Technology Danmark A/S and SPX Flow Technology Copenhagen A/S as of 1 January 2016 and the merger of SPX Flow Technology Danmark A/S and SPX Denmark Holding as of 1 January 2017. Key Figures for 2012-2015 comprises only of SPX Flow Technology Danmark A/S activities.

Management commentary

Primary activities

SPX Flow Technology Danmark A/S (the "Company") is part of the Food & Beverage (engineering activity) and Industrial (Heat exchanger activity) segments of SPX FLOW based in Charlotte, North Carolina, U.S.

The Company provides innovative process solutions (the Engineering activity), products, spares and services for the global food, pharmaceutical, marine and chemical industries. Plate heat exchangers was 1st half year 2017 still being produced at the Company's factory in Kolding (the Production activity).

As part of SPX FLOW, the Company combines expertise in process technology, selected products and automation systems.

The Company offers a wide range of services, with the goal of providing optimal support to maximise customer plant performance and thereby obtain a higher return on the invested capital for customers.

With effect from 1 January 2017 SPX Flow Technology Danmark A/S merged with its Holding company SPX Denmark Holdings ApS.

Market review

The Company is a leading global supplier of engineered flow components, process equipment, turn-key systems and related aftermarket parts and services.

By knowledge sharing within innovation, commercial sales, execution, production and aftermarket services we serve multi-national, regional and local customers with our strong brands and high quality products globally.

Development in the financial year

The gross profit for 2017 has declined compared to prior year. The main reasons for this is challenged execution for a specific project, a planned and compensated transfer of production activity with related internal order & revenue to Intercompany, and an increased order intake too late in the year to manifest in 2017.

Selling and administration expenses has been reduced, due to finalization of planned restructurings and implementation of SPX flow strategy on becoming one operating company

In the Anhydro space, Dairy powder prices continued to increase in 2017, and the expected positive market conditions for all industry segments turned in a significantly improved order intake in end of 2017. Although not in turn to also positively impact the revenue for the year, the increased order intake provide backlog for a positive future Outlook.

In the Wet space, there was a slower ramp-up beginning 2017 than expected, which negatively impacted the 2nd half year performance and as such generating a lower revenue than expected. In the end of 2017, the order in-take increased as expected, and with the 2017 resource adjustments, the manufacturing facility is out-looking a positive 2018.

In October 2015 it was announced that manufacturing of plate heat exchanges in Kolding was to be ceased during 2016, but which lingered on into 2017. Future production of plate heat exchangers will take place in Poland and China, and Hybrid welded heat exchangers has been moved to Goldsboro in the US, whereas the Kolding operation as set-up end 2017 will continue supporting the current customer base. The transfer was finalized first half of 2017, eliminating intercompany revenue in Danish plate heat exchanges space.

In 2017 different restructuring initiatives was carried out as part of our strategy to become one operating company by optimizing resources in High Value Centers and streamline functional support across countries. This has resulted in a headcount reduction of approximately 20 employees in 2017.

Outline of the year – and follow-up on past years' expected development

The Company realized a slightly lower revenue than the previous year.

Compared to last year, the net loss has improved, due to finalization of planned restructurings and implementation of SPX flow strategy on becoming one operating company. Further, the company received 17,7m DKK in dividends from subsidiaries.

Operating results have improved from DKK -93.7m to DKK -74.6m.

Loss for the year totals DKK 60.8m. The result is poorer than expected and is not considered satisfactory.

Uncertainties in the recognition and measurement

The activities of the Engineering facility are characterized by a number of ongoing projects of various size and complexity. Work in progress is recognized at estimated sales value calculated on the basis of the assessed degree of completion among others. The determination of the sales value is based on an estimate, and therefore there is uncertainty in the measurement.

Also, the Company is a party in matters based on legal disputes. On the determination of any liabilities or damages, significant estimates are involved. Management believes that the annual report reflects the best estimate of liabilities.

The annual report is prepared under various assumptions involving accounting estimates. These estimates are made by Management in accordance with accounting policies and based on historical experience and assumptions which management considers to be sound and reasonable.

The areas involving a high degree of assessment and complexity, and areas where assumptions and estimates are significant to the accounts are as follows:

- The Company has recognized goodwill and know-how for a total of kDKK 125,581 book value in connection with the acquisition of the Anhydro activity in 2010. Goodwill and know-how are amortised over their expected lifetime. Additionally, a regular evaluation is made to determine any indication for the need to write-down the value of the assets. The assessment of any need to write-down the value is naturally subject to a certain degree of uncertainty.

- The Company has included work in progress with expected sales value in relation to the project's degree of completion, less on account invoicing. The Company has work in progress, spreading over several accounting periods. Unforeseen future circumstances may thus affect the measurement of such works both positively and negatively. The Company's work in progress estimated at gross sales value is kDKK 2,011,862 per 31.12.2017.

Capital position and resources

The Company's equity amounts to DKK 194.9m resulting in an equity ratio of 27,2%. Management sees the current capital as sufficient.

Particular risks

Operations

Based on recent years' negative experience from a few large projects, the Company has focused on ensuring a better understanding of their related risks. The Company has also worked in a structured manner to reduce these risks before the conclusion of such contracts. An important part of this work is to ensure sustainable resources for commissioning of these projects either through employments or temporary contracts.

The Company still has a number of projects in progress that are naturally affiliated with a number of risks of both an operational and contractual nature. As a result, the work to improve existing processes will continue.
Management believes that adequate provisions have been made for both operational risks and current contractual disputes.

Market risks

The global stabilization on the financial markets has increased customers' willingness to invest. The Company's activities has increased during 2017, with an increased order in-take in the end of the year.
Our 2017 result reflect the impact of a still challenging economic environment in the beginning of 2017.
In 2018, we anticipate growth across our key end markets and in our different business spaces..

Exchange rate risk

The Company aims to reduce exchange rate risks through trading in EUR. For trades settled in USD, the Company attempts to hedge the exchange rate risk by purchasing and incurring other expenses in USD. Other exchange rate transactions are optimized at the SPX Flow level and are not a separate discipline for the Company.

Credit risk

The Company is not exposed to any major risks from a single customer or business partner.

It is Company policy to rate and hedge all large customers through prepayments or other security.

Strategy and objectives

Over the past 2 years, SPX Flow has on a Global scale transitioned to a customer-focused operating structure and unlocked our potential for growth and improvement.

In Q1 2016, SPX FLOW launched a global cost reduction initiative targeting USD 110m reduction in cost structure by end of 2017. No isolated targets was set forth for SPX Flow Denmark Technology A/S, but different initiatives has been implemented during 2017 with focus on:

- Reduction of cost overruns on project execution
- Significant order growth
- Improving working capital
- Streamlining of back-office functions

The Company supported SPX FLOW Strategic Enterprise initiatives for 2017:

- See the world through our customers eyes
- Execute better than anybody else
- Create a great place to work

Workstreams for 2017:

- Build intimate customer relationships and grow market share
- Realign global footprint
- Streamline organization and business processes
- Improve working capital performance
- Engage and develop employees

The company supports the SPX FLOW Enterprise strategy for 2018 which is focused on growth and improvements, as well as creating value as a high performing operating Enterprise with focus:

- Winning culture
- Team focused
- Customer centric
- Proven system
- Accountable
- Sustainable, high performance

Objectives and expectations for the coming year

In 2018, we anticipate growth across our key end markets and in our different business spaces. Our expectations for 2018 is a balanced growth in order intake, increased revenue and a high activity level in our manufacturing plant.

We will strive to be the life-cycle partner to our customers from the initial installation of our products, to operating those products efficiently and providing first class customer service. Our focus will also remain on continues improvement.

For 2018, the expected operating profit is at a level between DKK 0 – DKK 5m.

Development activities

Research and Development activities are conducted in the Global Design Centre business units. New upgrades and improvements of our strong brand portfolio are launched continuously. The development activities are coordinated with activities in other SPX Flow Technology companies which provide increased advantages as to execution support and market introduction of new products.

Knowledge resources

The Company is continuously working on maintaining and developing required competencies. In addition, the Company will benefit from access to a high level of knowledge from other parts of SPX Flow Technology and other SPX Flow companies in order to minimize knowledge risk.

Environmental performance

The Company will continue its strong effort regarding the environment, health and safety to continuously improve and secure staff conditions, to minimize any environmental impact from the Company's activities, as well as to strengthen its profile with customers and the local community.

Corporate social responsibility

Gender composition in management positions

The Board of Directors of SPX Flow Technology Danmark A/S has adopted the following policies on and objectives for the underrepresented gender in management positions:

Target figures for the underrepresented gender in the Board of Directors

Competencies, international experience and diversity are taken into account when nominating new members to the Board of Directors of SPX Flow Technology Danmark A/S. The Board of Directors is appointed by the shareholder, subject to local law. It is the objective of SPX Flow Technology Danmark A/S to continuously have one female board member on the board.

Target figures for the underrepresented gender at other management levels

Other management levels at SPX Flow Technology Danmark A/S consist of the corporate management team and the Danish management team. The policy is to ensure that the number of female representatives in the general management is at any time not lower than the representation of females in general in the company. The target is a female vs. male managers split at 25% / 75% by January 1, 2018. It is the intention to take gender considerations as well as qualifications into account in conjunction with appointments for management positions.

It is the overall SPX Flow policy to hire the most qualified person for the job. Overall employment selection and all other employment decisions are made without regard to race, color, religion, national origin, gender, disability, age, veteran status, or any other reason prohibited by law.

However in order to meet the objective of this local policy, including increasing the number of female managers, the following number of initiatives are taken to increase the number of female job applicants and hence the pool of qualified female candidates:

- Encouragement of both female and male candidates to apply for all positions specified in all internal and external job ads.
- Minimum market conditions related to maternity leave/parental leave.
- Defined that for all open management positions the field of candidates shall consist of candidates from both genders if candidates from both genders have applied and have the necessary qualifications.
- When external recruiting vendors are used for recruiting management positions they will be asked to search for and present relevant candidates of both genders.

At the end of 2017 the split between female and male managers are 22% / 78% this is an increase in female managers of 3% points during 2017. We will continue to work on reaching our target at 25% female managers in 2018.

Other policies

The SPX FLOW, Inc. Group, which the Company is a part of, is committed to operating the businesses throughout the world in a manner that reflects the highest standards of ethics and integrity and meets or exceeds applicable environmental, health and safety laws and regulations. The Group values continuous improvement in their ongoing efforts to implement and communicate effective management systems that help us protect our environmental, health and safety interests, as well as protect human rights. The Group is committed to endeavoring to decrease the use of virgin materials, consume less energy, reduce waste, minimize packaging materials and produce energy-efficient, durable and recyclable products. By integrating environmental, health and safety considerations into strategic decision-making and planning processes, and proactively developing and advancing innovative processes will enable us to excel in health and safety performance.

Apart from the above the Company has not prepared or implemented further policies for corporate social responsibility.

During 2017 a global EHS Leadership education programme was initiated, which will continue in 2018. Also a new EHS system is under development, as well as a new Risk Management assessment is under roll-out. In our Soeborg Innovation centre, a work place risk assessment has been initiated in 2017, which will continue throughout 2018.

ISO

The Company is ISO 9001/2008 certified.

Events after the balance sheet date

No events have occurred after the balance sheet date that would influence the view of the income statement and/or balance sheet or require additional disclosure in the notes.

Accounting policies

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Referring to section 112(2 and 3) of the Danish Financial Statements Act, SPX Flow Technology Danmark A/S has not prepared any consolidated financial statements. According to the Financial Statements Act § 86 paragraph. 4, the company has not prepared a cash flow statement, as this is included in the consolidated cash flow statement of SPX Flow, Inc., a company registered in the United States of America.

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

Recognition and measurement

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

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

Liabilities are recognized in the balance sheet when the Company 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 Company, and the value of the liabilities 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.

Foreign currency transactions and 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 recognized 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 transaction day rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognized directly in equity.

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.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. Income statement transactions are translated at the average rates of the months; however, transactions derived from non-monetary assets and liabilities are translated using the transaction day rates applicable to the relevant non-monetary items.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognized asset or a recognized 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 recognized directly in equity. When the hedged transactions are realised, the accumulated changes are recognized as part of the 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 recognized currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments obtained for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

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

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales comprises direct and indirect costs incurred to earn revenue. In cost of sales, commercial businesses recognise consumption of goods whereas manufacturing businesses recognise costs of raw materials, consumables and production staff as well as depreciation.

Cost of sales concerning contract work in progress is recognized as incurred.

Cost of sales also includes research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortization of recognized development projects. In addition, provisions for losses on contract work in progress are recognized.

Distribution costs

Distribution costs comprise costs incurred for distribution of goods sold and also for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortization.

Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the administrative staff and Management, stationery and office supplies as well as depreciation and amortization.

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, interest on payables and transactions in foreign currencies.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly to equity. The portion of tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

Deferred tax is recognized 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 carry forwards, are recognized in the balance sheet at their estimated realizable value, either as a offset against deferred tax liabilities or as net tax assets.

The Company is jointly taxed with all of its Danish group companies. Current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

A deferred tax asset can be computed based on the Company's tax loss. This contingent asset is not recognized in the balance sheet, as the tax loss is not expected to be utilised within the foreseeable future.

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 amortization period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortization 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.

Other Intangible assets

Know-how is recognized as an asset in connection with acquisitions as an identifiable asset in connection with the purchase price. Know-how is amortized linearly over the estimated useful life determined on the basis of management expectations for the acquired Company. The amortization period is usually 5 years, but may in some cases represent up to 20 years for strategic acquisitions if the longer amortization period is considered to better reflect the value of that asset. Amortization on know-how is recognized in income during production and project costs.

Licenses and other intangible assets are recognized as assets in connection with acquisitions as an identifiable asset in connection with the purchase price. Licenses and other intangible assets are amortized linearly over the estimated useful lives and are determined based on management's expectations for the acquired Company. The amortization period reflects management's assessment of the useful life of the asset and accounts for 2.5 years.

Amortization on the back-log is recognized in income during production and project cost, while amortization of purchased licenses is recognized in income under selling expenses.

Property, plant and equipment
Leasehold improvements, plant and machinery as well as other fixtures and fittings and 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. For Company-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 the present value of future lease payments.

Interest expenses on loans for financing the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other financing costs are recognized in the income statement.

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:

Leasehold improvements	5-10 years
Plant and machinery	3-20 years
Other fixtures and fittings, tools and equipment	3-10 years

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

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

Investments in subsidiaries
Investments in subsidiaries are recognized at cost. Dividends are recognized in the income statement when declared.

If the acquisition price exceeds the fair market value of the capital investment, it is written down to the specific lower value. Any payment of dividends exceeding the total net income in the subsidiaries since the acquisition of capital shares is considered as an indication of impairment.

Subsidiaries with negative equity are measured at DKK 0, and any receivable from these enterprises is written down by the Company's share of the negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Mergers
In connection with the merger of SPX Flow Technology Danmark A/S and SPX Denmark Holdings ApS with effect from 1 January 2017.

The merger is completed using the Book Value Method, as it is a merger of two companies with the same controlling interest.

The Book Value Method causes that the book value of the companies assets and liabilities are not revaluated at the time of the merger, and as such, no additional values or goodwill arrises, and comparative figures are not adjusted.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realizable 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 of 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 realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale.

Contract work in progress
Contract work in progress with an estimated period less than 3 months is measured at cost plus production overheads.

Other contract work in progress is measured at the selling price of the work carried out at the balance sheet date less reservations. The value is calculated on the basis of the stage of completion at the balance sheet date and the total expected income from the contract in question. The stage of completion is calculated on the basis of the costs incurred relative to the expected total costs.

Write-downs for losses are calculated as the total expected loss on the contract irrespective of the stage of completion.

The value of the individual contracts, less prepayments, is classified under 'Receivables' if the amounts are positive and under 'Payables' if the amounts are negative.

Costs of sales work and of securing contracts as well as financing costs are recognized in the income statement as incurred.

Receivables
Receivables are measured at amortised cost, usually equaling nominal value less provisions for bad debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividends
Dividends are recognized as a liability at the time of declaration at the general meeting. The proposed dividends for the financial year are disclosed as a separate item in equity.

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

Other provisions comprise anticipated loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognized 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.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Lease commitments
Lease commitments relating to assets held under finance leases are recognized 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 recognized in the income statement as a financial expense over the term of the leases.

Lease payments on operating leases are recognized 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 received income for recognition in subsequent financial years. Prepayments are measured at cost.

Related parties

SPX Flow Technology Danmark A/S's related parties include:

Controlling interest

The principal shareholder is disclosed in note 22

Transactions with related parties

SPX Flow Technology Danmark A/S did not carry out any substantial transactions with related parties that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios		**Calculation formula**
Gross margin (%)	=	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Equity ratio (%)	=	$\frac{\text{Equity x 100}}{\text{Total assets}}$

Segment information

The Company operates within two business segments, engineering business and production business. The revenue on these segments and on geographical segments is shown in note 2.

Income statement 1 January to 31 December

	Notes	2017 DKK'000	2016 DKK'000
Revenue	2	1,078,722	1,122,524
Production costs and project costs	3, 4	(917,519)	(943,193)
Gross profit/(loss)		**161,203**	**179,331**
Selling expenses	3, 4	(120,743)	(141,280)
Administrative expenses	3, 4	(115,034)	(131,759)
Profit/(loss) from primary activities		**(74,574)**	**(93,708)**
Profit/loss from investments in subsidiaries	5	17,747	-
Financial items	6	(4,421)	(1,998)
Profit/(loss) before tax		**(61,248)**	**(95,706)**
Income taxes	7	442	(4,872)
Profit/(loss) for the year		**(60,806)**	**(100,578)**
Proposed distribution of profit:			
Retained earnings		**(60,806)**	**(100,578)**

Balance sheet at 31 December

	Notes	2017 DKK'000	2016 DKK'000
Goodwill		75,996	82,008
Know-how		56,174	64,707
Software		942	1,649
Intangible assets	8	**133,112**	**148,364**
Leasehold improvements		5,586	9,591
Plant and machinery		38,653	47,776
Other fixtures and fittings, tools and equipment		37	62
Fixed assets in progress		312	198
Property, plant and equipment	9	**44,588**	**57,627**
Investments in subsidiaries		1,231	1,231
Fixed asset investments	10	**1,231**	**1,231**
Fixed assets		**178,931**	**207,222**
Inventories	11	**74,417**	**96,037**
Trade receivables		119,440	114,743
Contract work in progress	12	49,398	46,853
Receivables from group enterprises		227,333	71,106
Other receivables		19,057	10,750
Prepayments	13	18,949	25,660
Receivables		**434,177**	**269,112**
Cash		**29,886**	**213,205**
Current assets		**538,480**	**578,354**
ASSETS		**717,411**	**785,576**

Balance sheet at 31 December *(continued)*

	Notes	2017 DKK'000	2016 DKK'000
Share capital	14	221,000	221,000
Retained earnings		(26,060)	36,189
Equity		**194,940**	**257,189**
Provisions for guarantees		5,815	14,592
Other Provisions		4,938	9,123
Provisions	15	**10,753**	**23,715**
Prepayments received from customers		208,231	297,409
Group enterprises		128,139	59,271
Trade payables		94,201	83,358
Income taxes payable		68	4,247
Other payables	16	81,079	60,387
Short-term liabilities other than provisions		**511,718**	**504,672**
Liabilities other than provisions		**511,718**	**504,672**
Equity and liabilities		**717,411**	**785,576**
Rental and lease commitments	17		
Contingent liabilities and assets	18		
Other notes	19-22		

Equity statement

	Share capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2017	221,000	36,189	257,189
Addition in connection with merger	-	(1,443)	(1,443)
Loss for the year	-	(60,806)	(60,806)
Equity at 31 December 2017	**221,000**	**(26,060)**	**194,940**

NOTES

1. Uncertainties in the recognition and measurement
The annual report is prepared under various assumptions involving accounting estimates. These estimates are made by Management in accordance with accounting policies and based on historical experience and assumptions which management considers to be sound and reasonable.

The areas involving a high degree of assessment and complexity, and areas where assumptions and estimates are significant to the accounts are as follows:

• The Company has recognized goodwill and know-how for a total of kDKK 125,581 book value mainly in connection with the acquisition of the Anhydro activity in 2010. Goodwill and know-how are amortised over their expected lifetime. Additionally, a regular evaluation is made to determine any indication for the need to write-down the value of the assets. The assessment of any need to write-down the value is naturally subject to a certain degree of uncertainty.

• The Company has included work in progress with expected sales value in relation to the project's degree of completion, less on account invoicing. The Company has work in progress, spreading over several accounting periods. Unforeseen future circumstances may thus affect the measurement of such works both positively and negatively. The Company's work in progress estimated at gross sales value is kDKK 2,011,862 per. 31.12.2017.

2. Revenue

	2017 DKK'000	2016 DKK'000
Europe	719,973	744,330
Asia	203,596	208,745
The Middle East	41,954	24,173
Americas	77,754	92,407
Others	35,445	52,869
	1,078,722	**1,122,524**
Engineering business	927,260	880,441
Production business	151,462	242,083
	1,078,722	**1,122,524**

N O T E S *(continued)*

3. Staff costs

	2017 DKK'000	2016 DKK'000
Production, project, sales and administrative expenses include the following staff costs:		
Wages and salaries	251,780	278,790
Pension costs	17,334	18,531
Other social security costs	2,663	3,293
	271,777	**300,614**
Average number of employees	**392**	**482**

Remuneration for the Supervisory and Executive Boards is not disclosed according to the Danish Financial statements act §98b section 3.

4. Depreciation, amortization and impairment losses

	2017 DKK'000	2016 DKK'000
Know-how	8,533	8,533
Goodwill	6,012	8,288
Software	707	472
Leasehold improvements	4,104	3,556
Plant and machinery	9,083	10,147
Fittings, tools and equipment	25	10
	28,464	**31,006**
Depreciation and amortization have been recognized as follows in the income statement:		
Production costs and project costs	22,452	22,718
Selling expenses	6,012	8,288
	28,464	**31,006**

N O T E S *(continued)*

5. Profit/(loss) from investments in subsidiaries

	2017 DKK'000	2016 DKK'000
Dividends from subsidiaries	17,747	-
	17,747	**-**

6. Financial items

	2017 DKK'000	2016 DKK'000
Interest income	-	2
Exchange rate adjustment	(2,134)	999
Interest expenses	(1,537)	(1,755)
Interest expenses, group enterprises	(750)	(1,244)
	(4,421)	**(1,998)**

7. Income taxes

	2017 DKK'000	2016 DKK'000
Tax on the taxable income for the year	-	(4,248)
Tax paid in other countries	-	(624)
Adj. tax prior year	442	-
Deferred tax adjustments	-	-
	442	**(4,872)**

N O T E S *(continued)*

8. Intangible fixed assets

	Goodwill DKK'000	Knowhow DKK'000	Licences and other DKK'000	Software DKK'000
Cost at 1 January 2017	131,572	119,460	18,689	2,965
Additions	-	-	-	-
Disposals	-	-	-	-
Cost at 31 December 2017	**131,572**	**119,460**	**18,689**	**2,965**
Amortization and impairment losses at 1 January 2017	(49,564)	(54,753)	(18,689)	(1,316)
Amortization and impairment losses for the year	(6,012)	(8,533)	-	(707)
Amortization at 31 December 2017	**(55,576)**	**(63,286)**	**(18,689)**	**(2,023)**
Carrying amount at 31 December 2017	**75,996**	**56,174**	-	**942**

N O T E S *(continued)*

9. Property, plant and machinery

	Leasehold improvements DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Fixed assets in progress DKK'000
Cost at 1 January 2017	41,430	194,265	17,457	99
Additions	99	75	-	213
Disposals	(14,925)	(92,176)	-	-
Cost at 31 December 2017	**26,604**	**102,164**	**17,457**	**312**
Depreciation at 1 January 2017	(31,839)	(146,489)	(17,395)	-
Depreciation and write-downs	(4,104)	(9,083)	(25)	-
Depreciation on assets disposed	14,925	92,061	-	-
Depreciation at 31 December 2017	**(21,018)**	**(63,511)**	**(17,420)**	**-**
Carrying amount at 31 December 2017	**5,586**	**38,653**	**37**	**312**

N O T E S *(continued)*

10. Fixed assets investments

	Investments in subsidiaries DKK'000
Cost at 1 January 2017	1,231
Cost at 31 December 2017	**1,231**
Net write-down for impairment at 1 January 2017	-
Write down relating to disposals	-
Net write-down for impairment at 31 December 2017	-
Carrying amount at 31 December 2017	**1,231**

Analysis of investments in subsidiaries:

	Percentage of ownership %	Latest result DKK'000	Nominal value 1000	Equity value DKK'000
APV Middle East Ltd., Saudi Arabia (2016)	**75**	**(1,051)**	**SAR 750**	**34,269**

11. Inventories

	2017 DKK'000	2016 DKK'000
Raw materials and consumables	4,520	13,372
Work in progress	10,573	14,309
Manufactured goods and goods for resale	59,324	68,356
	74,417	**96,037**

N O T E S *(continued)*

12. Contract work in progress

	2017 DKK'000	2016 DKK'000
Direct costs	1,854,350	1,824,332
Additional costs and attributable profit margin	157,512	294,468
Contract work in progress	**2,011,862**	**2,118,800**
Invoicing on account	(2,146,859)	(2,345,903)
	(134,997)	**(227,103)**
Net value in the balance sheet		
Included in contract work in progress	43,398	46,853
Included in prepayments from customers	(184,395)	(273,956)
	(134,997)	**(227,103)**

13. Prepayments

	2017 DKK'000	2016 DKK'000
Prepaid purchase of goods, services and expenses	18,949	25,660

14. Share capital

Share capital consists of shares of DKK 1,000 or multiples thereof.

There has been no change in the share capital the past 5 years.

N O T E S *(continued)*

15. Provisions

	2017 DKK'000	2016 DKK'000
Provisions for guarantees at 1 January	14,592	6,921
Addition in connection with merger	-	1,340
Employed during the year	(13,450)	(5,927)
Allocated during the year	4,673	12,258
Guarantee commitments at 31 December	**5,815**	**14,592**
Other provisions at 1 January	9,123	9,189
Employed during the year	(6,457)	(7,922)
Allocated during the year	2,272	7,856
Other provisions at 31 December	**4,938**	**9,123**

16. Other payables

	2017 DKK'000	2016 DKK'000
Wages and salaries, personal income taxes, social security costs, etc.	18,166	5,428
Provisions for holiday pay	35,861	38,804
Restructuring costs	5,913	1,416
VAT	10,652	3,368
Commission	7,543	8,421
Other costs payables	2,944	2,950
	81,079	**60,387**

17. Rental and lease commitments

	2017 DKK'000	2016 DKK'000
Annual lease payments do not exceed	5,237	2,373
Total lease obligations amount to	11,846	8,931
Annual rent payments do not exceed	17,018	15,975
Total rent obligations amount to	**93,536**	**107,666**

N O T E S *(continued)*

18. Contingent liabilities and assets

In addition to specific provisions, the Company is subject to usual guarantees on projects completed. Normal risk of claims, aside from claims provided for, on performed projects are incumbent on the Company.
No deferred tax asset has been recognized in the annual report as Management has assessed that the utilization within a reasonable period of time of such tax asset is uncertain.

	2017 DKK'000	2016 DKK'000
Deferred tax		
Intangible assets	(37,759)	(33,718)
Property, plant and equipment	(28,554)	(28,085)
Provisions	(2,366)	(5,217)
Tax loss carry forwards	(100,569)	(90,659)
Valuation allowance	169,248	157,679
	-	-
Deferred tax 1 January 2017	(157,679)	(124,239)
Change in deferred tax	(11,569)	(33,440)
Deferred tax before valuation allowance	(169,248)	(157,679)
Valuation allowance	169,248	157,679
Deferred tax 31 December 2017	-	-

Not recognized deferred tax amounts to DKK 169.2 million at 31 December 2017 (DKK 157.7 million 31 December 2016).

The Company has liquidated the subsidiary, APV Danmark A/S, by issuing a payment declaration in 2009 under which the Company will be liable for any claims potentially filed against APV Danmark A/S.

In May 2018 the Company has received a suggested ruling from the Danish Tax Authorities regarding the tax return for 2015. The Company does not agree in total with this ruling. If the suggested ruling from the Danish Tax Authorities is effected with no changes, there will be a decrease in deferred tax assets of DKK 4.3 million. There will be no tax payable due to tax losses carried forward.

N O T E S *(continued)*

19. Security

Performance guarantees for contracts and consignments totalling DKK 142m have been issued.

20. Fees for the auditors appointed by the company in general meeting

	2017 DKK'000	2016 DKK'000
Fee for statutory audit service	1,675	2,783
Fee for non-audit services	133	1,334
	1,808	**4,117**

21. Contingent liabilities and assets

In addition to specific provisions, the Company is subject to usual guarantees on projects completed.

Normal risk of claims, aside from claims provided for, on performed projects are incumbent on the Company.

No deferred tax asset has been recognized in the annual report as Management has assessed that the utilization within a reasonable period of time of such tax asset is uncertain

22. Consolidation

SPX Flow Technology Danmark A/S and subsidiary are included in the consolidated financial statements of;

SPX Flow Inc
13320 Ballantyne Corporate Place,
Charlotte NC 28277
U.S.A.
TIN: 47-3110748

A copy of the consolidated financial statements is available from www.spxflow.com.