

SPX Flow Technology Copenhagen A/S
Central Business Registration No
29210764
Østmarken 7
2860 Søborg

Annual report 2015

The Annual General Meeting adopted the annual report on 14.06.2016

Chairman of the General Meeting

Name: Ulrik Friis

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Entity details

Entity

SPX Flow Technology Copenhagen A/S
Østmarken 7
2860 Søborg

Central Business Registration No: 29210764

Registered in: Gladsaxe

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Jeremy Wade Smeltser, Chairman

Stephen Athan Tsoris

Sussi Selsmark

Michael Vembye

Executive Board

Michael Vembye, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen 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 SPX Flow Technology Copenhagen A/S for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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.

Søborg, 14.06.2016

Executive Board

Michael Vembye
Chief Executive Officer

Board of Directors

Jeremy Wade Smeltser
Chairman

Stephen Athan Tsoris

Sussi Selsmark

Michael Vembye

Independent auditor's reports

To the owner of SPX Flow Technology Copenhagen A/S

Report on the financial statements

We have audited the financial statements of SPX Flow Technology Copenhagen A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 14.06.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Max Damborg
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Revenue	262.592	278.657	315.889	339.442	440.849
Gross profit/loss	58.107	61.043	94.768	62.805	63.123
Operating profit/loss	31.088	30.215	63.426	27.572	20.529
Net financials	793	2.396	(1.644)	10.675	4.264
Profit/loss for the year	24.659	23.944	46.769	39.542	25.433
Total assets	327.915	322.764	276.378	275.559	214.747
Investments in property, plant and equipment	0	209	0	3.726	0
Equity	218.442	193.783	105.539	58.769	19.230
Ratios					
Gross margin (%)	22,1	21,9	30,0	18,5	14,3
Net margin (%)	9,4	8,6	14,8	11,6	5,8
Return on equity (%)	12,0	16,0	56,9	101,4	132,3
Solvency ratio (%)	66,6	60,0	38,2	21,3	9,0

Management commentary

Primary activities

The Company's primary activity, unchanged to prior years, is to sell machines and systems to the vegetable oils and fats industry and other parts of the food and beverage market.

Development in activities and finances

The financial statements for 2015 show a profit before tax of DKK 31.9 million which is a slight reduction of DKK 0.7 million compared to 2014.

Order intake was 30% lower in 2015 causing revenue to decrease by 6% to DKK 262.6 million compared to DKK 278.7 million the year before. Due to the timing of the order intake, the lower order intake is expected also to impact revenue in 2016. The margin has been invariable year after year, and further cost reductions offset the lower revenue delivering a profit before tax that is 1% lower than last year.

Outlook

The order intake is expected to be generally higher in 2016 compared to 2015, with higher value orders expected in the second half of the year. Asia and South America are the regions that are expected to have the highest level of activity in 2016.

Particular risks

Business risks

The APAC and South American countries continued to be the main revenue driver in 2015 based on the need for quality food to the increasing middle class. The technology sold to the customers is well-developed and does not create any significant business risk.

Financial exposure

There are no exposures or any major risks associated with a single customer or several customers or business partners.

Intellectual capital resources

The Company is continuously working on maintaining and developing competencies needed to secure the future business goals in relation to growth and profitability. In addition, the Company strives to utilise the high knowledge base of other parts of SPX Flow Technology and other SPX Flow companies in order to minimise knowledge risk.

Environmental performance

The Company will continue its great effort within the areas of environment, safety and welfare to continuously improve staff conditions, minimise any environmental impact from the Company's activities as well as to strengthen its profile with customers and the local community.

Management commentary

Research and development activities

Product enhancements are continuously developed to respond to customer needs. Development activities are coordinated with activities in other SPX Flow Technology companies, which provide increased advantages as to the execution, support and market introduction of new products.

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.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to sections 112(1) and 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. In addition referring to section 86(4) of the Danish Financial Statements Act, the Company has also not prepared any cash flow statement, but a consolidated cash flow statement has been prepared by the Ultimate Parent.

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 one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income statement

Revenue

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

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).

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

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.

Amortisation, depreciation 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 dividend etc received from the individual group enterprises in the financial year.

Other financial income

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

Accounting policies

Other financial expenses

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

Income taxes

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.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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

Other fixtures and fittings, tools and equipment	3-8 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

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. 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, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

Receivables

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

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

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

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

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructurings in the acquired enterprise that were decided and published at the takeover date at the latest.

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.

Operating leases

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

Other financial liabilities

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

Income tax receivable or payable

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

Cash flow statement

The Company has not prepared any cash flow statement according to section 86(4) of the Danish Financial Statements Act, as the Company's cash flows are included in the cash flow statement of SPX Flow, USA.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Accounting policies

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The Entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Revenue		262.591.622	278.656.901
Costs of raw materials and consumables		(170.478.598)	(180.972.476)
Other external expenses		<u>(34.006.202)</u>	<u>(36.641.415)</u>
Gross profit/loss		58.106.822	61.043.010
Staff costs	1	(26.061.191)	(28.934.296)
Depreciation, amortisation and impairment losses	2	<u>(957.691)</u>	<u>(1.894.052)</u>
Operating profit/loss		31.087.940	30.214.662
Income from investments in group enterprises		0	408.236
Other financial income		2.165.042	2.047.103
Other financial expenses	3	<u>(1.371.668)</u>	<u>(59.763)</u>
Profit/loss from ordinary activities before tax		31.881.314	32.610.238
Tax on profit/loss from ordinary activities	4	<u>(7.222.171)</u>	<u>(8.665.989)</u>
Profit/loss for the year		<u>24.659.143</u>	<u>23.944.249</u>
Proposed distribution of profit/loss			
Retained earnings		<u>24.659.143</u>	<u>23.944.249</u>
		24.659.143	23.944.249

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Other fixtures and fittings, tools and equipment		1.359.576	2.317.267
Property, plant and equipment	5	<u>1.359.576</u>	<u>2.317.267</u>
Fixed assets		<u>1.359.576</u>	<u>2.317.267</u>
Raw materials and consumables		43.925.262	51.674.118
Prepayments for goods		2.002.824	1.849.104
Inventories		<u>45.928.086</u>	<u>53.523.222</u>
Trade receivables		11.227.998	17.892.687
Contract work in progress		27.113.216	38.434.211
Receivables from group enterprises		21.039.189	18.848.514
Other short-term receivables		4.339.742	13.116.339
Prepayments	6	20.000	99.131
Receivables		<u>63.740.145</u>	<u>88.390.882</u>
Cash		<u>216.887.478</u>	<u>178.532.681</u>
Current assets		<u>326.555.709</u>	<u>320.446.785</u>
Assets		<u>327.915.285</u>	<u>322.764.052</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital		65.300.000	65.300.000
Retained earnings		<u>153.142.390</u>	<u>128.483.247</u>
Equity		<u>218.442.390</u>	<u>193.783.247</u>
Other provisions	7	<u>1.340.208</u>	<u>3.584.254</u>
Provisions		<u>1.340.208</u>	<u>3.584.254</u>
Contract work in progress		36.295.618	34.814.438
Trade payables		11.678.093	26.278.858
Debt to group enterprises		41.106.865	42.199.114
Income tax payable		7.181.553	7.987.363
Other payables	8	<u>11.870.558</u>	<u>14.116.778</u>
Current liabilities other than provisions		<u>108.132.687</u>	<u>125.396.551</u>
Liabilities other than provisions		<u>108.132.687</u>	<u>125.396.551</u>
Equity and liabilities		<u>327.915.285</u>	<u>322.764.052</u>
Unrecognised rental and lease commitments	9		
Contingent assets	10		
Contingent liabilities	11		
Related parties with control	12		
Ownership	13		
Consolidation	14		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	65.300.000	128.483.247	193.783.247
Profit/loss for the year	0	24.659.143	24.659.143
Equity end of year	65.300.000	153.142.390	218.442.390

Notes

	2015	2014
	DKK	DKK
1. Staff costs		
Wages and salaries	23.647.995	26.252.558
Pension costs	1.674.732	1.708.968
Other social security costs	257.965	291.083
Other staff costs	480.499	681.687
	26.061.191	28.934.296
Average number of employees	40	41
	Remuneration of management	Remuneration of management
	2015	2014
	DKK	DKK
Executive Board	244.357	266.183
	244.357	266.183
	2015	2014
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	957.691	2.044.052
Profit/loss from sale of intangible assets and property, plant and equipment	0	(150.000)
	957.691	1.894.052
	2015	2014
	DKK	DKK
3. Other financial expenses		
Financial expenses from group enterprises	825	0
Interest expenses	1.370.843	59.763
	1.371.668	59.763

Notes

	2015	2014
	DKK	DKK
4. Tax on ordinary profit/loss for the year		
Current tax	7.181.553	7.676.083
Change in deferred tax for the year	(206.491)	0
Adjustment relating to previous years	0	989.906
Effect of changed tax rates	247.109	0
	7.222.171	8.665.989
		Other fixtures and fittings, tools and equipment DKK
5. Property, plant and equipment		
Cost beginning of year		18.507.282
Cost end of year		18.507.282
Depreciation and impairment losses beginning of the year		(16.190.015)
Depreciation for the year		(957.691)
Depreciation and impairment losses end of the year		(17.147.706)
Carrying amount end of year		1.359.576
6. Prepayments		
Prepayments consist of prepaid expenses.		
7. Other provisions		
Other provisions consist of warranty commitments for projects completed and other provisions.		
	2015	2014
	DKK	DKK
8. Other short-term payables		
VAT and duties	255.999	358.921
Wages and salaries, personal income taxes, social security costs, etc. payable	1.074.550	1.890.708
Holiday pay obligation	3.959.117	4.173.567
Other costs payable	6.580.892	7.693.582
	11.870.558	14.116.778

Notes

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
9. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>866.085</u>	<u>1.025.235</u>

10. Contingent assets

No deferred tax asset has been recognised in the financial statements, as Management has assessed that the utilisation within a reasonable period of time of such tax asset is uncertain. The value of the deferred tax asset is approximately DKK 1.6 million.

11. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which SPX Denmark Holdings ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

12. Related parties with control

SPX Flow Technology Danmark A/S, Pasteursvej 1, 8600 Silkeborg, Denmark owns all shares and thereby exercises control.

13. Ownership

The Company has registered the following shareholder to more than 5% of the voting share capital or of the nominal value of the share capital:

SPX Flow Technology Danmark A/S, Pasteursvej 1, 8600 Silkeborg, Denmark

14. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

SPX Flow, 13320 Ballantyne Corporate Place, Charlotte, NC 28277, USA