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Union Engineering Holding a/s
Central Business Registration No 30577175
Snaremosevej 27
7000 Fredericia

Annual report 2015

The Annual General Meeting adopted the annual report on 08.03.2016

Chairman of the General Meeting

Name: Heidi Thousgaard Jørgensen

Contents

Entity details

Entity
Union Engineering Holding a/s
Snaremosevej 27
7000 Fredericia

Central Business Registration No: 30577175
Registered in: Fredericia, Denmark
Financial year: 01.01.2015 - 31.12.2015

Phone: +4576207700
Fax: +4576207800

Board of Directors
Jens Thøger Hansen, Chairman
Claus Holm-Søberg
Jens Dalsgaard Løgstrup
Per Rud Jørgensen
Carsten Riisberg Lund
Peter Michael Kriklywi
Lars Taarn Pedersen

Executive Board
Kim Christian Dalum, Chief Executive Officer

Entity auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Union Engineering Holding 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 and cash flows 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.

Fredericia, 08.03.2016

Executive Board

Kim Christian Dalum
Chief Executive Officer

Board of Directors

Jens Thøger Hansen Chairman	Claus Holm-Søberg	Jens Dalsgaard Løgstrup
Per Rud Jørgensen	Carsten Riisberg Lund	Peter Michael Kriklywi
Lars Taarn Pedersen		

Independent auditor's reports

To the owners of Union Engineering Holding a/s
Report on the financial statements

We have audited the consolidated financial statements and parent financial statements of Union Engineering Holding 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 for the Group as well as for the Parent and the consolidated cash flow statement. The consolidated financial statements and parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2015, and of the results of their operations and the Group’s cash flows for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and parent financial statement.

Independent auditor's reports

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

Kolding, 08.03.2016

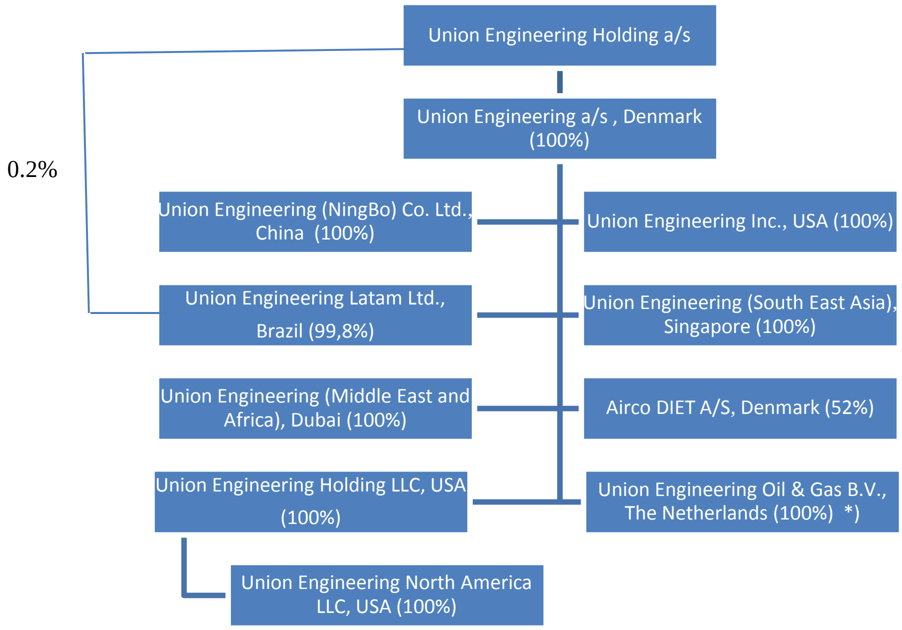
Deloitte
Statsautoriseret Revisionspartnerselskab

Jesper Brønd-Jensen
State Authorised Public Accountant

Management commentary

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000	2011 DKK'000
Financial highlights					
Key figures					
Revenue	533,675	591,954	678,689	517,563	431,836
Gross profit/loss	144,030	137,584	188,278	131,465	128,305
Gross profit/loss from ordinary activities	35,879	19,164	62,271	26,230	35,049
Operating profit/loss	34,785	17,500	60,600	24,781	7,394
Net financials	(6,277)	(1,198)	(4,541)	(4,827)	(7,018)
Profit/loss for the year	12,052	8,158	20,200	2,937	(9,338)
Total assets	543,090	599,113	662,482	589,047	573,288
Investments in property, plant and equipment	2,096	6,126	6,359	3,784	12,324
Equity	197,988	187,521	175,708	159,222	158,620
Interest bearing debt, net	(19,537)	(16,197)	7,417	7,611	61,375
Ratios					
Gross margin (%)	27.0	23.2	27.7	25.4	29.7
Financial gearing (%)	(0.1)	(0.1)	0.0	0.0	0.4
Return on equity (%)	6.3	4.5	12.1	1.8	(5.8)

Management commentary



* In the process of closure.

In general

The ultimate majority shareholder is the venture capital fund Capidea – subsequently, the Management's Review has been made according to the DVCA' guidelines. DVCA is short for Danish Venture Capital and Private Equity Association. For further information on these DVCA guidelines, please see www.dvca.dk.

Management commentary

Primary activities

Union Engineering Holding a/s owns and controls 100% of the shares in Union Engineering a/s, and is the holding company for the operating company Union Engineering a/s and its subsidiaries.

The main activity for the operating company is sales, projecting, production and installation of customized CO_2-plants on a global basis.

Focus areas for Union Engineering a/s relates either to technology for CO_2-recovery from various kinds of sources or technology for CO_2-application in different connections. The present focus areas include:

- CO_2-recovery plants for breweries and distilleries
- CO_2-production plants for soft drinks industry
- CO_2-plants for industrial gases industry
- CO_2-plants for desalination industry
- CO_2-plants for oil & gas industry
- DIET-plants for tobacco industry
- After Sales Services

The activities are carried out through Union Engineering a/s as well as through its subsidiaries in China, Brazil and the US. The activities within the tobacco industry are mainly carried out through the Danish subsidiary Airco Diet A/S.

Development in activities and finances

The company has on a stand-alone basis no activities.

The consolidated revenue amounted to DKK 534m (DKK 592 m). The profit for the year before tax amounted to DKK 28,5m (DKK 16.3 m), whereas the profit for the year after tax amounted to DKK 12,1 m (DKK 8.2 m).

Both revenue and profit for the year are below expectations.

Unusual circumstances affecting recognition and measurement

Profit for the year is not affected by unusual circumstances.

Outlook

For 2016 a positive development in both revenue and performance are expected.

Management commentary

Particular risks

Operating risks

The most considerable operating risk of the Group is connected to the achievement of the estimated revenue as well as managing the project from sales to commissioning. As a consequence the group has focus on using state of the art project management tools. As CO_2-plants are sold as investment goods, there have been periodical fluctuations in demand. This risk is being defeated by consciously aiming at low fixed capacity costs in order to ensure permanent achievable breakeven sales. Focus on marketing and sales of CO_2-plants combined with quality and project management, standardization, product improvement and product development ensures the continued position of the Group as world leading supplier of CO_2-plants.

Financial risks, including foreign exchange exposure

Due to its global activities, the Group is exposed to exchange rate fluctuations in particular. Inconstant state of exchange may create some uncertainty for the Group’s market potential and earnings.

The currency exposure of the Group is mainly identified by matching in- and outgoing payments in the same currency as well as using foreign exchange contracts. During 2015 the Group has had a currency loss on BRL. New policy for hedging of BRL has been implemented.

The Parent Company controls the financial risks of the Group centrally and coordinates the cash management of the Group, including capital production and placement of cash surplus. The Group complies with a financial policy approved by the Board of Directors - operating with a low risk profile with the result that currency, interest and credit risks occur based on commercial conditions only.

The share capital of Union Engineering Holding a/s is not divided into share classes. On a regular basis, Management evaluates whether the Group has an adequate capital structure. As per 31 December 2015 the net interest bearing debt of the Group is DKK (19.537) m in total (deposit) (DKK 16.197 m), which is considered a satisfactory level. No adjustments have been made neither in the guidelines of the Group nor in the procedures of handling and administrating liquidity during 2015.

Credit risks

The policy of the Group regarding acceptance of credit risks involves current credit evaluation of major customers and other partners. Depending on the nature of the project sold as well as homeland of the customer, the outstanding debt of the client is being ensured through letters of credit, credit insurance companies, appropriate prepayments or sufficient credit rating.

Cash flow

As sales take place through major project plant orders, individual projects may affect the cash generation of the period in question both positively and negatively.

Management commentary

Intellectual capital resources

The Group wants to further consolidate its position as the world's leading supplier of CO_2-plants. In this connection the intellectual capital resources of the Company are of decisive importance. The organization is divided according to individual focus areas and subsequently ensures the utmost utilization of knowledge in connection with sales and projecting of CO_2-plants to each client individually. The Group has set up a central knowledge centre to ensure always to have a lead within the new knowledge of and technology within the CO_2-area. The Group pursues an active staff policy in order to secure and retain qualified employees.

Research and development activities

The development and optimisation of the CO_2-plants has continued during 2015. The Group wants to be world-leading within every focus area on the world market. This is ensured by optimizing the various kinds of plants in order to meet the needs of each individual client. The Group maintains focus on improving existing technologies as well as development on new technologies in general and applying for protection of these as intellectual property rights to the greatest extent possible.

Corporate social responsibility

Corporate social responsibility policies

Since its foundation in 1933 the Group has aimed to develop the best and most efficient CO_2-plants. It is a common goal for the Company to continuously create better and more efficient solutions.

Based on the social challenges that the Company can affect as well as on client input, the following focus areas have been selected:

- Safety on project sites
- Efficient utilization of water resources on the plants

The Company aims to contribute in reducing the water consumption in creating the best CO_2-plant of the industry as well as the best possible basis for a decision as regards water consumption for our clients and other interested parties. The Company aims to create the best work environment of the industry as regards safety on project sites. The company expects that the future outcome of working with social responsibility will reduce water consumption and improve the safety on project sites.

During 2012 policies on safety on project sites were prepared and cooperation with international partners in this area was established. Beyond the work environment committee of the Company, a subcommittee as regards safety on project sites has been established.

The initiated activities have been effective, and the Company has not experienced any incidents on project sites during 2014 and 2015. In 2012 we had two (2) First Aid Incidents (FAI), whereas we had one (1) FAI in 2013. The work of improving safety will continue during 2016.

Management commentary

The first plant with the new patented technology which ensures considerable reduced water consumption by CO_2-capture on breweries was installed in 2012. In 2014 another two plants were installed and another plant was sold. Plant number 4 was installed in 2015. Total water saving from these plants compared to traditional plants constitutes 32,000 m3 on a yearly basis. The development and dissemination of this new type of plant that has been well received in the market will continue during 2016.

The Company has no written policies in relation to respecting human rights and to reduce the climate impact from the activity of the business.

Target for the underrepresented gender in the Board of Directors and a policy to increase the share of the underrepresented gender in the other layers of Management can be found at the Company's website at www.union.dk/about-us/short-profile/.

Corporate governance

The Board of Directors and Executive Board of Union Engineering Holding a/s is constantly striving to ensure that the Group's Management structure and control systems are appropriate and operate satisfactorily. Management is constantly evaluating whether this is the case.

Management's organisation of its tasks is, among other things, based on the Danish Public Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as good practice for enterprises of the same size and with the same international reach as Union Engineering a/s. Being an enterprise owned by a private equity fund, the Company complies with the guidelines for responsible ownership and good corporate governance. Based on this, a number of internal procedures have been developed and are being maintained to ensure an active, secure and profitable management of the Group.

Shareholder information

The Board of Directors are continuously assessing whether the Company's capital structure complies with the interests of the Company and its shareholders. The overall objective is to ensure a capital structure which supports a long-term profitable growth. The Company's Articles of Association contain no restrictions on ownership or voting rights. If an offer is made to acquire the company's shares, the Board of Directors will consider it in accordance with the legislation.

The Company's share capital is not divided into classes.

Principal shareholder of the Company is Capidea Kapital K/S.

Management commentary

Work of the Board of Directors

The Board of Directors of the parent company Union Engineering Holding a/s and its subsidiaries ensure that the Executive Boards comply with the objectives, strategies and business processes determined by the Board of Directors. Briefings from the Executive Boards of the companies in question are provided systematically at meetings as well as in current written and oral reporting. This reporting includes, among other things, the development in the external environment, the enterprise's development and profitability as well as its financial situation.

The Board of Directors convene according to a fixed meeting schedule at least four times a year. An annual strategy seminar is normally held where the Company's objective and strategy is determined. During the period between the annual general meetings, the Board of Directors are currently informed in writing about the results and financial position of the Company and the Group, and extraordinary meetings are convened, if necessary. In 2015, the Board of Directors held four meetings, of which one was a strategy seminar.

The Board of Directors can set up committees in relation to special assignments, but so far not felt induced to set up permanent groups or committees.

Remuneration to management

To attract and retain the management competences in the Group, the remuneration of the members of the Executive Board and Management employees is determined based on job assignments, value creation and conditions in comparable enterprises. The remuneration includes incentive programmes which are intended to help ensure a coherence of interests between the Management and the shareholders of the Company, as the programmes both take short and long-term objectives into account.

Remuneration to the Executive Board and the Supervisory Board is mentioned in a note in the Annual Report.

Dividend policy

Payment of dividend must be carried out in consideration of capital structures and strategy of the Group.

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 (big).

The accounting policies applied for this consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements

The consolidated financial statements comprise Union Engineering Holding a/s (the Parent) and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Accounting policies

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

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

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 recognised 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.

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 recognised 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 recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

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

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

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue 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).

Accounting policies

Production costs
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Group's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to property, plant and equipment attached to the distribution process.

Administrative expenses
Administrative expenses comprise expenses incurred for the Group's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity.

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

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Group's primary activities.

Other financial income
Other financial income comprises, interest income, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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 Group 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

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

The period of amortisation for the amortised goodwill is between 10 and 20 years.

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

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

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is three to five years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights, but over no more than 20 years. Development projects are written down to the lower of recoverable amount and carrying amount.

Accounting policies

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, other fixtures and fittings, tools and equipment as well as leasehold improvements 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, subsuppliers 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.

Interest expenses are not included in cost.

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	15 years
Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	3-6 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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

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 plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

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

Accounting policies

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.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated useful life which is normally 5 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 amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

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. Financing costs are not included in cost.

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

Receivables

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

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.

Accounting policies

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 financing costs are recognised in the income statement as incurred.

Income tax payable or receivable
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.

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

Cash
Cash comprises cash in hand and bank deposits.

Minority Interests
Minority interests consists of non-controlling interests share of equity in subsidiaries not 100% owned by the parent company.

Minority interests
Minority interests consist of non-controlling interests share of equity in subsidiaries not 100% owned by the parent company.

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.

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

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

Accounting policies

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

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

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.

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

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

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank debt.

Accounting policies

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	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$	The Entity's operating gearing.
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The Entity's financial gearing..
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Consolidated income statement for 2015

	Notes	2015 DKK'000	2014 DKK'000
Revenue	1	533,675	591,954
Production costs	3, 4	(389,645)	(454,370)
Gross profit/loss		**144,030**	**137,584**
Distribution costs		(38,554)	(39,962)
Administrative costs	2	(69,597)	(78,458)
Other operating income		526	606
Other operating expenses		(1,620)	(2,270)
Operating profit/loss		**34,785**	**17,500**
Other financial income		942	2,836
Other financial expenses		(7,219)	(4,034)
Profit/loss from ordinary activities before tax		**28,508**	**16,302**
Tax on profit/loss from ordinary activities	5	(8,697)	(7,317)
Consolidated profit/loss		**19,811**	**8,985**
Minority interests' share of profit/loss		(7,759)	(827)
Profit/loss for the year		**12,052**	**8,158**
Proposed distribution of profit/loss			
Retained earnings		12,052	8,158
		12,052	**8,158**

Consolidated balance sheet at 31.12.2015

	Notes	2015 DKK'000	2014 DKK'000
Completed development projects		6,885	8,077
Acquired patents		10,964	10,276
Goodwill		170,052	180,825
Intangible assets	6	**187,901**	**199,178**
Plant and machinery		938	962
Other fixtures and fittings, tools and equipment		9,119	13,503
Leasehold improvements		3,770	4,242
Property, plant and equipment	7	**13,827**	**18,707**
Deposits		2,797	2,950
Fixed asset investments	8	**2,797**	**2,950**
Fixed assets		**204,525**	**220,835**
Manufactured goods and goods for resale		26,869	56,383
Prepayments for goods		16,619	6,575
Inventories		**43,488**	**62,958**
Trade receivables		85,130	92,024
Contract work in progress	10	161,989	159,848
Other short-term receivables		8,773	5,031
Income tax receivable		4,255	1,599
Prepayments	11	3,433	5,599
Receivables		**263,580**	**264,101**
Cash		**31,497**	**51,219**
Current assets		**338,565**	**378,278**
Assets		**543,090**	**599,113**

Consolidated balance sheet at 31.12.2015

	Notes	2015 DKK'000	2014 DKK'000
Contributed capital		31,110	31,110
Retained earnings		166,878	156,411
Equity		**197,988**	**187,521**
Minority interests	12	**20,998**	**13,203**
Provisions for deferred tax	13	19,557	12,639
Other provisions	14	9,159	10,764
Provisions		**28,716**	**23,403**
Bank loans		0	11,213
Finance lease liabilities		0	210
Non-current liabilities other than provisions		**0**	**11,423**
Current portion of long-term liabilities other than provisions		12,686	14,685
Bank loans		3,105	8,263
Contract work in progress		29,037	67,462
Trade payables		218,131	252,896
Income tax payable		424	2,250
Other payables		32,005	18,007
Current liabilities other than provisions		**295,388**	**363,563**
Liabilities other than provisions		**295,388**	**374,986**
Equity and liabilities		**543,090**	**599,113**
Subsidiaries	9		
Arrangements not recognised in balance sheet	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Mortgages and securities	19		

Consolidated statement of changes in equity for 2015

	Contri-buted capi-tal DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	31,110	156,411	187,521
Exchange rate adjustments	0	(930)	(930)
Fair value adjustments of hedging instruments	0	(655)	(655)
Profit/loss for the year	0	12,052	12,052
Equity end of year	**31,110**	**166,878**	**197,988**

Consolidated cash flow statement for 2015

	Notes	2015 DKK'000	2014 DKK'000
Operating profit/loss		34,785	17,500
Amortisation, depreciation and impairment losses		23,976	21,749
Other provisions		(1,605)	1,346
Working capital changes	15	(43,964)	21,012
Cash flow from ordinary operating activities		**13,192**	**61,607**
Financial income received		942	2,836
Financial income paid		(5,730)	(4,034)
Income taxes refunded/(paid)		(5,708)	(10,270)
Cash flows from operating activities		**2,696**	**50,139**
Acquisition etc of intangible assets		(1,895)	(8,229)
Acquisition etc of property, plant and equipment		(2,096)	(6,126)
Sale of property, plant and equipment		0	27
Acquisition of fixed asset investments		(74)	(72)
Sale of fixed asset investments		227	46
Cash flows from investing activities		**(3,838)**	**(14,354)**
Instalments on loans etc		(11,565)	(30,697)
Reduction of lease commitments		(1,857)	(2,524)
Dividend paid		0	(14,399)
Cash increase of capital		0	1,500
Cash flows from financing activities		**(13,422)**	**(46,120)**
Increase/decrease in cash and cash equivalents		**(14,564)**	**(10,335)**
Cash and cash equivalents beginning of year		42,956	53,291
Cash and cash equivalents end of year		**28,392**	**42,956**
Cash and cash equivalents at year-end are composed of:			
Cash		31,497	51,219
Short-term debt to banks		(3,105)	(8,263)
Cash and cash equivalents end of year		**28,392**	**42,956**

Notes to consolidated financial statements

1. Revenue

	2015 DKK'000	2014 DKK'000
Denmark	1,731	99
Other countries	531,944	591,855
	533,675	**591,954**

For competitive reasons the Group does not wish to disclose how revenue is distributed on activities, cf. Sec. 96(1) of the Danish Financial Statements Act.

The Group's markets are characterised by strong competition and few players and disclosure of such above information may have financial effects on the Group and thereby be damaging for the Group.

2. Fees to the auditor appointed by the Annual General Meeting

	2015 DKK'000	2014 DKK'000
Statutory audit services	618	657
Tax services	88	54
Other services	65	173
	771	**884**

3. Staff costs

	2015 DKK'000	2014 DKK'000
Wages and salaries	120,108	128,073
Pension costs	6,590	7,183
Other social security costs	3,361	3,952
	130,059	**139,208**
Average number of employees	**229**	**246**

4. Depreciation, amortisation and impairment losses

	2015 DKK'000	2014 DKK'000
Amortisation of intangible assets	16,545	15,355
Impairment losses relating to intangible assets	0	(584)
Depreciation on property, plant and equipment	7,064	6,978
	23,609	**21,749**

Notes to consolidated financial statements

	2015 DKK'000	2014 DKK'000
5. Tax on profit/loss from ordinary activities		
Tax on current year taxable income	1,226	14,090
Change in deferred tax for the year	7,650	(6,482)
Adjustment concerning previous years	(179)	(172)
Effect of changed tax rates	0	(119)
	8,697	**7,317**

	Completed develop-ment pro-jects DKK'000	Acquired patents DKK'000	Goodwill DKK'000
6. Intangible assets			
Cost beginning of year	10,739	12,510	239,038
Exchange rate adjustments	0	0	4,088
Additions	0	1,895	0
Disposals	(381)	0	0
Cost end of year	**10,358**	**14,405**	**243,126**
Amortisation and impairment losses beginning of year	(2,662)	(2,234)	(58,213)
Exchange rate adjustments	0	0	(334)
Amortisation for the year	(811)	(1,207)	(14,527)
Amortisation and impairment losses end of year	**(3,473)**	**(3,441)**	**(73,074)**
Carrying amount end of year	**6,885**	**10,964**	**170,052**

Notes to consolidated financial statements

7. Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	1,873	32,404	6,018
Exchange rate adjustments	88	(483)	0
Transfer to and from other items	0	300	(72)
Additions	269	1,578	249
Disposals	(78)	(533)	(139)
Cost end of year	**2,152**	**33,266**	**6,056**
Depreciation and impairment losses beginning of the year	(911)	(18,901)	(1,776)
Exchange rate adjustments	(17)	282	0
Transfer to and from other items	0	(10)	0
Depreciation for the year	(364)	(6,051)	(649)
Reversal regarding disposals	78	533	139
Depreciation and impairment losses end of the year	**(1,214)**	**(24,147)**	**(2,286)**
Carrying amount end of year	**938**	**9,119**	**3,770**
Recognised assets not owned by entity	**0**	**1,609**	**0**

8. Fixed asset investments

	Deposits DKK'000
Cost beginning of year	2,950
Additions	74
Disposals	(227)
Cost end of year	**2,797**
Carrying amount end of year	**2,797**

Notes to consolidated financial statements

9. Subsidiaries

	Registered in	Equity interest %
Union Engineering A/S	Denmark	100.0
Union Engineering (NingBO) Co. Ltd.	China	100.0
Union engineering oil & Gas B.V.	Netherlands	100.0
Union Engineering Latam Ltda.	Brazil	100.0
Union Engineering (South East Asia)	Singapore	100.0
Union Engineering (Middle East and Africa)	Dubai	100.0
Union Engineering North America Holding LLC	USA	100.0
Union Engineering North America LLC	USA	100.0
Union Engineering Inc.	USA	100.0
Airco Diet A/S	Denmark	52.0

10. Contract work in progress

	2015 DKK'000	2014 DKK'000
Contract work in progress	659,165	858,886
Progress billings regarding contract work in progress	(526,213)	(766,500)
Transferred to liabilities other than provisions	29,037	67,462
	161,989	**159,848**

11. Prepayments

Prepayments primarily comprise prepaid rent and commissions.

12. Minority interests

	2015 000'DKK	2014 000'DKK
Minority interests at beginning of year	13,203	26,775
Share of profit/(loss) for the year	7,759	827
Dividends paid and adjustments	36	(14,399)
	20,998	**13,203**

Notes to consolidated financial statements

13. Deferred tax

	2015 DKK'000	2014 DKK'000
Intangible assets	6,310	6,736
Property, plant and equipment	257	241
Receivables	13,915	5,424
Equity	(185)	269
Provisions	0	(569)
Liabilities other than provisions	(584)	(255)
Other taxable temporary differences	(156)	793
	19,557	**12,639**

14. Other provisions

Other provisions comprises non-recourse guarantee commitments.

15. Change in working capital

	2015 DKK'000	2014 DKK'000
Increase/decrease in inventories	19,470	7,578
Increase/decrease in receivables	3,177	6,873
Increase/decrease in trade payables etc	(66,611)	6,561
	(43,964)	**21,012**

16. Arrangements not recognised in balance sheet

Contractual liabilities

The group has entered into a forward exchange contract concerning sale of foreign currency, the equivalent value of which amounts to DKK 105,681k (DKK 64,014k in 2014).

The group has entered into a forward exchange contract concerning purchase of foreign currency, the equivalent value of which amounts to DKK 72,913k (DKK 10k in 2014).

Notes to consolidated financial statements

17. Unrecognised rental and lease commitments

Lease commitments

	2015 DKK'000	2014 DKK'000
For the year 2016 operating lease agreement has been concluded on cars:		
Annual lease payments 2016	**94**	**94**
Annual lease payments 2017	**94**	**94**
Annual lease payments 2018	**39**	**39**

Rental commitments

Rental contracts have been concluded, including rent of parent domicile property:

	2015 DKK'000	2014 DKK'000
Annual payments, 2016	**6,630**	**3,420**
Annual payments, 2017	**4,863**	**3,523**
Annual payments, 2018	**3,893**	**3,628**
Annual payments, 2019	**3,945**	**3,737**
Annual payments, 2020 - 2025 (avg.)	**3,276**	**4,029**

18. Contingent liabilities

Performance and prepayment guarantees have been provided by third party with recourse against the Company amounting to DKK 35,276k against DKK 64,603k at 31.12.2014.

The Group has entered into bonus agreements with certain employee groups.

Furthermore, the Group provides its customers with warranties according to normal trade custom.

Notes to consolidated financial statements

19. Mortgages and securities

As security for the bank, an all-moneys mortgage (receivables charges) has been issued in the amount of DKK 20,000k (DKK 20,000k in 2014). The book value amounts to DKK 35,320k. (DKK 64,125k in 2014).

Certain other plants etc are financed by finance lease, see note 7. The carrying amount of assets held under finance lease amounts to DKK 1,609k (DKK 3,362k in 2014).

Parent income statement for 2015

	Notes	2015 DKK'000	2014 DKK'000
Administrative costs	1	(19)	(55)
Operating profit/loss		**(19)**	**(55)**
Income from investments in group enterprises		12,477	9,149
Other financial expenses		(536)	(1,257)
Profit/loss from ordinary activities before tax		**11,922**	**7,837**
Tax on profit/loss from ordinary activities	2	130	321
Profit/loss for the year		**12,052**	**8,158**

	2015	2014
Proposed distribution of profit/loss		
Reserve for net revaluation according to the equity method	0	9,149
Retained earnings	12,052	(991)
	12,052	**8,158**

Parent balance sheet at 31.12.2015

	Notes	2015 DKK'000	2014 DKK'000
Investments in group enterprises		206,176	207,259
Fixed asset investments	3	**206,176**	**207,259**
Fixed assets		**206,176**	**207,259**
Receivables from group enterprises		1,101	0
Income tax receivable		2,791	200
Receivables		**3,892**	**200**
Cash		**93**	**4,295**
Current assets		**3,985**	**4,495**
Assets		**210,161**	**211,754**

Parent balance sheet at 31.12.2015

	Notes	2015 DKK'000	2014 DKK'000
Contributed capital	4	31,110	31,110
Retained earnings		166,878	156,411
Equity		**197,988**	**187,521**
Bank loans		0	11,213
Non-current liabilities other than provisions		**0**	**11,213**
Current portion of long-term liabilities other than provisions		12,148	12,500
Payables to group enterprises		0	520
Other payables		25	0
Current liabilities other than provisions		**12,173**	**13,020**
Liabilities other than provisions		**12,173**	**24,233**
Equity and liabilities		**210,161**	**211,754**
Contingent liabilities	5		
Mortgages and securities	6		
Related parties with controlling interest	7		
Ownership	8		

Parent statement of changes in equity for 2015

	Contri-buted capi-tal DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	31,110	156,411	187,521
Exchange rate adjustments	0	(930)	(930)
Fair value adjustments of hedging instruments	0	(655)	(655)
Profit/loss for the year	0	12,052	12,052
Equity end of year	**31,110**	**166,878**	**197,988**

Notes to parent financial statements

1. Fees to the auditor appointed by the Annual General Meeting

	2015 DKK'000	2014 DKK'000
Statutory audit services	19	15
Other services	0	11
	19	**26**

2. Tax on profit/loss from ordinary activities

	2015 DKK'000	2014 DKK'000
Tax on current year taxable income	(130)	(321)
	(130)	**(321)**

3. Fixed asset investments

	Investments in group enter-prises DKK'000
Cost beginning of year	233,559
Cost end of year	**233,559**
Impairment losses beginning of year	(26,300)
Exchange rate adjustments	(930)
Amortisation of goodwill	(9,208)
Share of profit/loss for the year	21,685
Dividend	(12,001)
Fair value adjustments	(655)
Other adjustments	26
Impairment losses end of year	**(27,383)**
Carrying amount end of year	**206,176**
Carrying amount includes proposed dividend for the financial year	20,500

Notes to parent financial statements

4. Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	311,100	100	31,110
	311,100		**31,110**

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000	2011 DKK'000
Changes in contributed capital					
Contributed capital beginning of year	31,110	30,980	30,980	30,980	30,920
Increase of capital	0	130	0	0	60
Contributed capital end of year	**31,110**	**31,110**	**30,980**	**30,980**	**30,980**

5. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. 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 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

6. Mortgages and securities

Shares in the subsidiary with a nominal value of DKK 10,000k have been placed as security for the bank.

7. Related parties with controlling interest

The following parties have a controlling interest:

Name	Home	Basis
Capidea Kapital K/S	Copenhagen K, Denmark	Share owner

Notes to parent financial statements

8. Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Capidea Kapital K/S (CVR-nr. 28667477), Poul Ankers Gade 2, 2. tv., 1271 København K.
Stranden Invest ApS (CVR-nr. 30595459), Stranden 29, 6000 Kolding.
SIC Holding A/S (CVR-nr. 32451667), Kampmannsvej 29, 7000 Fredericia.
Emmaka Holding ApS (CVR-nr. 30595556), Klintholmvej 34, 5500 Middelfart.