

Hydratech Industries Holding A/S

Sigenvej 2
9760 Vrå

Central Business Registration No
31592720

Annual report 2016

The Annual General Meeting adopted the annual report on 16.06.2017

Chairman of the General Meeting

Name: John Staunbjerg Dueholm

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Entity details

Entity

Hydratech Industries Holding A/S
Sigenvvej 2
9760 Vrå

Central Business Registration No: 31592720
Registered in: Hjørring
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

John Staunbjerg Dueholm, Chairman
Christina Aabo
Henrik Tyge Krabbe
Esben Bay Jørgensen
Peter Kjærsgaard Sørensen
Mikkel Zachariassen
Ove Østergaard

Executive Board

Søren Kringelholt Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hydratech Industries Holding A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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.

Vrø, 16.06.2017

Executive Board

Søren Kringelholt Nielsen

Board of Directors

John Staunbjerg Dueholm
Chairman

Christina Aabo

Henrik Tyge Krabbe

Esben Bay Jørgensen

Peter Kjærsgaard Sørensen

Mikkel Zachariassen

Ove Østergaard

Independent auditor's report

To the shareholders of Hydratech Industries Holding A/S

Opinion

We have audited the financial statements of Hydratech Industries Holding A/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

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

Aarhus, 16.06.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jacob Nørmark

State Authorised Public Accountant

Management commentary

Primary activities

The Company's objective is to acquire and hold investments in Danish limited liability companies and related business.

Development in activities and finances

Loss for the year amounts to DKK 66.207k against a loss of DKK 81.023k last year.

As a result of the global downturn in Oil and Gas, the Group completed a series of initiatives focusing on reducing costs and ensuring a strong focus on both wind and service division, which both saw strong growth in the same period. The initiatives involved a reduction of the number of employees at over 100 full-time positions, closure of offices in Germany and Norway, as well as a number of other cost reducing activities. The profit for 2016 is affected by one off costs of approximately DKK 20m to implement these actions, but despite this, a positive development in the Group's earnings has been realized. The Group's costs are reduced by more than 30% and are therefore strongly contributing to the positive development of earnings in the first quarter of 2017.

As of 31 December 2016 an increase in share capital of DKK 13.070k has been made, after which the share capital amounts to nominal DKK 15,079k. The increase in share capital has been made by debt conversion of loans totaling DKK 63.539k.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Other external expenses		(8.509)	(1.803)
Gross profit/loss		(8.509)	(1.803)
Staff costs	1	(5.950)	(619)
Depreciation, amortisation and impairment losses		(62)	(41)
Operating profit/loss		(14.521)	(2.463)
Income from investments in group enterprises		(27.835)	(60.788)
Other financial income		3.326	730
Other financial expenses		(29.870)	(23.984)
Profit/loss before tax		(68.900)	(86.505)
Tax on profit/loss for the year	2	2.693	5.482
Profit/loss for the year		(66.207)	(81.023)
Proposed distribution of profit/loss			
Retained earnings		(66.207)	(81.023)
		(66.207)	(81.023)

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Acquired intangible assets		0	62
Intangible assets		0	62
Investments in group enterprises		304.912	343.588
Fixed asset investments	3	304.912	343.588
Fixed assets		304.912	343.650
Receivables from group enterprises		35.495	29.396
Deferred tax		13.554	13.571
Other receivables		71	0
Prepayments		1.100	1.474
Receivables		50.220	44.441
Cash		90	11.724
Current assets		50.310	56.165
Assets		355.222	399.815

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	4, 5	15.079	2.009
Retained earnings		68.391	87.383
Equity		83.470	89.392
Subordinate loan capital		149.447	124.463
Bank loans		67.000	90.000
Payables to group enterprises		0	2.307
Other payables		25.274	92.312
Non-current liabilities other than provisions	6	241.721	309.082
Current portion of long-term liabilities other than provisions	6	15.000	0
Bank loans		8.280	0
Trade payables		6.751	1.316
Payables to group enterprises		0	25
Current liabilities other than provisions		30.031	1.341
Liabilities other than provisions		271.752	310.423
Equity and liabilities		355.222	399.815
Contingent liabilities	7		
Mortgages and securities	8		
Related parties with controlling interest	9		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.009	87.383	89.392
Increase of capital	13.070	50.469	63.539
Purchase of treasury shares	0	(413)	(413)
Exchange rate adjustments	0	(2.841)	(2.841)
Profit/loss for the year	0	(66.207)	(66.207)
Equity end of year	15.079	68.391	83.470

A share option scheme has been established according to which a right to subscribe for up to 189.540 new A-shares in the Company. All share options is earned before 2016.

Notes

	2016	2015
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	5.896	619
Other staff costs	54	0
	5.950	619
Average number of employees	6	0
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2016	2015
	DKK'000	DKK'000
Total amount for management categories	1.931	619
	1.931	619
	2016	2015
	DKK'000	DKK'000
2. Tax on profit/loss for the year		
Change in deferred tax for the year	(2.693)	(5.550)
Adjustment concerning previous years	0	68
	(2.693)	(5.482)

Notes

	Investments in group enterprises DKK'000
3. Fixed asset investments	
Cost beginning of year	602.861
Disposals	<u>(8.000)</u>
Cost end of year	<u>594.861</u>
Impairment losses beginning of year	(259.273)
Exchange rate adjustments	(2.841)
Amortisation of goodwill	(23.130)
Share of profit/loss for the year	<u>(4.705)</u>
Impairment losses end of year	<u>(289.949)</u>
Carrying amount end of year	<u>304.912</u>

	Registered in	Equity inte- rest %
Investments in group enterprises comprise:		
Hydratech Industries A/S	Silkeborg	100,0

	Number	Nominal value DKK'000
4. Contributed capital		
A Shares	2.009.492	2.010
B Shares	70.464	70
C Shares	<u>12.998.589</u>	<u>12.999</u>
	<u>15.078.545</u>	<u>15.079</u>

Notes

	<u>Number</u>	<u>Nominal value DKK'000</u>	<u>Share of contributed capital %</u>	<u>Purchase / (selling)- price DKK'000</u>
5. Treasury shares				
Treasury shares acquired:				
A Shares	14.224	14	0,1	413
	14.224	14	0,1	
Holding of treasury shares:				
A Shares	14.224	14	0,1	
	14.224	14	0,1	

	<u>Instalments within 12 months 2016 DKK'000</u>	<u>Instalments beyond 12 months 2016 DKK'000</u>
6. Liabilities other than provisions		
Subordinate loan capital	0	149.447
Bank loans	0	67.000
Other payables	15.000	25.274
	15.000	241.721

All non-current debt falls due for payment within 5 financial years.

7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Anpartsselskabet af 4. Juli 2008 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

8. Mortgages and securities

Investments in the subsidiary are pledged as collateral for the Group's debt to Skandinaviska Enskilda Banken AB (SEB). The carrying amount of mortgaged investments amounts to DKK 304.912k. The Group's debt to SEB amounts to DKK 160.952k.

Collateral security provided for subsidiaries and other group enterprises

The Entity has provided a guarantee for subsidiaries' debt to Skandinaviska Enskilda Banken AB (SEB). The subsidiaries' debt to SEB amounts to DKK 85.763k.

Notes

9. Related parties with controlling interest

HTHH ApS, Vrå owns the majority of the shares in the Company and thus has a controlling interest on the Company.

Accounting policies

Reporting class

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

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

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.

Income statement

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including administration etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets 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.

Income from investments in group enterprises

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

Accounting policies

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 payables and transactions in foreign currencies as well as amortisation of financial assets etc.

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.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights.

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.

Intellectual property rights etc 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 value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

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 pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Accounting policies

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

Receivables

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

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.

Prepayments

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

Cash

Cash comprises bank deposits.

Treasury shares

Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement.

Other financial liabilities

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