Evapco Holdings ApS

Knøsgårdvej 115, 9440 Aabybro

Company reg. no. 31 89 44 76

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 30 May 2018.

Jeffrey Finch
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The executive board has today presented the annual report of Evapco Holdings ApS for the financial year 1 January to 31 December 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2017, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Aabybro, 30 May 2018

Executive board

Jeffrey William Finch	William Glen Bartley	Wilson Eli Bradley

Independent auditor's report

To the shareholders of Evapco Holdings ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Evapco Holdings ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company'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 Group's and the Parent Company'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 Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Aalborg, 30 May 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Søren Korgaard-Mollerup
State Authorised Public Accountant
mne31477

Company data

The company	Evapco Holdings ApS Knøsgårdvej 115 9440 Aabybro
	Company reg. no. 31 89 44 76 Financial year: 1 January - 31 December
Executive board	Jeffrey William Finch William Glen Bartley Wilson Eli Bradley
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A 9000 Aalborg
Parent company	Evapco Inc.
Subsidiaries	Evapco Air Solutions A/S, Denmark Evapco Europe S.R.L., Italy Evapco Europe NV, Belgium Evapco Australia, Australia Flex Coil Deutchland GmbH, Germany ApS Stake Nr. 1851, Denmark ApS Brazil, Brazil FanTR Technology Resources Ltda., Brazil Aqua-Cool Shanghai, China Evapco Middle East, Egypt

Consolidated financial highlights

DKK in thousands.	2017	2016	2015	2014	2013
Profit and loss account:					
Net turnover	616.027	579.480	583.923	541.021	483.086
Gross profit	266.115	234.562	239.845	226.257	201.469
Results from operating activities	29.323	12.523	25.843	30.766	18.387
Net financials	15.210	-6.736	-13.420	-8.672	-10.744
Results for the year	26.907	-13.081	-1.431	7.772	-1.487
Balance sheet:					
Balance sheet sum	569.595	569.015	556.286	613.937	472.741
Investments in tangible fixed assets represent	11.448	17.569	16.118	27.862	17.302
Equity	230.127	211.815	209.697	231.386	221.566
Cash flow:					
Operating activities	22.780	27.093	20.898	-18.522	22.977
Investment activities	-7.443	-19.756	-22.296	-60.208	-18.963
Financing activities	13.958	13.461	-15.423	87.097	5.801
Employees:					
Average number of full time employees	663	679	645	574	409
Key figures in %:					
Gross margin	43,2	40,5	41,1	41,8	41,7
Profit margin	4,8	2,2	4,4	5,7	3,8
Solvency ratio	39,5	36,6	37,1	37,7	46,9
Return on equity	12,6	-6,0	-0,6	4,4	-0,3

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark. As to definitions, please see the section on accounting policies used.

The key figures appearing from the survey have been calculated as follows:

Gross margin $$\frac{\text{Gross results x 100}}{\text{Net turnover}}$$

Profit margin (EBIT margin) $$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$$

Equity share $$\frac{\text{Equity less minority interests, closing balance x 100}}{\text{Assets in total, closing balance}}$$

Financial highlights for the parent company

Return on equity	$\frac{\text{*Results x 100}}{\text{Average equity exclusive of minority interests}}$
***Results**	Results for the year with deduction of minority interests' share of same

The principal activities of the group

The group produces and sells heat transfer products.

Uncertainties as to recognition or measurement

None.

Development in activities and financial matters

The group's financial year show a result of DKK ('000) 27.290 against DKK ('000) -12.444 last year. The management consider the results satisfactory.

The result correspond to the expectations described in the annual report for 2016.

The group has in the past year focused on upgrading quality systems, investments in improved basis of calculation programs and generel IT systems.

Special risks

Price risk:
The group is continuously developing work processes to ensure the capability to maintain its position in the market.

Exchange rate risks:
It is the group policy to evaluate the need for hedging the commercial currency risks. The hedging is done primarily through forward exchange transactions. The group is not engaged in any currency speculations.

Interest risks:
The group has no special interest risk.

Environmental issues

The group has no special environmental risks.

Know how resources

The group's ambition is to be on the leading edge on technological development. The group has a substantial base of knowledge.

Research and development activities

To ensure a broad product composition the group seeks to continuously invest in new initiatives such as fans and blades.

The expected development

A limited level of activity is expected on the markets.

Management expects positive results for the coming financial year.

Events subsequent to the financial year

No events have accurred after the balance sheet date which materially affect the assessment of the annual report.

Statement of corporate social responsibility

The group has no formel policy for corporate social responsibility however the object of the company is to carry out commercial activities by possessing shares in limited liability companies, carry out investments and asset management. These investments are spread over Europe, South America and Asia.

As such Evapco Holdings ApS is part of the Evapco Group and shares the vision and management ethics. Evapco Holdings ApS has no direct personnel employed. Indirect through the investments are people employed.

Evapco Group expects and impose on local management to act according.

Environment: EVAPCO is committed to preserving the environment through energy conservation, raw material optimization and engineering solutions that focus on sustainable products. This applies to our staff and our customers.

Social responsibility and relations: EVAPCO to offers the high level of quality and service in the industry by providing value engineered solutions to the markets we serve, all while valuing the people we live with and the earth we are entrusted with caring for.

Target figures and policies for the under-represented sex

Women are under-represented on the executive board. The executive board has decided that the number of women serving on the executive board must account for 33 %. Evapco strives to find suitable female candidates when recruiting.

Evapco has still not reached its target regarding the under-represented gender on the executive board as no women are represented.

The Group's gender diversity policy for the management team emphasises diversity in the broadest sense and lays out the principle to always hire the most qualified person, regardless of gender, age, nationality, sexual orientation or religious beliefs.

When an opening presents itself on the management team, the following recruitment procedures are applied in order to find suitable candidates:

- Candidates of both genders should be on the shortlist for recruitment
- Headhunters are obliged to present candidates of both genders

Profit and loss account 1 January - 31 December

DKK in thousands.

Note		Group 2017	Group 2016	Parent company 2017	Parent company 2016
1	Net turnover	616.027	579.480	0	0
	Raw materials and consumables used	-224.518	-225.511	0	0
	Other external costs	-125.394	-119.407	-1.449	-254
	Gross results	**266.115**	**234.562**	**-1.449**	**-254**
2	Staff costs	-215.879	-201.452	0	0
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-20.913	-20.587	0	0
	Operating profit	**29.323**	**12.523**	**-1.449**	**-254**
	Income from equity investments in group enterprises	0	0	22.215	-14.616
3	Other financial income	38.333	51.684	24.310	29.636
4	Other financial costs	-23.123	-58.420	-17.757	-26.232
	Results before tax	**44.533**	**5.787**	**27.319**	**-11.466**
5	Tax on ordinary results	-17.626	-18.868	-29	-978
6	**Results for the year**	**26.907**	**-13.081**	**27.290**	**-12.444**
	The group results are presented as follows:				
	Shareholders in Evapco Holdings ApS	27.290	-12.444		
	Minority interests	-383	-637		
		26.907	**-13.081**		

Balance sheet 31 December

DKK in thousands.

Assets

Note		Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Fixed assets				
7	Completed development projects	5.373	7.457	0	0
8	Trademarks, knowhow etc.	14.672	19.245	0	0
9	Goodwill	14.541	19.972	0	0
	Intangible fixed assets in total	34.586	46.674	0	0
10	Land and property	86.758	91.603	0	0
11	Production plant and machinery	41.089	41.617	0	0
12	Other plants, operating assets, and fixtures and furniture	3.874	4.296	0	0
13	Tangible assets under construction and prepayments for tangible assets	45	1.290	0	0
	Tangible fixed assets in total	131.766	138.806	0	0
14	Equity investments in group enterprises	0	0	228.567	144.913
	Financial fixed assets in total	0	0	228.567	144.913
	Fixed assets in total	**166.352**	**185.480**	**228.567**	**144.913**

Balance sheet 31 December

DKK in thousands.

Assets

Note		Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Current assets				
15	Manufactured goods and trade goods	111.616	119.373	0	0
	Inventories in total	111.616	119.373	0	0
	Trade debtors	146.279	142.023	0	0
	Amounts owed by group enterprises	0	0	137.923	174.528
16	Deferred tax assets	1.154	953	0	0
	Receivable corporate tax	0	2.137	0	0
	Other debtors	25.863	28.791	0	0
17	Deferred expenses	4.880	3.830	0	0
	Debtors in total	178.176	177.734	137.923	174.528
	Other securities and equity investments	97	2.369	0	0
	Securities in total	97	2.369	0	0
	Available funds	113.354	84.059	18.753	20.479
	Current assets in total	**403.243**	**383.535**	**156.676**	**195.007**
	Assets in total	**569.595**	**569.015**	**385.243**	**339.920**

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

Note		Group		Parent company	
		2017	2016	2017	2016
	Equity				
18	Contributed capital	1.000	1.000	1.000	1.000
	Other reserves	1.419	1.463	0	0
	Results brought forward	222.788	205.518	224.207	206.981
	Equity before non-controlling interest.	225.207	207.981	225.207	207.981
	Minority interests	4.920	3.834	0	0
	Equity in total	**230.127**	**211.815**	**225.207**	**207.981**
	Provisions				
19	Provisions for deferred tax	2.085	2.520	0	0
	Provisions in total	**2.085**	**2.520**	**0**	**0**

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

Note		Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Liabilities				
20	Mortgage debt	8.117	15.136	0	0
	Debt to group enterprises	0	0	159.963	131.851
21	Other debts	208.559	187.582	0	0
	Long-term liabilities in total	216.676	202.718	159.963	131.851
20	Mortgage debt	2.144	3.723	0	0
	Trade creditors	91.017	109.677	73	88
	Corporate tax	1.056	5.003	0	0
	Other debts	26.490	33.559	0	0
	Short-term liabilities in total	120.707	151.962	73	88
	Liabilities in total	**337.383**	**354.680**	**160.036**	**131.939**
	Equity and liabilities in total	**569.595**	**569.015**	**385.243**	**339.920**

22 Fee, auditor
23 Mortgage and securities
24 Contingencies
25 Related parties

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Other reserves	Results brought forward	Minority interests	In total
Equity 1 January 2016	1.000	1.800	203.412	3.485	209.697
Adjustment due to changed procedures	0	-293	293	0	0
Provisions of the results for the year	0	0	-12.444	-637	-13.081
Depreciation and impairment for the year	0	-44	44	0	0
Exchange rate adjustment	0	0	14.213	986	15.199
Equity 1 January 2017	1.000	1.463	205.518	3.834	211.815
Cash capital increase	0	0	0	2.328	2.328
Provisions of the results for the year	0	0	27.290	-383	26.907
Depreciation and impairment for the year	0	-44	44	0	0
Exchange rate adjustment	0	0	-10.064	-859	-10.923
	1.000	**1.419**	**222.788**	**4.920**	**230.127**

Statement of changes in equity of the parent company

DKK in thousands.

	Contributed capital	Results brought forward	In total
Equity 1 January 2016	1.000	205.212	206.212
Profit or loss for the year brought forward	0	-12.444	-12.444
Exchange rate adjustment	0	14.213	14.213
Equity 1 January 2017	1.000	206.981	207.981
Profit or loss for the year brought forward	0	27.290	27.290
Exchange rate adjustment	0	-10.064	-10.064
	1.000	**224.207**	**225.207**

Cash flow statement 1 January - 31 December

DKK in thousands.

Note		Group 2017	2016
	Results for the year	26.907	-13.081
26	Adjustments	5.703	27.323
27	Change in working capital	-4.968	35.040
	Cash flow from operating activities before net financials	27.642	49.282
	Interest received and similar amounts	38.333	51.684
	Interest paid and similar amounts	-23.123	-58.420
	Cash flow from ordinary activities	42.852	42.546
	Corporate tax paid	-20.072	-15.453
	Cash flow from operating activities	**22.780**	**27.093**
	Purchase of intangible fixed assets	0	-9.480
	Purchase of tangible fixed assets	-11.448	-17.569
	Sale of tangible fixed assets	4.005	7.200
	Additions, investments	0	93
	Cash flow from investment activities	**-7.443**	**-19.756**
	Change in other long term debt	20.977	19.671
	Change in debt to credit institutions	-7.019	-6.210
	Cash flow from financing activities	**13.958**	**13.461**
	Changes in available funds	**29.295**	**20.798**
	Available funds 1 January 2017	84.059	63.261
	Available funds 31 December 2017	**113.354**	**84.059**
	Available funds		
	Available funds	113.354	84.059
	Available funds 31 December 2017	**113.354**	**84.059**

Notes

DKK in thousands.

1. Net turnover

The company's activities are limited to one activity and are marketed globally.

	Group 2017	Group 2016
2. Staff costs		
Salaries and wages	169.566	157.170
Pension costs	6.535	5.862
Other costs for social security	39.778	38.420
	215.879	**201.452**
Average number of employees	663	679

The Executive Board has not received separate remuneration in their capacity as directors of Evapco Holdings ApS.

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
3. Other financial income				
Interest income from affiliated enterprises	0	0	5.506	5.576
Other interest income	942	815	15	1
Exchange differences	37.391	50.869	18.789	24.059
	38.333	**51.684**	**24.310**	**29.636**
4. Other financial costs				
Other interest expenses	3.490	3.327	2.466	1.468
Exchange differences	19.633	55.093	15.279	24.764
	23.123	**58.420**	**17.757**	**26.232**

Notes

DKK in thousands.

		Group		Parent company	
		2017	2016	2017	2016
5.	**Tax on ordinary results**				
	Tax of the results for the year	18.262	13.619	0	946
	Adjustment for the year of deferred tax	-636	5.249	29	32
		17.626	**18.868**	**29**	**978**

		Parent company	
		2017	2016
6.	**Proposed distribution of the results**		
	Allocated to results brought forward	27.290	0
	Allocated from results brought forward	0	-12.444
	Distribution in total	**27.290**	**-12.444**

		Group	
		31/12 2017	31/12 2016
7.	**Completed development projects**		
	Cost 1 January 2017	9.942	666
	Additions during the year	0	8.672
	Disposals during the year	0	-548
	Exchange rate regulation	-1.345	1.152
	Cost 31 December 2017	**8.597**	**9.942**
	Amortisation and writedown 1 January 2017	-2.485	0
	Exchange rate regulation	436	-271
	Amortisation for the year	-1.175	-2.214
	Amortisation and writedown 31 December 2017	**-3.224**	**-2.485**
	Book value 31 December 2017	**5.373**	**7.457**

The development projects are recognised in FanTR Technology Resources Ltda. and ApS Brazil and relate to development of fans, blades, hubs and other product development.

Notes

DKK in thousands.

		Group	
		31/12 2017	31/12 2016
8.	**Trademarks, knowhow etc.**		
	Cost 1 January 2017	28.329	34.037
	Disposals during the year	0	-11.039
	Exchange rate regulation	-3.260	5.331
	Cost 31 December 2017	**25.069**	**28.329**
	Amortisation and writedown 1 January 2017	-9.084	-9.230
	Exchange rate regulation	841	-1.039
	Amortisation for the year	-2.154	-923
	Depreciation, amortisation and writedown for the year, assets disposed of	0	2.108
	Amortisation and write-downs 31 December 2017	**-10.397**	**-9.084**
	Book value 31 December 2017	**14.672**	**19.245**

		Group	
		31/12 2017	31/12 2016
9.	**Goodwill**		
	Cost 1 January 2017	29.028	27.198
	Additions during the year	0	808
	Exchange rate regulation	-1.782	1.022
	Cost 31 December 2017	**27.246**	**29.028**
	Amortisation and writedown 1 January 2017	-9.056	-6.101
	Exchange rate regulation	825	-417
	Amortisation for the year	-4.474	-2.538
	Amortisation and write-downs 31 December 2017	**-12.705**	**-9.056**
	Book value 31 December 2017	**14.541**	**19.972**

DKK in thousands.

		Group 31/12 2017	Group 31/12 2016
10.	**Land and property**		
	Cost 1 January 2017	132.662	129.192
	Transfer	0	8
	Additions during the year	1.171	927
	Disposals during the year	-805	0
	Exchange rate regulation	-2.327	2.535
	Cost 31 December 2017	**130.701**	**132.662**
	Revaluation 1 January 2017	2.400	2.400
	Revaluation 31 December 2017	**2.400**	**2.400**
	Depreciation and writedown 1 January 2017	-43.459	-39.325
	Exchange rate regulation	293	-196
	Depreciation for the year	-3.932	-3.938
	Depreciation, amortisation and writedown for the year, assets disposed of	755	0
	Depreciation and writedown 31 December 2017	**-46.343**	**-43.459**
	Book value 31 December 2017	**86.758**	**91.603**

Notes

DKK in thousands.

		Group	
		31/12 2017	31/12 2016
11.	**Production plant and machinery**		
	Cost 1 January 2017	116.146	98.709
	Transfer	0	3.602
	Additions during the year	9.040	14.021
	Disposals during the year	-204	-2.760
	Exchange rate regulation	-2.827	2.574
	Cost 31 December 2017	**122.155**	**116.146**
	Depreciation and writedown 1 January 2017	-74.529	-68.930
	Exchange rate regulation	825	-535
	Depreciation for the year	-7.566	-7.608
	Depreciation, amortisation and writedown for the year, assets disposed of	204	2.544
	Depreciation and writedown 31 December 2017	**-81.066**	**-74.529**
	Book value 31 December 2017	**41.089**	**41.617**

		Group	
		31/12 2017	31/12 2016
12.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2017	24.508	27.112
	Transfer	0	-3.610
	Additions during the year	1.188	1.472
	Disposals during the year	-201	-403
	Exchange rate regulation	25	-63
	Cost 31 December 2017	**25.520**	**24.508**
	Amortisation and writedown 1 January 2017	-20.212	-19.027
	Exchange rate regulation	-20	50
	Depreciation for the year	-1.612	-1.638
	Depreciation, amortisation and writedown for the year, assets disposed of	198	403
	Depreciation and writedown 31 December 2017	**-21.646**	**-20.212**
	Book value 31 December 2017	**3.874**	**4.296**

DKK in thousands.

		Group	
		31/12 2017	31/12 2016
13.	**Tangible assets under construction and prepayments for tangible assets**		
	Cost 1 January 2017	1.290	0
	Additions during the year	49	1.149
	Disposals during the year	-1.220	0
	Exchange rate regulation	-74	141
	Cost 31 December 2017	**45**	**1.290**
	Book value 31 December 2017	**45**	**1.290**

DKK in thousands.

		Parent company	
		31/12 2017	31/12 2016
14.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2017	204.950	161.641
	Additions during the year	71.604	43.309
	Cost 31 December 2017	**276.554**	**204.950**
	Revaluations, opening balance 1 January 2017	-59.173	-48.764
	Exchange rate regulation	-10.064	14.511
	Results for the year before goodwill amortisation	22.978	-13.752
	Dividend	0	-11.168
	Revaluation 31 December 2017	**-46.259**	**-59.173**
	Amortisation of goodwill, opening balance 1 January 2017	-864	0
	Amortisation of goodwill for the year	-864	-864
	Depreciation on goodwill 31 December 2017	**-1.728**	**-864**
	Book value 31 December 2017	**228.567**	**144.913**
	Booked value includes goodwill with an amount of	9.760	10.624

Group enterprises:

	Domicile	**Share of ownership**
Evapco Air Solutions A/S	Denmark	100 %
Evapco Europe S.R.L.	Italy	100 %
Evapco Europe NV	Belgium	99,99 %
Evapco Australia	Australia	100 %
Flex Coil Deutchland GmbH	Germany	100 %
ApS Stake Nr. 1851	Denmark	100 %
ApS Brazil	Brazil	100 %
FanTR Technology Resources Ltda.	Brazil	89,95 %
Aqua-Cool Shanghai	China	100 %
Evapco Middle East	Egypt	100 %

DKK in thousands.

	Group 31/12 2017	Group 31/12 2016
15. Manufactured goods and trade goods		
Raw materials and consumable materials	83.801	85.406
Work in progress	13.254	22.306
Finished goods	14.561	11.661
	111.616	**119.373**

	Group 31/12 2017	Group 31/12 2016	Parent company 31/12 2017	Parent company 31/12 2016
16. Deferred tax assets				
Deferred tax assets 1 January 2017	953	5.845	0	946
Deferred tax of the results for the year	201	-4.892	0	-946
	1.154	**953**	**0**	**0**

Deferred tax assets consists of deferred taxes. Deferred taxes reflect the assessment of the actual future tax, which should be paid relating to items in the annual report, taking the time placement, and probability of said estimates into consideration.

17. Deferred expenses

Prepayments comprises prepaid expenses.

	Group 31/12 2017	Group 31/12 2016	Parent company 31/12 2017	Parent company 31/12 2016
18. Contributed capital				
Contributed capital 1 January 2017	1.000	1.000	1.000	1.000
	1.000	**1.000**	**1.000**	**1.000**

Notes

DKK in thousands.

		Group 31/12 2017	Group 31/12 2016
19.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January 2017	2.520	2.163
	Deferred tax of the results for the year	-435	357
		2.085	**2.520**

		Group 31/12 2017	Group 31/12 2016
20.	**Mortgage debt**		
	Mortgage debt in total	10.261	18.859
	Share of amount due within 1 year	-2.144	-3.723
		8.117	**15.136**

		Group 31/12 2017	Group 31/12 2016
21.	**Other debts**		
	Other debts in total	235.049	221.141
	Share of amount due within 1 year	-26.490	-33.559
	Other debts in total	**208.559**	**187.582**

		Group 2017	Group 2016	Parent company 2017	Parent company 2016
22.	**Fee, auditor**				
	Fee concerning compulsory audit	1.240	1.259	50	50
	Tax consultancy	187	145	15	15
	Assurance engagements	23	0	0	0
	Other services	0	8	0	0
		1.450	**1.412**	**65**	**65**

DKK in thousands.

23. Mortgage and securities

As security for mortgage debt, DKK ('000) 34,087, have been provided in land and buildings that have a carrying amount of DKK ('000) 52,752 at 31 December 2017.

As security for payables to credit institutions, the group has issued a pledge. The book value from these assets at 31 December 2017 amounts to DKK ('000) 10,150.

As security for payables to credit institutions, the company has issued a letter of indemnity (floating charge) of nominal amount DKK ('000) 5,000 with security in unsecured claim from sales of goods and inventory of raw materials, semi-manufacture and finished goods. The book value from these assets at 31 December 2017 amounts to DKK ('000) 35,436.

The group has issued mortgage deed registrered to mortgagor totalling DKK ('000) 1,000, providing security on land and buildings at a total carrying amount of DKK ('000) 25,938.

The group has issued guarantees in favour of 3th parties amounting to DKK ('000) 3,543.

The group has issued bank guarantees and performance bonds amounting to DKK ('000) 8,276.

24. Contingencies

Contingent liabilities

Group

The company has entered into a operating lease contract with a commitment of DKK ('000) 15,551.

The group has intered into documentary credit agreements with a total obligation amounting to DKK ('000) 13,143.

Parent company

The company has issued a letter of support to ApS Stake nr. 1851, in which the company confirms that it will provide the necessary liquidity to maintain the operations in ApS Stake nr. 1851 for the following financial year.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

DKK in thousands.

. Contingencies (continued)

Joint taxation (continued)

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

25. Related parties

Controlling interest

Evapco Inc. 5151 Allendale Lane Taneytown, MD 21787 USA	Majority shareholder

	Group 2017	Group 2016
26. Adjustments		
Depreciation and amortisation	20.913	20.587
Other financial income	-38.333	-51.684
Other financial costs	23.123	58.420
	5.703	**27.323**

	Group 2017	Group 2016
27. Change in working capital		
Change in inventories	7.757	-6.277
Change in debtors	-106	20.370
Change in trade creditors and other liabilities	-27.308	-3.511
Exchange rate adjustments	14.689	24.458
	-4.968	**35.040**

Accounting policies used

The annual report for Evapco Holdings ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (large enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Evapco Holdings ApS and those group enterprises of which Evapco Holdings ApS directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Raw materials and consumables used

Raw materials and consumables used includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent company and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Completed development projects, trademarks and knowhow

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 5 years.

Trademarks, knowhow etc. are measured at cost with deduction of accrued amortisation. Trademarks and knowhow are amortised on a straight-line basis over the remaining contract period.

Gain and loss from the sale of completed development projects, trademarks and knowhow are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. The amortisation period is between 10-20 years and is based on management experience with relevant business area.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Buildings	25-40	years
Production plan and machinery	5-8	years
Other plants, operating assets, and fixtures and furniture	3-10	years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Securities and equity investments

Securities and equity investments recognised as current assets are measured at cost on the balance sheet date.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Evapco Holdings ApS is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Evapco Holdings ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

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

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.