Evapco Holdings ApS

Knøsgårdvej 115, 9440 Aabybro

Company reg. no. 31 89 44 76

Annual report

1 January - 31 December 2016

The annual report have been submitted and approved by the general meeting on the 6 July 2017.

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Jeffrey Finch
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 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 2016.

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 2016, 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 2016.

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, 6 July 2017

Executive board

Jeffrey William Finch　　William Glen Bartley　　Wilson Eli Bradley

Independent auditor's report

To the shareholder 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 2016, 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 2016 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 2016, 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.

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group’s and the company’s ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 company’s internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group’s and the 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 consolidated annual accounts and the annual accounts 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. 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 the internal control that we identify during our audit.

Aalborg, 6 July 2017

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

Søren Korgaard-Mollerup
State Authorised Public Accountant

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	

Consolidated financial highlights

DKK in thousands.	2016	2015	2014	2013	2012
Profit and loss account:					
Net turnover	579.480	583.923	541.021	483.086	517.365
Gross profit	234.562	239.845	226.257	201.469	204.752
Results from operating activities	12.523	25.843	30.766	18.387	29.760
Net financials	-6.736	-13.420	-8.672	-10.744	-1.666
Results for the year	-13.081	-1.431	7.772	-1.487	18.510
Balance sheet:					
Balance sheet sum	569.015	556.286	613.937	472.741	457.855
Investments in tangible fixed assets represent	17.569	16.118	27.862	17.302	13.123
Equity	211.815	209.697	231.386	221.566	224.379
Cash flow:					
Operating activities	27.093	20.898	-18.522	22.977	-15.579
Investment activities	-19.756	-22.296	-60.208	-18.963	-4.732
Financing activities	13.461	-15.423	87.097	5.801	23.727
Employees:					
Average number of full time employees	679	645	574	409	439
Key figures in %:					
Gross margin	40,5	41,1	41,8	41,7	39,6
Profit margin	2,2	4,4	5,7	3,8	5,8
Solvency ratio	36,6	37,1	37,7	46,9	49,0
Return on equity	-6,0	-0,6	4,4	-0,3	9,1

*) 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)

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

Solvency ratio

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

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

Management's review

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) -12.444 against DKK ('000) -1.363 last year. The management consider the results unsatisfactory.

In general the markets has weakned and this has resulted in a decrease in net turnover. The result was lower than expected in the annual report for 2015 due to higher costs.

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.

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 2016	Group 2015	Parent company 2016	Parent company 2015
1	Net turnover	579.480	583.923	0	0
	Raw materials and consumables used	-225.511	-233.681	0	0
	Other external costs	-119.407	-110.397	-254	-199
	Gross results	**234.562**	**239.845**	**-254**	**-199**
2	Staff costs	-201.452	-197.139	0	0
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-20.587	-16.863	0	0
	Operating profit	**12.523**	**25.843**	**-254**	**-199**
	Income from equity investments in group enterprises	0	0	-14.616	-3.885
3	Other financial income	51.684	27.584	29.636	20.677
4	Other financial costs	-58.420	-41.004	-26.232	-17.087
	Results before tax	**5.787**	**12.423**	**-11.466**	**-494**
5	Tax on ordinary results	-18.868	-13.854	-978	-869
6	**Results for the year**	**-13.081**	**-1.431**	**-12.444**	**-1.363**
	The group results are presented as follows:				
	Shareholders in Evapco Holdings ApS	-12.444	-1.363		
	Minority interests	-637	-68		
		-13.081	**-1.431**		

Balance sheet 31 December

DKK in thousands.

Assets

Note		Group 2016	Group 2015	Parent company 2016	Parent company 2015
	Fixed assets				
7	Completed development projects	7.457	666	0	0
8	Trademarks, knowhow etc.	19.245	24.807	0	0
9	Goodwill	19.972	21.097	0	0
	Intangible fixed assets in total	46.674	46.570	0	0
10	Land and property	91.603	92.267	0	0
11	Production plant and machinery	41.617	29.779	0	0
12	Other plants, operating assets, and fixtures and furniture	4.296	8.085	0	0
13	Tangible assets under construction and prepayments for tangible assets	1.290	0	0	0
	Tangible fixed assets in total	138.806	130.131	0	0
14	Equity investments in group enterprises	0	0	144.913	112.013
	Financial fixed assets in total	0	0	144.913	112.013
	Fixed assets in total	**185.480**	**176.701**	**144.913**	**112.013**

Balance sheet 31 December

DKK in thousands.

Assets

Note		Group 2016	Group 2015	Parent company 2016	Parent company 2015
	Current assets				
15	Manufactured goods and trade goods	119.373	113.096	0	0
	Inventories in total	119.373	113.096	0	0
	Trade debtors	142.023	177.974	0	0
	Amounts owed by group enterprises	0	0	174.528	155.865
16	Deferred tax assets	953	5.845	0	946
	Receivable corporate tax	2.137	0	0	0
	Other debtors	28.791	9.811	0	0
17	Deferred expenses	3.830	9.407	0	0
	Debtors in total	177.734	203.037	174.528	156.811
	Other securities and equity investments	2.369	191	0	0
	Securities in total	2.369	191	0	0
	Available funds	84.059	63.261	20.479	17.983
	Current assets in total	**383.535**	**379.585**	**195.007**	**174.794**
	Assets in total	**569.015**	**556.286**	**339.920**	**286.807**

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

Note		Group 2016	Group 2015	Parent company 2016	Parent company 2015
	Equity				
18	Contributed capital	1.000	1.000	1.000	1.000
	Reserve for development expenditure	8.672	0	0	0
	Other reserves	1.463	1.800	0	0
	Results brought forward	196.846	203.412	206.981	205.212
	Equity before non-controlling interest.	207.981	206.212	207.981	206.212
	Minority interests	3.834	3.485	0	0
	Equity in total	**211.815**	**209.697**	**207.981**	**206.212**
	Provisions				
19	Provisions for deferred tax	2.520	2.163	0	0
	Provisions in total	**2.520**	**2.163**	**0**	**0**

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

Note		Group 2016	Group 2015	Parent company 2016	Parent company 2015
	Liabilities				
20	Mortgage debt	15.136	18.859	0	0
	Debt to group enterprises	0	0	131.851	78.656
21	Other debts	187.582	167.911	0	0
	Long-term liabilities in total	202.718	186.770	131.851	78.656
	Mortgage debt	3.723	6.210	0	1.777
	Trade creditors	109.677	103.588	88	162
	Corporate tax	5.003	4.698	0	0
	Other debts	33.559	43.160	0	0
	Short-term liabilities in total	151.962	157.656	88	1.939
	Liabilities in total	**354.680**	**344.426**	**131.939**	**80.595**
	Equity and liabilities in total	**569.015**	**556.286**	**339.920**	**286.807**

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

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Reserve for development expenditure	Other reserves	Results brought forward	Minority interests
Equity 1 January 2015	1.000	0	1.800	228.584	3.417
Provisions of the results for the year	0	0	0	-1.363	-68
Exchange rate adjustment	0	0	0	-23.809	136
Equity 1 January 2016	1.000	0	1.800	203.412	3.485
Adjustment due to changed procedures	0	0	-293	293	0
Provisions of the results for the year	0	0	0	-12.444	-637
Transferred from results brought forward	0	8.672	0	-8.672	0
Depreciation and impairment for the year	0	0	-44	44	0
Exchange rate adjustment	0	0	0	14.213	986
Equity 31 December 2016	**1.000**	**8.672**	**1.463**	**196.846**	**3.834**

Statement of changes in equity of the parent company

DKK in thousands.

	Contributed capital	Results brought forward
Equity 1 January 2015	1.000	230.386
Profit or loss for the year brought forward	0	-1.363
Exchange rate adjustment	0	-23.811
Equity 1 January 2016	1.000	205.212
Profit or loss for the year brought forward	0	-12.444
Exchange rate adjustment	0	14.213
Equity 31 December 2016	**1.000**	**206.981**

Cash flow statement 1 January - 31 December

DKK in thousands.

Note		Group 2016	2015
	Results for the year	-13.081	-1.431
26	Adjustments	27.323	32.222
27	Change in working capital	35.040	19.276
	Cash flow from operating activities before net financials	49.282	50.067
	Interest received and similar amounts	51.684	27.584
	Interest paid and similar amounts	-58.420	-41.004
	Cash flow from ordinary activities	42.546	36.647
	Corporate tax paid	-15.453	-15.749
	Cash flow from operating activities	**27.093**	**20.898**
	Purchase of intangible fixed assets	-9.480	-766
	Purchase of tangible fixed assets	-17.569	-16.118
	Sale of tangible fixed assets	7.200	12.783
	Additions, investments	93	-18.195
	Cash flow from investment activities	**-19.756**	**-22.296**
	Change in other long term debt	19.671	15.751
	Change in debt to credit instutions	-6.210	-31.174
	Cash flow from financing activities	**13.461**	**-15.423**
	Changes in available funds	**20.798**	**-16.821**
	Available funds 1 January 2016	63.261	80.082
	Available funds 31 December 2016	**84.059**	**63.261**
	Available funds		
	Available funds	84.059	63.261
	Available funds 31 December 2016	**84.059**	**63.261**

Notes

DKK in thousands.

1. Net turnover

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

	Group 2016	Group 2015
2. Staff costs		
Salaries and wages	157.170	152.392
Pension costs	5.862	5.048
Other costs for social security	38.420	39.699
	201.452	**197.139**
Average number of employees	679	645

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

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
3. Other financial income				
Interest income from affiliated enterprises	0	0	5.576	5.139
Other interest expenses	815	511	1	0
Exchange differences	50.869	27.073	24.059	15.538
	51.684	**27.584**	**29.636**	**20.677**
4. Other financial costs				
Other interest expenses	3.327	4.208	1.468	1.612
Exchange differences	55.093	36.796	24.764	15.475
	58.420	**41.004**	**26.232**	**17.087**

DKK in thousands.

		Group 2016	Group 2015	Parent company 2016	Parent company 2015
5.	**Tax on ordinary results**				
	Tax of the results for the year	13.619	12.901	946	841
	Adjustment for the year of deferred tax	5.249	1.116	32	28
	Adjustment of tax for previous years	0	-163	0	0
		18.868	**13.854**	**978**	**869**

		Parent company 2016	Parent company 2015
6.	**Proposed distribution of the results**		
	Allocated from results brought forward	-12.444	-1.363
	Distribution in total	**-12.444**	**-1.363**

		Group 31/12 2016	Group 31/12 2015
7.	**Completed development projects**		
	Cost 1 January 2016	666	0
	Additions during the year	8.672	766
	Disposals during the year	-548	0
	Exchange rate regulation	1.152	-100
	Cost 31 December 2016	**9.942**	**666**
	Amortisation and writedown 1 January 2016	0	0
	Exchange rate regulation	-271	0
	Amortisation for the year	-2.214	0
	Amortisation and writedown 31 December 2016	**-2.485**	**0**
	Book value 31 December 2016	**7.457**	**666**

The development projects are recognised in FanTR and Evapco Brazil and relate to development of fans, blades, hubs and other product development.

Notes

DKK in thousands.

		Group	
		31/12 2016	31/12 2015
8.	**Trademarks, knowhow etc.**		
	Cost 1 January 2016	34.037	8.055
	Disposals during the year	-11.039	0
	Transfers	0	30.803
	Exchange rate regulation	5.331	-4.821
	Cost 31 December 2016	**28.329**	**34.037**
	Amortisation and writedown 1 January 2016	-9.230	-6.347
	Exchange rate regulation	-1.039	962
	Amortisation for the year	-923	-3.845
	Depreciation, amortisation and writedown for the year, assets disposed of	2.108	0
	Amortisation and write-downs 31 December 2016	**-9.084**	**-9.230**
	Book value 31 December 2016	**19.245**	**24.807**

		Group	
		31/12 2016	31/12 2015
9.	**Goodwill**		
	Cost 1 January 2016	27.198	71.063
	Additions during the year	808	0
	Disposals during the year	0	-11.206
	Transfers	0	-30.803
	Exchange rate regulation	1.022	-1.856
	Cost 31 December 2016	**29.028**	**27.198**
	Amortisation and writedown 1 January 2016	-6.101	-5.237
	Exchange rate regulation	-417	0
	Amortisation for the year	-2.538	-864
	Amortisation and write-downs 31 December 2016	**-9.056**	**-6.101**
	Book value 31 December 2016	**19.972**	**21.097**

Notes

DKK in thousands.

		Group	
		31/12 2016	31/12 2015
10.	**Land and property**		
	Cost 1 January 2016	129.192	125.860
	Transfer	8	0
	Additions during the year	927	6.245
	Exchange rate regulation	2.535	-2.913
	Cost 31 December 2016	**132.662**	**129.192**
	Revaluation 1 January 2016	2.400	2.400
	Revaluation 31 December 2016	**2.400**	**2.400**
	Depreciation and writedown 1 January 2016	-39.325	-35.600
	Exchange rate regulation	-196	135
	Depreciation for the year	-3.938	-3.860
	Depreciation and writedown 31 December 2016	**-43.459**	**-39.325**
	Book value 31 December 2016	**91.603**	**92.267**
	Book value excluding revaluations	89.653	

		Group	
		31/12 2016	31/12 2015
11.	**Production plant and machinery**		
	Cost 1 January 2016	98.709	95.110
	Transfer	3.602	0
	Additions during the year	14.021	6.423
	Disposals during the year	-2.760	-667
	Exchange rate regulation	2.574	-2.157
	Cost 31 December 2016	**116.146**	**98.709**
	Depreciation and writedown 1 January 2016	-68.930	-62.886
	Exchange rate regulation	-535	218
	Depreciation for the year	-7.608	-6.754
	Depreciation, amortisation and writedown for the year, assets disposed of	2.544	492
	Depreciation and writedown 31 December 2016	**-74.529**	**-68.930**
	Book value 31 December 2016	**41.617**	**29.779**

Notes

DKK in thousands.

		Group	
		31/12 2016	31/12 2015
12.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2016	27.112	24.538
	Transfer	-3.610	0
	Additions during the year	1.472	3.450
	Disposals during the year	-403	-910
	Exchange rate regulation	-63	34
	Cost 31 December 2016	**24.508**	**27.112**
	Amortisation and writedown 1 January 2016	-19.027	-18.308
	Exchange rate regulation	50	-29
	Depreciation for the year	-1.638	-1.539
	Depreciation, amortisation and writedown for the year, assets disposed of	403	849
	Depreciation and writedown 31 December 2016	**-20.212**	**-19.027**
	Book value 31 December 2016	**4.296**	**8.085**

		Group	
		31/12 2016	31/12 2015
13.	**Tangible assets under construction and prepayments for tangible assets**		
	Additions during the year	1.149	0
	Exchange rate regulation	141	0
	Cost 31 December 2016	**1.290**	**0**
	Book value 31 December 2016	**1.290**	**0**

Notes

DKK in thousands.

		Parent company 31/12 2016	31/12 2015
14.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2016	161.641	161.641
	Additions during the year	43.309	0
	Cost 31 December 2016	**204.950**	**161.641**
	Revaluations, opening balance 1 January 2016	-48.764	-7.008
	Exchange rate regulation	14.511	-23.810
	Results for the year before goodwill amortisation	-13.752	-3.021
	Dividend	-11.168	-14.925
	Revaluation 31 December 2016	**-59.173**	**-48.764**
	Amortisation of goodwill for the year	-864	-864
	Depreciation on goodwill 31 December 2016	**-864**	**-864**
	Book value 31 December 2016	**144.913**	**112.013**
	Booked value includes goodwill with an amount of	10.624	11.488

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 %

Notes

DKK in thousands.

	Group	
	31/12 2016	31/12 2015
15. Manufactured goods and trade goods		
Raw materials and consumable materials	85.406	89.673
Work in progress	22.306	12.076
Finished goods	11.661	11.347
	119.373	**113.096**

	Group		Parent company	
	31/12 2016	31/12 2015	31/12 2016	31/12 2015
16. Deferred tax assets				
Deferred tax assets 1 January 2016	5.845	6.798	946	1.834
Deferred tax of the results for the year	-4.892	-953	-946	-888
	953	**5.845**	**0**	**946**

17. Deferred expenses

Prepayments comprises prepaid expenses.

	Group		Parent company	
	31/12 2016	31/12 2015	31/12 2016	31/12 2015
18. Contributed capital				
Contributed capital 1 January 2016	1.000	1.000	1.000	1.000
	1.000	**1.000**	**1.000**	**1.000**

Notes

DKK in thousands.

	Group	
	31/12 2016	31/12 2015
19. Provisions for deferred tax		
Provisions for deferred tax 1 January 2016	2.163	2.163
Deferred tax of the results for the year	357	0
	2.520	**2.163**

	Group		Parent company	
	31/12 2016	31/12 2015	31/12 2016	31/12 2015
20. Mortgage debt				
Mortgage debt in total	18.859	25.069	0	1.777
Share of amount due within 1 year	-3.723	-6.210	0	-1.777
	15.136	**18.859**	**0**	**0**
Share of liabilities due after 5 years	5.085	7.419	0	0

	Group	
	31/12 2016	31/12 2015
21. Other debts		
Other debts in total	221.141	211.071
Share of amount due within 1 year	-33.559	-43.160
Other debts in total	**187.582**	**167.911**

Notes

DKK in thousands.

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
22. Fee, auditor				
Fee concerning compulsory audit	1.259	824	50	58
Tax consultancy	145	261	15	13
Assurance engagements	0	2	0	0
Other services	8	63	0	37
	1.412	**1.150**	**65**	**108**

23. Mortgage and securities

As security for mortgage debt, DKK ('000) 24,345, have been provided in land and buildings that have a carrying amount of DKK ('000) 31,083 at 31 December 2016.

As security for payables to credit institutions, the group has issued a pledge. The book value from these assets at 31 December 2016 amounts to DKK ('000) 10,144.

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 2016 amounts to DKK ('000) 37,713.

The group has issued mortgage deed registrered to other mortgagor totalling DKK ('000) 1,000 in land and buildings.

The group has issued guarantees for third parties liabilities amounting to DKK ('000) 1,129.

DKK in thousands.

24. Contingencies

Contingent liabilities

Group

The company has entered into a operating lease contract with a commitment of DKK ('000) 2,836.

The group has intered into documentary credit agreements with a total obligation amounting to DKK ('000) 2,085.

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.

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

Notes

DKK in thousands.

	Group 2016	Group 2015
26. Adjustments		
Depreciation and amortisation	20.587	16.863
Income from equity investments in group enterprises	0	0
Other financial income	-51.684	-27.584
Other financial costs	58.420	41.004
Tax on ordinary results	0	13.854
Other adjustments	0	-11.915
	27.323	**32.222**

	Group 2016	Group 2015
27. Change in working capital		
Change in inventories	-6.277	-89
Change in debtors	20.370	30.823
Change in trade creditors and other liabilities	-3.511	1.824
Exchange rate adjustments	24.458	-13.282
	35.040	**19.276**

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).

Changes in accounting policies

As a consequence of Act No. 738 of 1 June 2015 (changes to the Danish Financial Statements Act), the company altered its accounting policies concerning revaluation reserve on property, plant and equitment. The revaluation reserve on equity has previously remained unchanges; however, in furture this will be reduced on an ongoing basis along with future depreciation. In relation to the changes, the company corrected the statement of changes in equity, including the revaluation reserve concerning the performed depreciation on revaluation in previous years. Comparative figures have not been corrected.

The change has reduced the revaluation reserve with DKK ('000) 293, and increased retained earnings with DKK ('000) 293. The change has not influenced result for the year.

Development costs include recognized development must henceforth be recognized as a base reserved to equity. The reserve is not available for dividend or cover loss. The reserve is reduced or is dissolved, if the recognized development costs are amortized or deleted from the company's operations. This is done by direct transfer to the equity free reserves.

Going forward the residual values of tangible assets will be subject to an annual reassessment. Previously, the estimated residual value was established at the time of commencement of use of the asset, and could only in exceptional circumstances be changed. The change is made in accordance with the transitional clause section 4 and has only prospectively effect as a change in accounting estimate and has no effect on equity.

Beside the above change 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.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

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.