Oreco A/S

Lejrvej 25, DK-3500 Værløse

Annual Report for 26 November - 31 December 2015

CVR No 37 25 94 62

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 7 /4 2016

Stig Bøgh Karlsen
Chairman

pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Oreco A/S for the financial year 26 November - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Furesø, 7 April 2016

Executive Board

Kåre Wessel Wetlesen

Board of Directors

Stig Bøgh Karlsen Chairman	Ulrik Bülow	Per Høholt
Michael Jørgen Peytz		

Independent Auditor’s Report on the Financial Statements

To the Shareholders of Oreco A/S

Report on the Financial Statements

We have audited the Financial Statements of Oreco A/S for the financial year 26 November - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 26 November - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 7 April 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jens Michael Colstrup statsautoriseret revisor	Anders Storm Hansen statsautoriseret revisor

Company Information

The Company	Oreco A/S Lejrvej 25 DK-3500 Værløse Website: www.oreco.com CVR No: 37 25 94 62 Financial period: 26 November - 31 December Incorporated: 26 November 2015 Financial year: 1st financial year Municipality of reg. office: Furesø
Board of Directors	Stig Bøgh Karlsen, Chairman Ulrik Bülow Per Høholt Michael Jørgen Peytz
Executive Board	Kåre Wessel Wetlesen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's Review

Financial Statements of Oreco A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Main activity

The business scope of the company comprises of research and development, production and sale of equipment and process systems directed at the cleaning of large, medium and small sized land based atmospheric oilstorage tanks.

Market overview

The market for cleaning of oil refinery based atmospheric oil storage tanks has continued in line or above previous years, as a result of the lower commodity price for crude oil have positively impacted the earnings of oil refineries. A steady development is expected to continue within this market segment. The market for upstream and midstream land based atmospheric oil storage tanks have showed a slow down, as this market segment is impacted negatively by the lower commodity price for crude oil. At the same time this market segment has experienced a "stock-piling" situation causing cleaning projects to be postponed.

Development in the year

The income statement of the Company for 2015 shows a loss of DKK 411,210, and at 31 December 2015 the balance sheet of the Company shows equity of DKK 9,588,790.

Targets and expectations for the year ahead

For the financial year 2016, the Company expects a break even result after amortization of goodwill with positive cash flow.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 26 November - 31 December

	Note	2015
		DKK
Gross profit/loss		**239.337**
Staff expenses	1	-396.682
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-198.264
Profit/loss before financial income and expenses		**-355.609**
Financial income	3	212.293
Financial expenses	4	-267.894
Profit/loss before tax		**-411.210**
Tax on profit/loss for the year		0
Net profit/loss for the year		**-411.210**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0
Retained earnings	-411.210
	-411.210

Balance Sheet 31 December

Assets

	Note	2015
		DKK
Completed development projects		710.145
Acquired trademarks		7.017.035
Goodwill		12.874.806
Intangible assets		**20.601.986**
Plant and machinery		344.167
Other fixtures and fittings, tools and equipment		148.316
Property, plant and equipment		**492.483**
Investments in subsidiaries	78	0
Deposits		76.060
Fixed asset investments		**76.060**
Fixed assets		**21.170.529**
Raw materials and consumables		299.280
Work in progress		203.247
Finished goods and goods for resale		1.651.378
Inventories		**2.153.905**
Trade receivables		4.895.382
Contract work in progress	5	26.510
Receivables from group enterprises		3.104.358
Other receivables		1.307.285
Prepayments		519.230
Receivables		**9.852.765**
Cash at bank and in hand		**4.982.594**
Currents assets		**16.989.264**
Assets		**38.159.793**

Balance Sheet 31 December

Liabilities and equity

	Note	2015
		DKK
Share capital		510.000
Retained earnings		9.078.790
Equity	6	**9.588.790**
Other provisions		1.371.228
Provisions		**1.371.228**
Prepayments received from customers		4.547.396
Trade payables		6.863.176
Payables to owners and Management		15.092.055
Other payables		697.148
Short-term debt		**27.199.775**
Debt		**27.199.775**
Liabilities and equity		**38.159.793**
Contingent assets, liabilities and other financial obligations	8	
Related parties and ownership	9	

Notes to the Financial Statements

		2015
		DKK
1	**Staff expenses**	
	Wages and salaries	359.987
	Pensions	30.330
	Other social security expenses	6.365
		396.682
	Average number of employees	**8**
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**	
	Amortisation of intangible assets	188.193
	Depreciation of property, plant and equipment	10.071
		198.264
3	**Financial income**	
	Income from fixed asset investments	159.569
	Interest received from group enterprises	22.223
	Exchange adjustments	9.281
	Exchange gains	21.220
		212.293
4	**Financial expenses**	
	Other financial expenses	143.183
	Exchange adjustments, expenses	124.490
	Exchange loss	221
		267.894

Notes to the Financial Statements

5 Contract work in progress

	2015
	DKK
Selling price of production for the period	27.668.221
Payments received on account	-27.641.711
	26.510

6 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 26 November	500.000	0	500.000
Cash capital increase	10.000	9.490.000	9.500.000
Net profit/loss for the year	0	-411.210	-411.210
Equity at 31 December	**510.000**	**9.078.790**	**9.588.790**

The share capital consists of 510,000 shares of a nominal value of DKK 1. No shares carry any special rights.

7 Investments in subsidiaries

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Oreco US Inc.	Delaware	200 USD	100%	-2.601.718	-257.215

		2015
		DKK
8	**Contingent assets, liabilities and other financial obligations**	
	Rental agreements	
	Lejrvej 25	432.687
	Security	
	The following assets have been placed as security with Credit institutions:	
	Company charge (virksomhedspant) of 5.000.000 DKK in intangeble assets, property, plant & equipment, inventory and accounts receivable with a total book value of	26.264.818

Contingent liabilities

Danish group companies are jointly liable for tax on consolidated taxable income, etc. The total amount is shown in the annual report for A/S Dansk Erhvervsinvestering, which is the management company in relation to joint taxation.

The company will contribute capital to the subsidiary Oreco US Inc. The planned loan to Oreco US Inc. will be provided subject to special terms.

9 Related parties and ownership

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

A/S Dansk Erhvervsinvestering
c/o Fondsmæglerselskabet Maj Invest A/S
Gammeltorv 18
1457 København K

Maj Invest Holding A/S
Gammeltorv 18
1457 København K

Otto Mønsted A/S
Tingskiftevej 5
2900 Hellerup

Accounting Policies

Basis of Preparation

The Annual Report of Oreco A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Financial Statements for 2015 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Accounting Policies

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprice.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Accounting Policies

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Patents are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period; however not exceeding 5 years.

R&D costs are measured at the lower of cost less accumulated amortisation and recoverable amount. R&D costs are amortized over the expected useful life; however not exceeding 5 years.

Trademarks acquired are measured at cost less accumulated amortisation. Trademarks are amortised on a straight-line basis over its useful life, which is assessed at 8-9 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Accounting Policies

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5	years
Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

The item in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Accounting Policies

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion of contract labor hours incurred to date bear to the estimated total contract labor hours. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting Policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.