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Union Engineering Holding II a/s
Snaremosevej 27
7000 Fredericia
Central Business Registration No 38297171

Annual report 2016

The Annual General Meeting adopted the annual report on 09.06.2017

Chairman of the General Meeting

Name: Heidi Jørgensen

Contents

Entity details

Entity
Union Engineering Holding II a/s
Snaremosevej 27
7000 Fredericia

Central Business Registration No: 38297171
Registered in: Fredericia
Financial year: 01.12.2016 - 31.12.2016

Phone: +4576207700
Fax: +4576207800

Board of Directors
Marek Tapsik
Eric Jacobsson
Roman Zubinski

Executive Board
Heidi Jørgensen, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Union Engineering Holding II a/s for the financial year 01.12.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.12.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Fredericia, 09.06.2017

Executive Board

Heidi Jørgensen
Chief Executive Officer

Board of Directors

Marek Tapsik	Eric Jacobsson	Roman Zubinski

Independent auditor's report

To the shareholders of Union Engineering Holding II a/s

Opinion

We have audited the consolidated financial statements and the parent financial statements of Union Engineering Holding II a/s for the financial year 01.12.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 exits. Misstatements

Independent auditor's report

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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Kolding, 09.06.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Ole Søndergaard Larsen
statsautoriseret revisor

Jesper Brønd-Jensen
statsautoriseret revisor

Management commentary

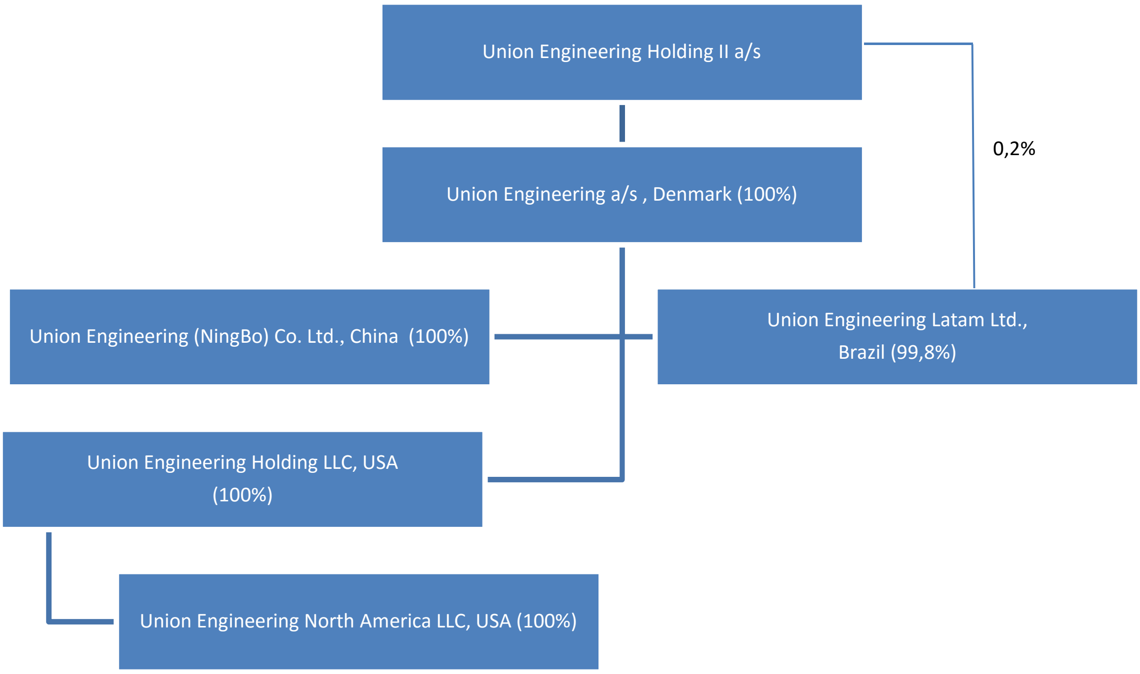
	2016 DKK'000
Financial highlights	
Key figures	
Revenue	41.046
Gross profit/loss	9.650
Profit/loss from ordinary activities	(1.248)
Operating profit/loss	(1.336)
Net financials	(488)
Profit/loss for the year	(5.164)
Total assets	452.784
Investments in property, plant and equipment	286
Equity	216.080
Interest bearing debt, net	(72.214)
Cash flows from (used in) operating activities	19.304
Cash flows from (used in) investing activities	(687)
Cash flows from (used in) financing activities	(45)
Ratios	
Gross margin (%)	23,5
Financial gearing (%)	(0,3)
Return on equity (%)	(2,4)

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Financial gearing	$\frac{\text{Interest bearing debt, net}}{\text{Equity}}$	The entity's financial gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.

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

Management commentary



In general

Union Engineering Holding II a/s was established December 1, 2016 as a result of the demerger of Union Engineering Holding a/s. Union Engineering Holding a/s was demerged and split into two new holding companies, being Union Engineering Holding II a/s and AD Holding II a/s.

As of December 31, 2016, the ultimate majority shareholder is the venture capital fund Capidea.

Management commentary

Primary activities

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

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

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

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

The activities are carried out through Union Engineering a/s as well as through its subsidiaries in China, Brazil and the US.

Development in activities and finances

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

The figures are only for December 2016, since the company was establish December 1, 2016.

The consolidated revenue amounted to DKK 41 m. The profit for the year before tax amounted to DKK -1,8 m, whereas the consolidated profit for the year after tax amounted to DKK -5,2 m.

Outlook

For 2017 a positive development in both revenue and performance is expected.

Particular risks

Operating risks

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

Management commentary

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

The currency exposure of the Group is mainly identified by matching in- and outgoing payments in the same currency as well as using foreign exchange contracts.

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

The share capital of Union Engineering Holding a/s is not divided into share classes. On a regular basis, Management evaluates whether the Group has an adequate capital structure. As per December 31, 2016 the net interest bearing debt of the Group is DKK ÷ 72.2 m in total (deposit), which is considered a satisfactory level. No adjustments have been made neither in the guidelines of the Group nor in the procedures of handling and administrating liquidity during 2015.

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

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

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

Research and development activities
The development and optimisation of the CO_2–plants have continued during 2016. The Group wants to be world-leading within every focus area on the world market. This is ensured by optimizing the various kinds of plants in order to meet the needs of each individual client. The Group maintains focus on improving existing

Management commentary

technologies as well as development on new technologies in general and applying for protection of these as intellectual property rights to the greatest extent possible.

Statutory report on corporate social responsibility

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

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

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

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

During 2012 policies on safety on project sites were prepared and cooperation with international partners in this area was established. Beyond the work environment committee of the Company, a subcommittee as regards safety on project sites has been established.
The initiated activities have been effective, and the Company has not experienced any incidents on project sites in 2014, 2015 or 2016. In 2012 we had two (2) First Aid Incidents (FAI), whereas we had one (1) FAI in 2013. The work of improving safety will continue during 2017.

The first plant with the new patented technology which ensures considerable reduced water consumption by CO_2-capture on breweries was installed in 2012. In 2014 another two plants were installed and another plant was sold. Plant number 4 was installed in 2015. In 2016 another two plants were sold. And the total water saving from these plants compared to traditional plants constitutes 46,000 m^3 on a yearly basis. The development and dissemination of this new type of plant that has been well received in the market will continue during 2017.

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

Statutory report on the underrepresented gender

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

Management commentary

Corporate governance

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

Management's organisation of its tasks is, among other things, based on the Danish Public Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as good practice for enterprises of the same size and with the same international reach as Union Engineering a/s.

Events after the balance sheet date

As of January 26, 2017 100% of the shares in Union Engineering Holding II a/s were sold to Pentair.

No events have occurred after the balance sheet date to this date which would influence the evaluation of this Annual Report.

Consolidated income statement for 2016

	Notes	2016 DKK'000
Revenue	1	41.046
Production costs	3, 4	(31.396)
Gross profit/loss		**9.650**
Distribution costs		(2.796)
Administrative costs	2	(8.102)
Other operating income		42
Other operating expenses		(130)
Operating profit/loss		**(1.336)**
Other financial income		392
Other financial expenses		(880)
Profit/loss before tax		**(1.824)**
Tax on profit/loss for the year	5	(3.340)
Profit/loss for the year	6	**(5.164)**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000
Completed development projects		7.373
Acquired patents		11.720
Goodwill		153.195
Intangible assets	7	**172.288**
Plant and machinery		1.186
Other fixtures and fittings, tools and equipment		3.907
Leasehold improvements		2.695
Property, plant and equipment	8	**7.788**
Deposits		1.930
Fixed asset investments	9	**1.930**
Fixed assets		**182.006**
Manufactured goods and goods for resale		26.830
Prepayments for goods		8.836
Inventories		**35.666**
Trade receivables		55.685
Contract work in progress	10	79.829
Other receivables		15.063
Income tax receivable		149
Prepayments	11	6.737
Receivables		**157.463**
Cash		**77.649**
Current assets		**270.778**
Assets		**452.784**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000
Contributed capital		30.860
Retained earnings		185.220
Equity		**216.080**
Deferred tax	12	11.935
Other provisions	13	10.959
Provisions		**22.894**
Bank loans		2.831
Contract work in progress	10	24.415
Trade payables		164.632
Income tax payable		2.753
Other payables		19.179
Current liabilities other than provisions		**213.810**
Liabilities other than provisions		**213.810**
Equity and liabilities		**452.784**
Arrangements not recognised in balance sheet	15	
Unrecognised rental and lease commitments	16	
Contingent liabilities	17	
Mortgages and securities	18	
Group relations	19	
Subsidiaries	20	

Consolidated statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	30.860	186.730	217.590
Exchange rate adjustments	0	2.684	2.684
Fair value adjustments of hedging instruments	0	885	885
Other equity postings	0	85	85
Profit/loss for the year	0	(5.164)	(5.164)
Equity end of year	**30.860**	**185.220**	**216.080**

Consolidated cash flow statement for 2016

	Notes	2016 DKK'000
Operating profit/loss		(1.337)
Amortisation, depreciation and impairment losses		761
Other provisions		(3.460)
Working capital changes	14	22.857
Cash flow from ordinary operating activities		**18.821**
Financial income paid		(1.275)
Income taxes refunded/(paid)		1.758
Cash flows from operating activities		**19.304**
Acquisition etc of intangible assets		(401)
Acquisition etc of property, plant and equipment		(286)
Cash flows from investing activities		**(687)**
Reduction of lease commitments		(45)
Cash flows from financing activities		**(45)**
Increase/decrease in cash and cash equivalents		**18.572**
Cash and cash equivalents beginning of year		56.246
Cash and cash equivalents end of year		**74.818**
Cash and cash equivalents at year-end are composed of:		
Cash		77.649
Short-term debt to banks		(2.831)
Cash and cash equivalents end of year		**74.818**

Notes to consolidated financial statements

	2016 **DKK'000**
1. Revenue	
Other countries	41.046
	41.046

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

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

	2016 **DKK'000**
2. Fees to the auditor appointed by the Annual General Meeting	
Statutory audit services	36
Tax services	3
Other services	1
	40

	2016 **DKK'000**
3. Staff costs	
Wages and salaries	11.914
Pension costs	435
Other social security costs	504
	12.853
Average number of employees	**179**

With reference to Sec. 98B of the Danish Financial Statements Act remuneration for Management has been omitted in the annual report.

	2016 **DKK'000**
4. Depreciation, amortisation and impairment losses	
Amortisation of intangible assets	1.142
Depreciation on property, plant and equipment	429
	1.571

Notes to consolidated financial statements

	2016 DKK'000
5. Tax on profit/loss for the year	
Tax on current year taxable income	3.625
Change in deferred tax for the year	(1.083)
Adjustment concerning previous years	798
	3.340

	2016 DKK'000
6. Proposed distribution of profit/loss	
Retained earnings	(5.164)
	(5.164)

	Completed develop-ment projects DKK'000	Acquired patents DKK'000	Goodwill DKK'000
7. Intangible assets			
Cost beginning of year	11.544	16.309	224.501
Additions	122	279	0
Cost end of year	**11.666**	**16.588**	**224.501**
Amortisation and impairment losses beginning of year	(4.218)	(4.738)	(70.369)
Amortisation for the year	(75)	(130)	(937)
Amortisation and impairment losses end of year	**(4.293)**	**(4.868)**	**(71.306)**
Carrying amount end of year	**7.373**	**11.720**	**153.195**

Development projects primarily concern development of new process technologies. Capitalized costs primarily concern internal time consumption which is directly referable to the development projects. Sale of plants run as planned and it is estimated that there are no indications of impairment of the recognised development costs.

Notes to consolidated financial statements

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
8. Property, plant and equipment			
Cost beginning of year	2.613	20.132	4.773
Additions	0	110	176
Cost end of year	**2.613**	**20.242**	**4.949**
Depreciation and impairment losses beginning of the year	(1.396)	(15.995)	(2.196)
Depreciation for the year	(31)	(340)	(58)
Depreciation and impairment losses end of the year	**(1.427)**	**(16.335)**	**(2.254)**
Carrying amount end of year	**1.186**	**3.907**	**2.695**

	Deposits DKK'000
9. Fixed asset investments	
Cost beginning of year	1.930
Cost end of year	**1.930**
Carrying amount end of year	**1.930**

	2016 DKK'000
10. Contract work in progress	
Contract work in progress	630.740
Progress billings regarding contract work in progress	(575.326)
Transferred to liabilities other than provisions	24.415
	79.829

11. Prepayments

Prepayments primarily comprise prepaid rent and commissions.

Notes to consolidated financial statements

	2016 DKK'000
12. Deferred tax	
Intangible assets	5.829
Property, plant and equipment	(588)
Receivables	7.312
Equity	(334)
Liabilities other than provisions	(284)
	11.935
Changes during the year	
Beginning of year	19.557
Recognised in the income statement	(7.969)
Recognised directly in equity	347
End of year	**11.935**

Of the DKK 7.969k, DKK 4,014k concern sale of subsidiary.

13. Other provisions

Other provisions comprise non-recourse guarantee commitments.

	2016 DKK'000
14. Change in working capital	
Increase/decrease in inventories	8.138
Increase/decrease in receivables	8.413
Increase/decrease in trade payables etc	6.306
	22.857

15. Arrangements not recognised in balance sheet

The Group has entered into a forward exchange contract concerning sale of foreign currency, the equivalent value of which amounts to DKK 69.772k.

The Group has entered into a forward exchange contract concerning purchase of foreign currency, the equivalent value of which amounts to DKK 56.903k.

Notes to consolidated financial statements

16. Unrecognised rental and lease commitments

Lease commitments

	2016 DKK'000
For the year 2017-2019 operating lease agreements have been concluded on cars and IT:	
Annual lease payments 2017	**532**
Annual lease payments 2018	**456**
Annual lease payments 2019	**29**

Rental commitments

Rental contracts have been concluded, including rent of parent domicile property:	
Annual payments, 2017	**5.480**
Annual payments, 2018	**5.352**
Annual payments, 2019	**5.422**
Annual payments, 2020	**5.065**
Annual payments, 2021 - 2025 (avg.)	**3.146**

17. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which the former parent company Union Engineering Holding A/S served as the administration company until 31.12.2016. At this point the new parent company Union Engineering Holding II a/s serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the group is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Performance and prepayment guarantees have been provided by third party with recourse against the Company amounting to DKK 43.641k.

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

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

Notes to consolidated financial statements

18. Mortgages and securities

As security for the bank, an all-moneys mortgage (receivables charges) has been issued in the amount of DKK 20.000k. The book value amounts to DKK 43.179k.

Certain other plants etc. has bin leased. The carrying amount of assets held under finance lease 31.12.2016 amounts to DKK 0.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Union Engineering Holding II A/S, Central Business Reg. No. 38297171, Snaremosevej 27, 7000 Fredericia

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK'000	Profit/loss DKK'000
20. Subsidiaries					
Union Engineering A/S	Fredericia, Denmark	A/S	100,0	66.305	63.114

Parent income statement for 2016

	Notes	2016 DKK'000
Administrative costs		(1.527)
Operating profit/loss		**(1.527)**
Income from investments in group enterprises		(3.626)
Other financial expenses		(11)
Profit/loss before tax		**(5.164)**
Tax on profit/loss for the year		0
Profit/loss for the year	1	**(5.164)**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000
Goodwill		119.715
Intangible assets	2	**119.715**
Investments in group enterprises		66.307
Fixed asset investments	3	**66.307**
Fixed assets		**186.022**
Deferred tax	4	35
Income tax receivable		857
Receivables		**892**
Cash		**29.167**
Current assets		**30.059**
Assets		**216.081**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000
Contributed capital	5	30.860
Retained earnings		185.221
Equity		**216.081**
Equity and liabilities		**216.081**
Contingent liabilities	6	
Mortgages and securities	7	
Related parties with controlling interest	8	
Transactions with related parties	9	

Parent statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	30.860	186.730	217.590
Exchange rate adjustments	0	2.684	2.684
Fair value adjustments of hedging instruments	0	885	885
Other equity postings	0	86	86
Profit/loss for the year	0	(5.164)	(5.164)
Equity end of year	**30.860**	**185.221**	**216.081**

Notes to parent financial statements

	2016 DKK'000
1. Proposed distribution of profit/loss	
Retained earnings	(5.164)
	(5.164)

	Goodwill DKK'000
2. Intangible assets	
Cost beginning of year	183.948
Cost end of year	**183.948**
Amortisation and impairment losses beginning of year	(63.466)
Amortisation for the year	(767)
Amortisation and impairment losses end of year	**(64.233)**
Carrying amount end of year	**119.715**

	Investments in group enterprises DKK'000
3. Fixed asset investments	
Cost beginning of year	66.278
Cost end of year	**66.278**
Exchange rate adjustments	2.684
Share of profit/loss for the year	(3.626)
Fair value adjustments	885
Other adjustments	86
Revaluations end of year	**29**
Carrying amount end of year	**66.307**

Notes to parent financial statements

	2016 DKK'000
4. Deferred tax	
Intangible assets	35
	35
Changes during the year	
Recognised directly in equity	35
End of year	**35**

	Number	Par value DKK'000	Nominal value DKK'000
5. Contributed capital			
Ordinary shares	30.860	1	30.860
	30.860		**30.860**

6. Contingent liabilities

The Company is jointly and severally liable with the newly established company AD Holding II A/S for the liabilities existing at the time of the publication of the dissolution demerger, however, no more than an amount corresponding to the net value injected in the Company at this time, cf. Section 254(2) of the Danish Companies Act.

The carrying amount of the net value injected in the Company at 01.12.2016 (carrying amount of the net assets contributed) amounts to DKK 217.590.

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act. The Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

In the financial year, the Company has concluded agreements with employees in the subsidiaries and consulting agreements of totally DK 4 m. The agreements are subject to a sale of the shares in Union Engineering Holding II a/s being carried through and subject to the final sales price of the shares.

7. Mortgages and securities

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

Notes to parent financial statements

8. Related parties with controlling interest

The following parties have a controlling interest:

Name	Home	Basis
Pentair Denmark Holding ApS	Hellerup, Denmark	Share owner

9. Transactions with related parties

All transactions with related parties have been carried out on market terms.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

It is the first financial year of the Company and the financial year comprises the period 01.12.2016 - 31.12.2016 (1 month).

The accounting policies applied to these consolidated financial statements and parent financial statements are the following:

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

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

Basis of consolidation

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

Accounting policies

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

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

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

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

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

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

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

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

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

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

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

Accounting policies

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

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

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

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

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

Other financial income from group enterprises
Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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

The Group is jointly taxed with its ultimative owner and all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 to 20 years.

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

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

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives. The amortisation period is 3-5 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights, but no more than 20 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Property, plant and equipment
Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses are not included in cost.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

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

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

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

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If

Accounting policies

the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10-20 years.

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

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

Accounting policies

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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

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

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

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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

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

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

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

Accounting policies

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

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

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

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