

Nordic Air Filtration A/S

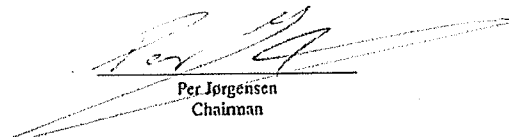
Bergenvvej 1
4900 Nakskov

CVR No. 15110899

Annual Report 2016 February 1, 2016 - December 31, 2016

26. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 19 May 2017



Per Jørgensen
Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of Nordic Air Filtration A/S for the financial year 1 February 2016 - 31 December 2016.

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

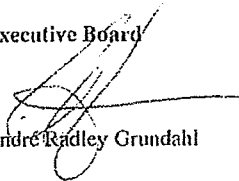
In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flow for the financial year 1 February 2016 - 31 December 2016.

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

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

Nakskov, 31 March 2017


Executive Board

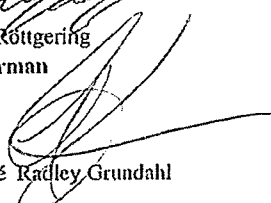

André Radley Grundahl

Supervisory Board


Jens Röttgering
Chairman


Robert Stösset


Christopher Heine


André Radley Grundahl

Independent Auditor's Report

To the shareholders of Nordic Air Filtration A/S

Opinion

We have audited the financial statements of Nordic Air Filtration A/S for the financial year 1. februar 2016 - 31. december 2016, which comprise an income statement, balance sheet, cash flows and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31. december 2016 and of the results of its operations and cash flows for the financial year 1. februar 2016 - 31. december 2016 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, 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 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 considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- * Identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 Company's internal control.
- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.

Independent Auditor's Report

- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could cast significant doubt on 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

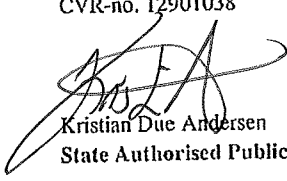
Our responsibility in connection with our audit of the financial statements is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Maribo, 31. marts 2017

aage maangensen
statsautoriseret revisionsaktieselskab
CVR-no. 12901038



Kristian Due Andersen
State Authorised Public Accountant

Company details

| | |
|--------------------------|--|
| Company | Nordic Air Filtration A/S Bergenvvej 1 4900 Nakskov |
| Telephone | 45 54 95 13 90 |
| Telefax | 45 54 95 13 63 |
| email | info@nordic-air-filtration.com |
| Website | www.nordic-air-filtration.com |
| CVR No. | 15110899 |
| Date of formation | 1 April 1991 |
| Registered office | Lolland |
| Financial year | 1 February 2016 - 31 December 2016 |
| Supervisory Board | Jens Röttgering, Chairman Robert Stösser Christopher Heine André Radley Grundahl |
| Executive Board | André Radley Grundahl |
| Auditors | aage maagensen statsautoriseret revisionsaktieselskab C. E. Christiansens Vej 56 4930 Maribo CVR-no.: 12901038 |

Management's Review

The Company's principal activities

The main activities of the Company are manufacturing and sale of filter cartridges for industrial use in static- and pulse dust collectors and filter elements for use in the Gas Turbine Industry.

The products are mainly sold on the export markets.

Development in activities and financial matters

The profit of the year is satisfactory, despite a lower profit compared to previous year.

The main drivers behind a less profit at Nordic Air Filtration in year 2016 is mainly due to two factors:

- Change of financial year due to the change of company ownership, only operating 11 months in financial year 2016.

- Strategic global expansion for mid- and long term sales growth. We decided to expand our commercial activities in both North America and Asia, as well as continued expansion of sales in Middle East. The expansion relates mainly to headcounts in Denmark, as well assets of inventory and production equipment.

Above activities is a part of Nordic Air Filtrations long term continued growth plans to hereby serve and improve our performance through existing, as well as new segments and industries.

The result t.DKK 2,155 is as expected in according to the Budget 2016.

The activities have resulted in satisfactory cash flow.

Financing and expected development

For the year 2017 a positive operation result compared to the result for 2016 is expected, as well as positive cash flow operations.

The development of the Company's economic situation will be influenced by the developments in the export markets.

Price risks

The price level of the Company's raw materials is fluctuating and therefore presents a risk as price increase only to a limited extent can be include in the prices of finished products.

Currency exposure

Because a significant part of the goods are exported and the main part of raw materials are imported, the result, cash flow and equity are affected by the changes in interest rates and exchange rates for a number of currencies. The Company does not make use of any instruments to hedge the exchange rate risks.

Foreign exchange adjustment of t.DKK. 192 is recognised as an income to the profit and loss account.

The Company has not carried out any speculative exchange rate transactions.

Interest rate exposure

Moderate changes in the level of interest will have no considerable direct effect on earnings. Interest rate swap is established in relation to mortgage debt.

Environmental and safety conditions

Through investments and production planning the Company has obtained all necessary environmental authorizations. The Company is constantly aiming at investments and working routines, including improvements of safety conditions.

Research and development activities

Development activities are carried out successively. Development activities primarily comprise the development of new products and production methods and comprise external expenses.

External costs are capitalized in pursuance of section 83 of the Danish Financial Statements Act.

Management's Review

Consolidation

Nordic Air A/S is a 100% owned subsidiary of Hengst Holding AG.

Post financial year events

After the end of the financial year, no events have occurred which may change the financial position of the entity substantially.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:
Numbers appear in thousands

| | 2016 | 2015/16 | 2014/15 | 2013/14 | 2012/13 |
|-----------------------------------|--------|---------|---------|---------|---------|
| Gross profit | 43.204 | 44.227 | 40.991 | 42.211 | 40.678 |
| Operating profit/loss | 2.883 | 7.886 | 5.045 | 7.632 | 3.654 |
| Net financial income and expenses | -56 | -645 | -481 | -733 | -1.739 |
| Profit/loss for the year | 2.155 | 5.540 | 3.576 | 5.160 | 1.419 |
| | | | | | |
| Total equity | 29.749 | 27.530 | 21.910 | 23.040 | 20.984 |
| Total assets | 82.382 | 69.710 | 61.580 | 55.967 | 63.726 |
| | | | | | |
| Operating activities | 7.677 | 2.932 | 6.688 | 12.247 | 7.493 |
| Investing activities | -2.740 | -906 | -5.863 | -797 | -3.980 |
| Financing activities | -4.152 | -4.672 | -2.675 | -6.027 | 3.908 |
| Investments in tangible assets | 2.214 | 935 | 6.107 | 842 | 3.944 |
| | | | | | |
| Average number of staff | 91 | 78 | 77 | 79 | 89 |
| | | | | | |
| Return on capital employed (%) | 5 | 12 | 9 | 13 | 6 |
| Solvency ratio (%) | 36 | 39 | 36 | 41 | 33 |

For definitions of key ratios, see Accounting and Valuation Principles.

Accounting Policies

Reporting Class

The Annual Report of Nordic Air Filtration A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Accounting policies has been changed as follows:

- As the Company has changed its financial year represents the year of 2016 only 11 months.

Apart from this, accounting policies remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

Derivative financial instruments

Derivative financial instruments are measured at cost and subsequently at fair value at initial recognition in the Balance Sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future assets and liabilities are recognised in other receivables or other payables and in equity. In the event that the future transaction results in the recognition of assets or liabilities, any amounts previously recognised in equity will be transferred to the cost of the asset or the liability, respectively. In the event that the future transaction results in income or expenses, any amounts previously recognised in equity will be transferred to the Income Statement in the period in which the hedged item affects the Income Statement.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, changes in the fair value will continually be recognised in the Income Statement.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. 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 accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Accounting Policies

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Market value change derived from financial instruments in order to hedge cash flows is recognized directly in equity.

Income Statement

Revenue

The net turnover from the sale of manufactured goods and goods for resale are recognized in the profit and loss account when delivery is made and risk has passed to the buyer. Revenue is recognized net of VAT, duties and sales discounts.

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Raw materials and consumables

Costs for raw materials and consumables comprise purchase of goods and services for resale.

Other external expenses

Other external expenses comprise expenses regarding premises, sale and administration.

Staff expenses

Staff expenses comprise wages and salaries, pensions, social security costs and other staff expenses.

Amortisation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

| | Useful life | Residual value |
|---|-------------|----------------|
| Concessions, patents, licens, trademarks and other similar rights | 3-5 years | 0% |
| Properties | 10-30 years | 0% |
| Plant and machinery | 5-10 years | 0% |
| Other fixtures and fittings, tools and equipment | 3-10 years | 0% |
| Leasehold improvements | 3-10 years | 0% |

Land is not amortised.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under amortisation.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Accounting Policies

Income taxes

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Accounting Policies

Balance Sheet

Intangible assets

Other intangible assets, including software etc., are measured at cost less accumulated amortisation and impairment losses.

Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

The cost of self-constructed assets comprises payroll and materials costs etc. directly incurred for the production as well as the share of the production costs indirectly attributable for this.

Interest expenses on loans for financing the manufacture of property, plant and equipment are not included in the costs.

Leasing assets

Tangible assets that are leased and meet the conditions for financial leasing are treated according to the same guidelines as those applying to purchased assets.

The cost of financially leased assets is measured at the lower value of the purchase prices according to the leases and the present value of the lease payments, determined on the basis of the interest rate implicit in the leases.

Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Work in progress and manufactured goods are measured at manufacturing price comprising cost of goods sold and direct payroll costs.

Merchandise are measured at cost comprising purchase price plus delivery costs.

The net realizable 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 which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Accounting Policies

Provisions

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

Provisions that are expected to be settled later than a year from the balance sheet date are measured at the present value and the expected payments. Other provisions are measured at net realisable value.

Financial liabilities

Fixed-rate loans such as mortgage loans and loans from credit institutions are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

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

Lease commitments

Lease commitments are measured at the present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the individual leases.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Accruals and deferred income, equity and liabilities

Accruals and deferred income entered as liabilities consist of payments received regarding income in the subsequent financial years.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Accounting Policies

Accounting policies Cash Flow Statement

The Cash Flow Statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items such as amortisation and impairment losses and provisions. The working capital comprises current assets less short-term liabilities, exclusive of the items that are included in cash and cash equivalents.

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Explanation of financial ratios

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

$$\text{Return on capital employed (\%)} = \frac{(\text{Operating profit} + \text{Financial income}) \times 100}{\text{Avg. assets}}$$

$$\text{Equity interest (equity ratio) (\%)} = \frac{\text{Total equity} \times 100}{\text{Total liabilities}}$$

Income Statement

| | Note | 2016 kr. | 2015/16 kr. |
|--|------|-------------------|-------------------|
| Gross profit | | 43.203.935 | 44.226.671 |
| Employee benefits expense | 1 | -37.606.645 | -33.618.849 |
| Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss | 2 | <u>-2.714.189</u> | <u>-2.722.095</u> |
| Profit from ordinary operating activities | | 2.883.101 | 7.885.727 |
| Other finance income from group enterprises | | 503.500 | 226.149 |
| Finance income | 3 | 204.331 | 0 |
| Finance expenses | 4 | <u>-763.545</u> | <u>-871.112</u> |
| Profit from ordinary activities before tax | | 2.827.387 | 7.240.764 |
| Tax expense on ordinary activities | 5 | <u>-672.787</u> | <u>-1.701.238</u> |
| Profit | | <u>2.154.600</u> | <u>5.539.526</u> |
| Proposed distribution of results | | | |
| Retained earnings | | <u>2.154.600</u> | <u>5.539.526</u> |
| Distribution of profit | | <u>2.154.600</u> | <u>5.539.526</u> |

Balance Sheet as of 31. December

| | Note | 2016 kr. | 2015/16 kr. |
|---|------|-------------------|-------------------|
| Assets | | | |
| Acquired intangible assets | 6 | <u>1.058.110</u> | <u>368.744</u> |
| Intangible assets | | <u>1.058.110</u> | <u>368.744</u> |
| Land and buildings | 7 | 13.972.852 | 13.471.541 |
| Plant and machinery | 8 | 9.088.131 | 9.237.268 |
| Fixtures, fittings, tools and equipment | 9 | 379.307 | 541.535 |
| Property, plant and equipment in progress and prepayments for property, plant and equipment | 10 | <u>0</u> | <u>853.186</u> |
| Property, plant and equipment | | <u>23.440.290</u> | <u>24.103.530</u> |
| Fixed assets | | <u>24.498.400</u> | <u>24.472.274</u> |
| Raw materials and consumables | | 21.189.762 | 14.043.901 |
| Manufactured goods and goods for resale | | 4.139.253 | 1.134.600 |
| Prepayments for goods | | 41.252 | 206.191 |
| Inventories | | <u>25.370.267</u> | <u>15.384.692</u> |
| Short-term trade receivables | | 14.806.733 | 17.238.070 |
| Short-term receivables from group enterprises | | 15.957.117 | 11.086.616 |
| Other short-term receivables | | 955.059 | 1.013.331 |
| Deferred income | 11 | <u>311.300</u> | <u>409.545</u> |
| Receivables | | <u>32.030.209</u> | <u>29.747.562</u> |
| Cash and cash equivalents | | <u>483.174</u> | <u>105.343</u> |
| Current assets | | <u>57.883.650</u> | <u>45.237.597</u> |
| Assets | | <u>82.382.050</u> | <u>69.709.871</u> |

Balance Sheet as of 31. December

| | Note | 2016 kr. | 2015/16 kr. |
|--|------|-------------------|-------------------|
| Liabilities and equity | | | |
| Contributed capital | | 500.000 | 500.000 |
| Retained earnings | | 29.248.761 | 27.029.676 |
| Equity | 12 | <u>29.748.761</u> | <u>27.529.676</u> |
| Provisions for deferred tax | 13 | 1.945.862 | 1.509.977 |
| Other provisions | 14 | 2.136.411 | 646.000 |
| Provisions | | <u>4.082.273</u> | <u>2.155.977</u> |
| Mortgage debt | | 5.583.390 | 5.929.474 |
| Debt to other credit institutions | | 1.078.150 | 3.433.043 |
| Other payables | | 592.471 | 675.145 |
| Lease commitments | | 2.855.489 | 3.969.804 |
| Long-term liabilities other than provisions | 15 | <u>10.109.500</u> | <u>14.007.466</u> |
| Short-term part of long-term liabilities other than provisions | 15 | 3.937.000 | 4.259.000 |
| Debt to other credit institutions | | 1.607.151 | 2.014.018 |
| Prepayments received from customers | | 146.366 | 164.572 |
| Trade payables | | 10.322.909 | 11.623.000 |
| Payables to group enterprises | | 16.314.027 | 0 |
| Tax payables | | 255.090 | 1.296.171 |
| Other payables | | 5.848.573 | 6.611.728 |
| Deferred income, liabilities | 16 | 10.400 | 48.263 |
| Short-term liabilities other than provisions | | <u>38.441.516</u> | <u>26.016.752</u> |
| Liabilities other than provisions within the business | | <u>48.551.016</u> | <u>40.024.218</u> |
| Liabilities and equity | | <u>82.382.050</u> | <u>69.709.871</u> |
| Contingent liabilities | 17 | | |
| Collaterals and assets pledges as security | 18 | | |
| Ownership | 19 | | |
| Liabilities under off-balance sheet leases | 20 | | |
| Related parties | 21 | | |

Cash Flow Statement

| | 2016 kr. | 2015/16 kr. |
|---|-------------------|-------------------|
| Profit | 2.154.600 | 5.539.526 |
| Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets | 2.714.189 | 2.722.095 |
| Adjustments of interest and similar incomes | -707.831 | -226.149 |
| Adjustments of interest and similar expenses | 763.545 | 871.112 |
| Adjustments of tax expense | 236.902 | 1.163.890 |
| Adjustments for deferred tax | 435.885 | 537.348 |
| Other provisions | 1.490.411 | -148.000 |
| Decrease (increase) in inventories | -9.985.575 | -163.778 |
| Decrease (increase) in receivables | -2.282.647 | -11.667.583 |
| Decrease (increase) in trade payables | 14.190.712 | 4.931.877 |
| Cash flow from operating activities before financial items | <u>9.010.191</u> | <u>3.560.338</u> |
| Interest received | 707.831 | 226.149 |
| Interest paid | -748.497 | -854.696 |
| Cash flow from ordinary operating activities | <u>8.969.525</u> | <u>2.931.791</u> |
| Income taxes paid | -1.292.171 | 0 |
| Cash flows from operating activities | <u>7.677.354</u> | <u>2.931.791</u> |
| Purchase of intangible assets | -536.449 | -235.584 |
| Purchase of property, plant and equipment | -2.213.867 | -934.605 |
| Sales of property, plant and equipment | 10.000 | 264.449 |
| Cash flows from investing activities | <u>-2.740.316</u> | <u>-905.740</u> |
| Repayments of long-term liabilities | -4.152.340 | -4.671.945 |
| Conclusion of lease obligations | 0 | 0 |
| Dividend paid | 0 | 0 |
| Cash flows from financing activities | <u>-4.152.340</u> | <u>-4.671.945</u> |
| Net increase (decrease) in cash and cash equivalents | 784.698 | -2.645.894 |
| Cash and cash equivalents, beginning balance | -1.908.675 | 737.219 |
| Cash and cash equivalents, ending balance | <u>-1.123.977</u> | <u>-1.908.675</u> |
| Cash and cash equivalents specified: | | |
| Cash and cash equivalents | 483.174 | 105.343 |
| Short-term debt to banks | -1.607.151 | -2.014.018 |
| Cash and cash equivalents in total | <u>-1.123.977</u> | <u>-1.908.675</u> |

Notes

| | 2016 | 2015/16 |
|---|-------------------|-------------------|
| 1. Employee benefits expense | | |
| Wages and salaries | 33.857.918 | 30.274.666 |
| Post-employment benefit expense | 2.644.916 | 2.486.711 |
| Social security contributions | 607.883 | 540.387 |
| Other employee expense | 495.928 | 317.085 |
| | <u>37.606.645</u> | <u>33.618.849</u> |
| | | |
| Average number of employees | <u>91</u> | <u>78</u> |
| | | |
| According to Danish Financial Statements Act Section 98b, there is not informed about remuneration to management. | | |
| 2. Depreciations | | |
| Development projects | 145.383 | 149.972 |
| Land and buildings | 651.241 | 708.125 |
| Plant and machinery | 1.667.447 | 1.625.137 |
| Other fixtures and fittings, tools and equipments | 230.452 | 238.861 |
| Profit/loss from the disposals of operating equipm | 19.666 | 0 |
| | <u>2.714.189</u> | <u>2.722.095</u> |
| | | |
| 3. Finance income | | |
| Other finance income | 204.331 | 0 |
| | <u>204.331</u> | <u>0</u> |
| | | |
| 4. Finance expenses | | |
| Finance expenses arising from group enterprises | 126.799 | 32 |
| Other finance expenses | 636.746 | 871.080 |
| | <u>763.545</u> | <u>871.112</u> |
| | | |
| 5. Tax expense on ordinary activities | | |
| Current tax | 255.090 | 1.188.600 |
| Change in deferred tax | 435.885 | 537.348 |
| Tax on changes in equity | -18.188 | -24.710 |
| | <u>672.787</u> | <u>1.701.238</u> |

Notes

| | 2016 | 2015/16 |
|---|--------------------|--------------------|
| 6. Acquired intangible assets | | |
| Cost at the beginning of the year | 3,072,826 | 2,837,242 |
| Addition during the year, incl. improvements | 536,449 | 235,584 |
| Transfers during the year to other items | 298,300 | 0 |
| Cost at the end of the year | <u>3,907,575</u> | <u>3,072,826</u> |
| Depreciation and amortisation at the beginning of the year | -2,704,082 | -2,554,110 |
| Amortisation for the year | -145,383 | -149,972 |
| Impairment losses and amortisation at the end of the year | <u>-2,849,465</u> | <u>-2,704,082</u> |
| Carrying amount at the end of the year | <u>1,058,110</u> | <u>368,744</u> |
| 7. Land and buildings | | |
| Cost at the beginning of the year | 20,319,551 | 20,181,957 |
| Addition during the year, incl. improvements | 1,152,552 | 137,594 |
| Cost at the end of the year | <u>21,472,103</u> | <u>20,319,551</u> |
| Depreciation and amortisation at the beginning of the year | -6,848,010 | -6,139,885 |
| Amortisation for the year | -651,241 | -708,125 |
| Impairment losses and amortisation at the end of the year | <u>-7,499,251</u> | <u>-6,848,010</u> |
| Carrying amount at the end of the year | <u>13,972,852</u> | <u>13,471,541</u> |
| Land and buildings valued according to public land assessment DKK 16.100.000. | | |
| 8. Plant and machinery | | |
| Cost at the beginning of the year | 21,139,591 | 16,712,161 |
| Reclassification to fixtures, fittings, tools and equipment | 0 | -39,533 |
| Addition during the year, incl. improvements | 1,518,310 | 4,879,110 |
| Disposal during the year | 0 | -412,147 |
| Cost at the end of the year | <u>22,657,901</u> | <u>21,139,591</u> |
| Depreciation and amortisation at the beginning of the year | -11,902,323 | -10,426,202 |
| Reclassification to fixtures, fittings, tools and equipment | 0 | 1,318 |
| Amortisation for the year | -1,667,447 | -1,625,137 |
| Reversal of impairment losses and amortisation of disposed assets | 0 | 147,698 |
| Impairment losses and amortisation at the end of the year | <u>-13,569,770</u> | <u>-11,902,323</u> |
| Carrying amount at the end of the year | <u>9,088,131</u> | <u>9,237,268</u> |
| Carrying amount of recognised assets not owned by the Company | 5,671,306 | 7,101,192 |

Notes

| | 2016 | 2015/16 |
|--|-------------------|-------------------|
| 9. Fixtures, fittings, tools and equipment | | |
| Cost at the beginning of the year | 2.097.331 | 1.763.083 |
| Reclassification from plant and machinery | 0 | 39.533 |
| Addition during the year, incl. improvements | 97.891 | 294.715 |
| Disposal during the year | -32.400 | 0 |
| Cost at the end of the year | <u>2.162.822</u> | <u>2.097.331</u> |
| Depreciation and amortisation at the beginning of the year | -1.555.796 | -1.315.617 |
| Reclassification from plant and machinery | 0 | -1.318 |
| Amortisation for the year | -230.453 | -238.861 |
| Reversal of impairment losses and amortisation of disposed assets | 2.734 | 0 |
| Impairment losses and amortisation at the end of the year | <u>-1.783.515</u> | <u>-1.555.796</u> |
| Carrying amount at the end of the year | <u>379.307</u> | <u>541.535</u> |
| 10. Property, plant and equipment in progress and prepayments for property, plant and equipment | | |
| Cost at the beginning of the year | 853.186 | 5.230.000 |
| Change due to change in accounting policies | -298.300 | 0 |
| Addition during the year, incl. improvements | 0 | 853.186 |
| Disposal during the year | -554.886 | -5.230.000 |
| Cost at the end of the year | <u>0</u> | <u>853.186</u> |
| Carrying amount at the end of the year | <u>0</u> | <u>853.186</u> |
| 11. Deferred income | | |
| Prepaid insurance premiums | 68.600 | 178.800 |
| Prepaid services | 142.700 | 81.030 |
| Other prepayments | 100.000 | 149.715 |
| Balance at the end of the year | <u>311.300</u> | <u>409.545</u> |

12. Statement of changes in equity

| | Contributed capital | Retained earnings | I alt |
|--|------------------------|----------------------|-------------------|
| Equity, beginning balance | 500.000 | 27.029.676 | 27.529.676 |
| Profit for the year | 0 | 2.154.600 | 2.154.600 |
| Revaluation reserve financial instrument | 0 | 82.674 | 82.674 |
| Tax on changes in financial instrument | 0 | -18.188 | -18.188 |
| | <u>500.000</u> | <u>29.248.762</u> | <u>29.748.762</u> |

The share capital has remained unchanged for the last 5 years.

Notes

| | 2016 | 2015/16 |
|--|------------------|------------------|
| 13. Provisions for deferred tax | | |
| Intangible fixed assets | 232.784 | 81.124 |
| Tangible fixed assets | 1.806.444 | 1.511.118 |
| Current assets | -114.141 | -104.529 |
| Liabilities | 20.775 | 22.264 |
| Balance at the end of the year | <u>1.945.862</u> | <u>1.509.977</u> |

| | | |
|--------------------------------|------------------|----------------|
| 14. Other provisions | | |
| Warranty provision for goods | 2.136.411 | 646.000 |
| Balance at the end of the year | <u>2.136.411</u> | <u>646.000</u> |

15. Long-term liabilities

| | Due after 1 year | Due within 1 year | Due after 5 years |
|-----------------------------------|---------------------|----------------------|----------------------|
| Mortgage debt | 5.583.390 | 386.000 | 4.090.000 |
| Debt to other credit institutions | 1.078.150 | 2.342.000 | 0 |
| Financial instrument | 592.471 | 0 | 0 |
| Lease commitments | 2.855.489 | 1.209.000 | 0 |
| | <u>10.109.500</u> | <u>3.937.000</u> | <u>4.090.000</u> |

Leasing commitments (financial leasing) consist of production machinery. Final payment of purchaseoption is included in the debt.

16. Deferred income, liabilities

| | | |
|--------------------------------|---------------|---------------|
| Periodic interest | 10.400 | 48.263 |
| Balance at the end of the year | <u>10.400</u> | <u>48.263</u> |

17. Contingent liabilities

The company grants ordinary trade guarantees towards the customers.

18. Collaterals and securities

Mortgage debt is secured by way of mortgage on properties of nominally DKK 7.927k. The mortgage also comprise the plant and machinery related to the property.

The debt in bank is secured by way a deposited deed on properties DKK 5.200k nominal. Recognised amount of mortgaged properties DKK 13.972.852.

The debt in bank is secured by way a businessmortgage DKK 8.850k nominal. Recognised amount of mortgaged assets:

Trade debt DKK 14.806.733

Inventories DKK 25.370.267

Intangible fixes assets DKK 1.058.110

Total mortgaged assets businessmortgage DKK 41.235.110

Normal performance guarantee DKK 1.062.091

Notes

19. Ownership

The following shareholders hold more than 5% of the company's share capital:
Hengst Holding AG, Münster, Germany

20. Liabilities under leases

Obligations according to rental or lease contracts until expiration:

2016: DKK. 1.038.058

2015/16: DKK. 1.368.790

21. Related parties

Related parties with a controlling interest in the company:

Nordic Air Filtration A/S have the following related parties with control:

Hengst SE & Co. KG

Münster

Germany

Nordic Air Filtration A/S' related parties with significant influence includes group companies and associated companies and the companies board of directors, management and managerial staff as well as these persons related family members. Related parties furthermore includes companies in which the first mentioned persons have significant interests.

Nordic Air Filtration A/S is included in the consolidated financial statement of:

Hengst SE & Co. KG, Münster, Germany

The financial statement can be found at www.bundesanzeiger.de