Emitec Denmark A/S
Haraldsvej 60, 2.
DK-8960 Randers SØ

Telephone +45 87 12 58 00

Emitec Denmark A/S

Annual report 2015

The annual report was presented and adopted at the Company's annual general meeting
on June 7th 2016

chairman Heiko Eber

CVR no. 29 19 57 14

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Emitec Denmark A/S for the financial year 1 January – 31 December 2015.

The annual report has been 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 assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Randers, 7 June 2016
Executive Board:

Finn Frederiksen

Board of Directors:

Heiko Frank Eber Chairman	Martin Kohn	Finn Frederiksen

KPMG

Independent auditor's report

To the shareholders of Emitec Denmark A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Emitec Denmark A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Our audit has not resulted in any qualification.

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's activities for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Aarhus, 7 June 2016
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant

Management's review

Company details

Emitec Denmark A/S
Haraldsvej 60, 2.
DK-8960 Randers SØ

Telephone:	+45 87 12 58 00
Fax:	+45 87 12 58 19
Website:	www.emitec.com

CVR no.:	29 19 57 14
Established:	2 December 2005
Registered office:	Randers
Financial year:	1 January – 31 December

Board of Directors

Heiko Frank Eber (chairman)
Martin Kohn
Finn Frederiksen

Executive Board

Finn Frederiksen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Annual general meeting

The annual general meeting will be held on 7 June 2016.

Management's review

Operating review

Principal activities

Emitec Denmark A/S is engaged in the production, marketing and sale of pumping systems for air cleaning in diesel engines.

Development in activities and financial position

Profit for the year before tax came in at DKK 33,387 thousand as against DKK 29,780 thousand in 2014.

Profit before tax for 2015 is satisfactory.

Profit for the year was affected by adjustment of recognised tax liability related to the former transfer of rights to customer base and knowledge of existing products at an amount of DKK 29,269 thousand.

Uncertainty

In 2010 the Company transferred rights relating to customer base and knowledge of existing products. The recognition of the intercompany receivable and the tax liability relating to the transfer, amounting to DKK 354,522 thousand and DKK 78,190 thousand, relies on revenue from the transferred customer base and knowledge in the years 2010-2018. Furthermore, the Company is a party to a pending tax case related to the valuation, which may reduce the tax liability.

Outlook

For the 2016 financial year, profit is expected to be in line with 2015.

Events after balance sheet date

No extraordinary events have occurred after the balance sheet date

Financial statements 1 January – 31 December

Accounting policies

The annual report of Emitec Denmark A/S for 2015 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

In accordance with section 32 of the Danish Financial Statements Act, revenue and other external costs are aggregated in the financial statement caption "Gross profit".

Revenue

Revenue from the sale of services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place and that the income can be reliably measured and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Other external costs

Other external expenses comprise expenses incurred during the year for expenses for Management, administration, development, and distribution including office premises and office expenses and depreciation.

Financial statements 1 January – 31 December

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and interest expense, realised and unrealised gains in foreign currencies.

Tax on profit/loss for the year

The Company is covered by the Danish rules on compulsory joint taxation of the Continental Group's Danish companies. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and to the date on which they exit the consolidation.

Current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Accounting policies

Deposits

Deposits are measured at the lower of amortised cost and net realisable value, which corresponds to nominal value.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

The basis of depreciation is cost less any projected residual value after the end of the useful life.

Corporation tax and deferred tax

In accordance with the joint taxation rules, the liability within the joint taxation entity for the payment of corporation taxes to the tax authorities is settled concurrently with the payment of joint taxation contribution to the administrative company.

Joint taxation contributions receivable and payable are recognised in the balance sheet as balances with group entities.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affect in either profit/loss for the year or tax able income. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards are recognised under receivables at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from the elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Financial statements 1 January – 31 December

Accounting policies

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Income statement

	Note	2015	2014
Gross profit		6,657,575	5,937,017
Staff costs	1	-5,336,929	-5,152,108
Depreciation of non-current assets		-220,403	-218,685
Operating profit		1,100,243	566,224
Financial income	2	32,950,462	30,092,910
Financial expenses		-663,389	-878,776
Profit before tax		33,387,316	29,780,358
Tax on profit for the year	3	-29,499,003	-270,711
Profit for the year		3,888,313	29,509,647

Proposed profit appropriation		
Retained earnings	3,888,313	29,509,647
	3,888,313	29,509,647

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
ASSETS			
Property, plant and equipment			
Fixtures and fittings, tools and equipment		344,334	336,529
Leasehold improvements		37,076	111,188
		381,410	447,717
Investments			
Deposits		71,676	71,676
		71,676	71,676
Total non-current assets		453,086	519,393
Receivables			
Receivables from group entities	3	363,186,091	322,384,655
Other receivables		97,840	127,190
		363,283,931	322,511,845
Cash at bank and in hand		15,765,651	26,628,864
Total current assets		379,049,582	349,140,709
TOTAL ASSETS		379,502,668	349,660,102

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
EQUITY AND LIABILITIES			
Equity	5		
Share capital		1,903,416	1,903,416
Retained earnings		297,633,728	293,745,415
Total equity		299,537,144	295,648,831
Provisions	4		
Deferred tax		10,272	27,258
Total provisions		10,272	27,258
Liabilities other than provisions			
Non-current liabilities other than provisions			
Corporation tax	4	0	48,921,938
		0	48,921,938
Current liabilities other than provisions			
Trade payables		189,211	194,906
Other payables		1,161,914	1,084,732
Payables to intercompany		413,677	0
Corporation tax	4	78,190,450	3,782,437
		79,955,252	5,062,075
Total liabilities other than provisions		79,955,252	53,984,013
TOTAL EQUITY AND LIABILITIES		379,502,668	349,660,102
Contractual obligations, contingencies, etc.	6		

Financial statements 1 January – 31 December

Notes

		2015	2014
1	**Staff costs**		
	Wages and salaries	4,931,603	4,717,919
	Pensions	350,290	337,172
	Other social security costs	55,036	56,721
	Other staff costs	0	40,296
		5,336,929	5,152,108
2	**Financial income**		
	Interest income from group entities	32,227,976	30,092,910
	Other interest income	722,486	0
		32,950,462	30,092,910

3 **Intercompany receivable**
The intercompany receivable is mainly related to an earn-out agreement from the intercompany transfer. Out of the intercompany receivable from the earn-out, an amount of DKK 180,446,808 will be paid out within one year.

		2015	2014
4	**Tax on profit for the year**		
	Current tax for the year	247,476	331,109
	Adjustment of deferred tax	-16,986	2,106,364
	Adjustment in respect of previous years	29,268,513	-2,166,762
		29,499,003	270,711
	Deferred tax		
	Deferred tax at 1 January	-27,258	2,079,106
	Deferred tax for the year	16,986	-2,106,364
		-10,272	-27,258

Tax liability arising from the earn-out agreement will be paid in 2016. The Company is a party to a pending tax case related to the valuation, which may reduce the tax liability.

Financial statements 1 January – 31 December

Notes

5 **Equity**

	Share capital	Retained earnings	Total
Equity at 1 January 2015	1,903,416	293,745,415	295,648,831
Profit for the year	0	3,888,313	3,888,313
Balance at 31 December 2015	1,903,416	297,633,728	299,537,144

Share capital

The share capital consists of 1,903,416 shares of DKK 1.

The share capital is specified as follows:

Share capital on foundation at 2 December 2005	500,000
Capital increase at 15 December 2006	895,000
Capital increase at 31 December 2007	505,416
Capital increase at 20 May 2008	1,000
Capital increase at 28 November 2008	1,000
Capital increase at 11 December 2009	1,000
	1,903,416

6 **Contractual obligations, contingencies, etc.**

Contractual obligations

At the balance sheet date, yearly rental obligations represented DKK 287 thousand for the period of interminability. The rental agreement is interminable until 31 December 2016.

Contingencies, etc.

The Company is covered by the Danish rules on compulsory joint taxation of the Continental Group's Danish companies. As a wholly-owned subsidiary in the Continental Group, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation entity. Any subsequent corrections of joint taxation income or withholding taxes may entail an increase in the Company's liability.