

**Emitec Denmark A/S**  
**Annual report 2018**

The annual report was presented and adopted at the  
Company's annual general meeting

on June 12<sup>th</sup> 2019

  
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chairman

## **Contents**

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Operating review	7
Financial statements 1 January – 31 December	8
Income statement	8
Balance sheet	9
Notes	12

## **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 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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, 12 June 2019

Executive Board:




Finn Frederiksen

Board of Directors:



Heiko Frank Eber  
Chairman



Martin Kohn



Finn Frederiksen

## **Independent auditor's report**

### **To the shareholders of Emitec Denmark A/S**

#### **Opinion**

We have audited the financial statements of Emitec Denmark A/S for the financial year 1 January – 31 December 2018, comprising income statement, balance sheet and notes, including accounting policies. 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 assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 that Management determines is 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 liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these 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 company 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 Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## **Independent auditor's report**

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.

### **Statement on the 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 assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility 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 our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

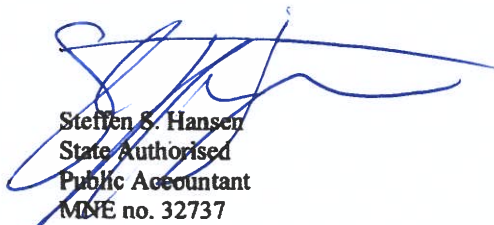
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 12 June 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Steffen S. Hansen  
State Authorised  
Public Accountant  
MNE no. 32737

## **Management's review**

### **Company details**

Emitec Denmark A/S  
Haraldsvej 60, A, 1.  
DK-8960 Randers SØ

Telephone: +45 87 12 58 00  
Fax: +45 87 12 58 19  
Website: [www.emitec.com](http://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  
Østre Havnegade 18  
DK-9000 Aalborg

### **Annual general meeting**

The annual general meeting will be held on 12 June 2019.

## **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 -104,8 thousand against DKK 21,383 thousand in 2017:

Intercompany receivable is not settled as expected, why the profit before tax is lower than expected. Uncertainty regarding the intercompany receivable was mentioned in the annual report for 2017.

Consequently a deferred tax asset occur and based on expected positive earning in Danish sister company management has found it fair to recognise tax asset of DKK 9,0 million.

#### **Events after balance sheet date**

No extraordinary events have occurred after the balance sheet date.



## Financial statements 1 January – 31 December

### Income statement

	Note	2018	2017
<b>Gross profit</b>		1,183,960	4,342,597
Staff costs	2	-960,218	-3,990,706
Depreciation of non-current assets		-2,616	-90,928
<b>Operating profit/loss</b>		221,126	260,963
Financial income	3	220,858	21,122,727
Financial expenses		-127,970,749	-224
<b>Profit before tax</b>		-127,528,765	21,383,466
Tax on profit for the year	4	22,675,714	-4,901,013
<b>Profit for the year</b>		-104,853,051	16,482,453
<b>Proposed profit appropriation</b>			
Extraordinary dividend		194,140,000	0
Retained earnings		-298,993,051	16,482,453
		-104,853,051	16,482,453

## Financial statements 1 January – 31 December

### Balance sheet

	Note	2018	2017
<b>ASSETS</b>			
<b>Property, plant and equipment</b>			
Fixtures and fittings, tools and equipment		898	3,515
Leasehold improvements		0	0
		<u>898</u>	<u>3,515</u>
<b>Investments</b>			
Deposits		0	71,676
		<u>0</u>	<u>71,676</u>
<b>Total non-current assets</b>		<u>898</u>	<u>75,191</u>
<b>Receivables</b>			
Receivables from group entities		240,427	326,205,987
Other receivables		22,716	70,692
Deferred taxes	5	9,036,912	153,436
		<u>9,300,055</u>	<u>326,430,115</u>
<b>Cash at bank and in hand</b>		<u>29,438,683</u>	<u>17,017,546</u>
<b>Total current assets</b>		<u>29,738,738</u>	<u>343,447,661</u>
<b>TOTAL ASSETS</b>		<u><u>29,739,636</u></u>	<u><u>343,522,852</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6	1,903,416	1,903,416
Retained earnings		26,632,516	325,625,567
<b>Total equity</b>		<u>28,535,932</u>	<u>327,528,983</u>
<b>Provisions</b>			
Deferred tax	5	0	13,730,000
<b>Total provisions</b>		<u>0</u>	<u>13,730,000</u>
<b>Current liabilities other than provisions</b>			
Trade payables		172,332	163,439
Other payables		366,878	1,714,796
Payables to intercompany		664,494	385,634
		<u>1,203,704</u>	<u>2,263,869</u>
<b>Total liabilities other than provisions</b>		<u>1,203,704</u>	<u>2,263,869</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>29,739,636</u>	<u>343,522,852</u>
<b>Contractual obligations, contingencies, etc.</b>	7		
<b>Related parties</b>	8		

## Financial statements 1 January – 31 December

### Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2018	1,903,416	325,625,567	327,528,983
Extraordinary dividend	0	-194,140,000	-194,140,000
Profit for the year	0	-104,853,051	-104,853,051
<b>Balance at 31 December 2018</b>	<b>1,903,416</b>	<b>26,632,516</b>	<b>28,535,932</b>

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

The annual report of Emitec Denmark A/S for 2018 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act, with opt-in from higher reporting class C-medium.

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 is 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**

### **Notes**

#### **1 Accounting policies (continued)**

##### **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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies (continued)**

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.

#### **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.

Payable and receivable joint taxation contributions 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 on either profit/loss for the year or taxable 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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.

#### 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.

	2018	2017
<b>2 Staff costs</b>		
Wages and salaries	817,709	3,576,364
Pensions	101,335	261,594
Other social security costs	29,598	113,553
Other staff costs	11,576	53,060
	<u>960,218</u>	<u>3,990,706</u>
Average number of employees	<u>1</u>	<u>7</u>
<b>3 Financial income</b>		
Interest income from group entities	220,858	20,842,904
Other interest income	0	279,823
	<u>220,858</u>	<u>21,122,727</u>
<b>4 Tax on profit for the year</b>		
Current tax for the year	0	321,808
Adjustment of deferred tax	-22,675,714	4,579,205
Adjustment current and deferred tax in respect of previous years	0	0
	<u>-22,675,714</u>	<u>4,901,013</u>



## Financial statements 1 January – 31 December

### Notes

#### 5 Deferred tax

	2018	2017
Deferred tax at 1 January	153,436	2,641
Deferred tax for the year	-9,116,524	150,795
	<u>9,036,912</u>	<u>153,436</u>

Deferred tax assets regarding tax loss is recognized based on expected earnings in Danish joint taxation.

#### 6 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
	<u>1,903,416</u>

#### 7 Contractual obligations, contingencies, etc.

##### *Contractual obligations*

At the balance sheet date, yearly rental obligations represented DKK 13 thousand for the period of interminability.

##### *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.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **8 Related parties**

Emitec Denmark A/S' related parties comprise the following:

Continental Emitec Verwaltungs GmbH, Hauptstrasse 128, 53797 Lohmar, Germany:

Continental Emitec Verwaltungs GmbH, holds the majority of the share capital in the Company

Furthermore, related parties comprise affiliated companies, the Company's Board of Directors, the Executive Board and executive employees.

Emitec Denmark A/S is part of the consolidated financial statements of Continental Emitec Verwaltungs GmbH, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Continental Emitec Verwaltungs GmbH can be obtained by contacting the Company or at the following website: [www.emitec.com](http://www.emitec.com).