

Midwesco Filter Resources Denmark A/S

C.E. Christiansens Vej 56

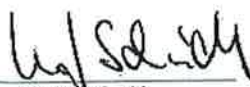
4930 Maribo

CVR No. 20940441

Annual Report 2015/16

18. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 20 June 2016



Karl J. Schmidt
Chairman of the meeting

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Management's Statement

Today, Management has considered and adopted the Annual Report of Midwesco Filter Resources Denmark A/S for the financial year 1 February 2015 - 31 January 2016.

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

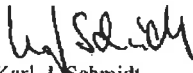
In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 January 2016 and of the results of the Company's operations for the financial year 1 February 2015 - 31 January 2016.

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 be adopted at the Annual General Meeting.

Maribo, 13 June 2016

Executive Board

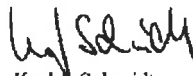


Karl J. Schmidt

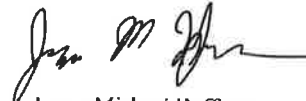
Supervisory Board



Bradley E. Mautner
Chairman



Karl J. Schmidt



James Michael Hoffman

Independent Auditor's Report

To the shareholders of Midwesco Filter Resources Denmark A/S

Report on Financial Statements

We have audited the Financial Statements of Midwesco Filter Resources Denmark A/S for the financial year 1. februar 2015 - 31. januar 2016 comprising Accounting Policies, Income Statement, Balance Sheet, Cash Flow Statement and Notes. The Annual Report is presented in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Danish Financial Statements Act, and for such internal controls as Management determines is necessary to enable preparation of Financial Statements that are free from material misstatements, 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 have conducted our audit in accordance with international standards on auditing and additional requirements under Danish auditor regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain a high degree of assurance as to whether the Financial Statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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.

In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 January 2016 and of the results of the Company's operations and cash flows for the financial year 1 February 2015 - 31 January 2016 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

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

Maribo, 13. juni 2016

aage maagensen

statsautoriseret revisionsaktieselskab



Thomas Henckel

State Authorised Public Accountant



Knud Engberg

Registered Public Accountant

Company details

Company	Midwesco Filter Resources Denmark A/S C.E. Christiansens Vej 56 4930 Maribo
CVR No.	20940441
Date of formation	1 April 1998
Registered office	Lolland
Financial year	1 February 2015 - 31 January 2016
Supervisory Board	Bradley E. Mautner, Chairman Karl J. Schmidt James Michael Hoffman
Executive Board	Karl J. Schmidt
Auditors	aage maagensen statsautoriseret revisionsaktieselskab C. E. Christiansens Vej 56 4930 Maribo CVR-no.: 12901038

Management's Review

The Company's principal activities

The Company's principal activities consist of investment and asset management.

Development in activities and financial matters

The profit for the year is satisfactory.

In the end of the year the shares in Nordic Air Filtration A/S and Nordic Air Filtration Middle East Limited FZC was sold.

Expectations for the future

Management expects positive result in the financial year 2016/17.

Post financial year events

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

Accounting Policies

Reporting Class

The Annual Report of Midwesco Filter Resources Denmark A/S for 2015/16 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied 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.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

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.

Income Statement

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.

Other external expenses

Other external expenses comprise expenses regarding administration.

Staff expenses

Staff expenses comprise wages and salaries.

Accounting Policies

Income from equity investments in group enterprises and associates

Income from equity investments comprises the proportionate share of profit/loss after tax and any adjustment of internal profit/loss and less amortisation of consolidated goodwill.

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 as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax.

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

Deferred tax is recognized and measured at 22% applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

The parent is jointly taxed with wholly owned Danish subsidiaries and affiliated Danish company. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance Sheet

Equity investments in group enterprises and associates

Equity investments in group enterprises and associates are measured by the equity method at the proportionately owned share of the equity of the enterprises plus any consolidated goodwill, less intercompany profit and negative goodwill. Enterprises with negative equity are measured at 0 as the negative value corresponding to the proportionate share is offset against receivables, if any. Amounts beyond this are recognised in the provisions item, if there is a legal or actual obligation to cover the negative balance.

Other investments

Other securities and equity investments are measured to the cost price.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

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

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.

Contingent assets and liabilities

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

Income Statement

	Note	2015/16 kr.	2014/15 kr.
Gross profit		-71.680	-18.158
Employee benefits expense	1	-1.075.000	0
Profit from ordinary operating activities		-1.146.680	-18.158
Income from investments in group enterprises and associates		22.418.051	3.575.549
Finance income	2	44.731	24.690
Impairment of financial assets		0	-48.755
Finance expenses	3	0	-15.514
Profit from ordinary activities before tax		21.316.102	3.517.812
Tax expense on ordinary activities	4	198.888	0
Profit		21.514.990	3.517.812
Proposed distribution of results			
Proposed extraordinary dividend recognised in equity		0	4.900.000
Reserve for net revaluation according to equity method		-9.334.736	3.575.549
Retained earnings		30.849.726	-4.957.737
		21.514.990	3.517.812

Balance Sheet as of 31. January

	Note	2016 kr.	2015 kr.
Assets			
Long-term investments in group enterprises	5	0	21.909.711
Other long-term investments		0	2.458
Investments		<u>0</u>	<u>21.912.169</u>
Fixed assets		<u>0</u>	<u>21.912.169</u>
Short-term receivables from group enterprises		34.853.910	0
Short-term tax receivables		198.888	0
Receivables		<u>35.052.798</u>	<u>0</u>
Cash and cash equivalents		<u>13.340.990</u>	<u>18.472</u>
Current assets		<u>48.393.788</u>	<u>18.472</u>
Assets		<u>48.393.788</u>	<u>21.930.641</u>

Balance Sheet as of 31. January

	Note	2016 kr.	2015 kr.
Liabilities and equity			
Contributed capital		7.000.000	7.000.000
Reserve for net revaluation according to equity method		0	9.334.736
Retained earnings		36.435.631	5.585.905
Equity	6	43.435.631	21.920.641
Other payables		4.958.157	10.000
Short-term liabilities other than provisions		4.958.157	10.000
Liabilities other than provisions within the business		4.958.157	10.000
Liabilities and equity		48.393.788	21.930.641
Contingent liabilities	7		
Collaterals and assets pledges as security	8		
Ownership	9		
Related parties	10		

Notes

	2015/16	2014/15
1. Employee benefits expense		
Wages and salaries	1.075.000	0
	1.075.000	0
<i>Hereof remuneration to management</i>		
Management	1.000.000	
	1.000.000	
2. Finance income		
Finance income arising from group enterprises	37.042	24.690
Other finance income	7.689	0
	44.731	24.690
3. Finance expenses		
Finance expenses arising from group enterprises	0	14.181
Other finance expenses	0	1.333
	0	15.514
4. Tax expense		
Current tax	-15.038	0
Change in deferred tax	-183.850	0
	-198.888	0
5. Long-term investments in group enterprises		
Cost at the beginning of the year	12.574.975	12.574.975
Disposal during the year	-12.574.975	0
Cost at the end of the year	0	12.574.975
Revaluations at the beginning of the year	9.334.736	6.065.240
Revaluations for the year	0	3.575.549
Reversal of revaluations of disposed assets	-9.334.736	0
Revaluations at the end of the year	0	9.640.789
Impairment losses for the year	0	-306.053
Impairment losses and amortisation at the end of the year	0	-306.053
Carrying amount at the end of the year	0	21.909.711

Notes

6. Statement of changes in equity

	Contributed capital	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend	Total
Equity, beginning balance	7.000.000	9.334.736	5.585.905	0	21.920.641
Change in equity subsidiary	0	-9.334.736	30.822.389	0	21.487.653
	7.000.000	0	36.408.294	0	43.408.294

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

7. Contingent liabilities

The company is included in the joint taxation until January 29, 2016 and is severally liable with the subsidiary Nordic Air Filtration A/S.

8. Collaterals and securities

The company is joint and severally liable with Nordic Air Filtration A/S for bank loans. These obligations is cancelled as per date of approval of the Annual Report.

9. Ownership

The following shareholders hold more than 5% of the company's share capital:

Midwesco Filter Resources Inc., Virginia, USA

10. Related parties

Related parties with a controlling interest in the company:

MFRI Inc., Niles, Illinois, USA (the ultimate parent)

Midwesco Filter Resources Inc., Virginia, USA (group parent)

Midwesco Filter Resources Denmark A/S related parties with significant influence includes group companies and associated companies and the 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.