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**MTD HOLDING B.V.
AT TILBURG**

Annual Report 2018

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MANAGEMENT REPORT

The report is available for inspection at the company's premises.

CONSOLIDATED ANNUAL ACCOUNTS 2018

1 CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2018

(after appropriation of results)

	December 31, 2018		December 31, 2017	
	€	€	€	€
ASSETS				
FIXED ASSETS				
Intangible fixed assets	(1)			
Goodwill		126,502		-
Tangible fixed assets	(2)			
Rental equipment	4,479,173		5,448,082	
Other tangible fixed assets	496,254		425,573	
		4,975,427		5,873,655
Financial fixed assets	(3)			
Participations in group companies	7,759		-	
Other receivables	37,645		43,424	
		45,404		43,424
		5,147,333		5,917,079
CURRENT ASSETS				
Work in progress on construction contracts		74,280		132,690
Receivables, prepayments and accrued income	(4)			
Trade debtors	1,262,688		1,296,330	
Receivables from group companies	1,504,436		1,448,260	
Taxes and social securities	1,435		164,401	
Other receivables, deferred assets	257,738		352,761	
		3,026,297		3,261,752
Cash and cash equivalents	(5)			
		463,070		781,876
		8,710,980		10,093,397

	December 31, 2018		December 31, 2017	
	€	€	€	€
LIABILITIES				
GROUP EQUITY	(6)	4,557,461		5,953,575
PROVISIONS	(7)			
Deferred tax liability		237,356		383,488
NON-CURRENT LIABILITIES	(8)			
Finance company debt		131,748		103,374
CURRENT LIABILITIES	(9)			
Amounts payable to credit institutions		303,525		1,004,303
Repayment obligation long-term debt		104,874		107,419
Trade creditors		1,570,527		904,953
Payables to group companies		426,304		311,934
Taxes and social securities		517,274		871,217
Other liabilities and accruals and deferred income		861,911		453,134
		<u>3,784,415</u>		<u>3,652,960</u>
		<u>8,710,980</u>		<u>10,093,397</u>

2 CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR 2018

		2018	2017
		€	€
Net turnover	(10)	17,241,675	11,902,136
Expenses			
Cost of subcontracted work and other external charges		4,158,618	2,455,380
Employee expenses	(11)	8,749,878	6,246,555
Amortisation and depreciation	(12)	1,968,217	2,865,651
Other operating expenses	(13)	3,574,472	3,194,101
		<u>18,451,185</u>	<u>14,761,687</u>
Operating result		-1,209,510	-2,859,551
Financial income and expenses		-373,490	-263,069
Result before tax		<u>-1,583,000</u>	<u>-3,122,620</u>
Taxation	(14)	156,315	-156,018
		<u>-1,426,685</u>	<u>-3,278,638</u>
Share in result of participating interests	(15)	-	-135,850
Result after tax		<u><u>-1,426,685</u></u>	<u><u>-3,414,488</u></u>

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**GENERAL****Activities**

The activities of MTD Holding B.V. (CoC file 17187610), with registered offices in Tilburg, and its group holdings mainly consist of providing a total solution for temporary water demand in the sectors Events, Exposition centres and Industry. The services provided are - but not limited to - providing save drinking water, removal of waste water, purification of waste water to grey water, monitoring quality of water and consumption levels and locations, storage of drinking and waste water and providing advice on optimal infrastructure choices for a higher guest satisfaction as well as economic optimization.

Registered address

The registered and actual address of MTD Holding B.V. (CoC file 17187610) is Clara Zetkinweg 4 in Tilburg.

Group structure

The shares of the company are 100% owned by Frontinus Holding B.V. In the consolidated financial statements Frontinus Holding B.V. the financial data of MTD Holding B.V. and its participating interest are included.

List of participating interests

MTD Holding B.V. in Tilburg is the head of a group of legal entities. The overview of the data as required in accordance with Articles 2:379 and 2:414 of the Dutch Civil Code is included below:

Name, statutory registered office	Share in issued capital	Included in consolidation
	%	
MTD Nederland B.V. Liempde	100.00	Ja
MTD International B.V. Boxtel	100.00	Ja
MTD pure water Canada Ltd. Vancouver	100.00	Ja
MTD (UK&Ireland) Ltd. Banbury	100.00	Ja
MTD Deutschland GmbH Berlin	100.00	Ja
MTD France SARL Zimmersheim	99.00	Ja
MTD USA LLC Atlanta	100.00	Ja
MTD Brasil Servicos de captacao tratamento e distribulcap Ltda. Rio de Janeiro	99.00	Ja
MTD Fleet Service B.V. Boxtel	100.00	Ja

MTD Russia COO Sochi	100.00	Ja
MTD België BVBA Antwerpen	100.00	Ja
MTD Korea Pyeongchang	100.00	Ja
MTD Japan K.K. Tokyo	100.00	Ja

The partnership has the following capital interests which have been valued at nett capital value:

<u>Name, statutory registered office</u>	<u>Share in issued capital</u>
	<u>%</u>
Waves Brasil Rio de Janeiro	50.00
MTD Japan Ltd Tokyo	100.00

Based on article 2:407 of the Dutch Civil Code MTD Japan Ltd is not consolidated despite the fact that Frontinus Holding B.V. has control over MTD Japan Ltd. MTD Japan Ltd has no activities and limited assets or liabilities and is therefore of limited importance for the consolidated financial figures.

Consolidation principles

Financial information relating to group companies and other legal entities which are controlled by Frontinus Holding B.V. or where central management is conducted has been consolidated in the financial statements of Frontinus Holding B.V. The consolidated financial statements have been prepared in accordance with the accounting principles for valuation and result determination of Frontinus Holding B.V. Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions. Third-party shares in equity and results of group companies are separately disclosed in the consolidated financial statements.

Financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences (the acquisition date) until the date that control ceases. At acquisition date the assets, provisions and liabilities are measured at fair values. Goodwill paid is capitalised, to which amortisation is charged based on the estimated useful life. The results of participating interests sold during the year are recognised until the moment of disposal.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated financial statements are drawn up in accordance with the provisions of Title 9, Book 2, of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

Assumption of continuity

The activities and cashflow of the company can be characterized by extreme season patterns. Due to insufficient insights in the development of cash flows it became clear during the course of 2018 that the company has cash shortages. Since arrangements were made with suppliers, customers and tax authorities and additional funding was acquired from the shareholder and others the company has been able to survive. At this moment the company depends on a credit facility (€ 1,1 maximum) from the ABN AMRO Bank. On November 8, 2019 ABN AMRO Bank has terminated the credit facility as per March 1, 2020 with an transitional period until June 1, 2020. This credit facility in relation to the organization, the growth ambition of the company and the related funding didn't meet the requirements of the bank anymore. The company has payment arrears with several suppliers and the tax authorities for an amount of approximately € 1,4 million, for which arrangements have been made to avoid immediate payments issues. To be able to meet its obligations and continue planned activities for 2020 it is unavoidable that the company acquires additional funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The company has started a process with NPEX which is aimed at the acquisition of additional funding that can be used to solve payment arrears and make necessary investments in the company's activities. Goal is to acquire via NPEX a subordinated bond loan to cover at least an important part of the companies cash need. Based on the current status of this process management expects to issue the prospectus shortly after the adoption of the annual accounts 2018 and receive the funding by the beginning of April 2020. The extent to which the company will need additional funding next to this subordinated bond loan depends on the extent to which investors are interested. Goal is to acquire € 3,5 million with a minimum of € 2,0 million. If financing via NPEX is insufficient the company temporarily needs to acquire additional (bank) funding, supplier credit of agreements with creditors. Management expects the process will be finalized successfully and that they will be able to cover the total necessary funding for the company.

Based on the provisory financials for FY 2019 management expects revenues of approximately € 18 million (2018: € 17 million) with a positive operational result (EBITDA) of € 1,6 million (2018: € 0,8 million). Costs of approximately € 1,1 million for the acquisition of projects related to the Olympic summer games in Tokyo are not included in this operational result (EBITDA). Revenue expectations for 2020 are positive. These expectations are based on actual orders and contracts as well as the company's long term track record with large events. For 2020 the company expects revenues of approximately € 30 million of which approximately € 10 million relates to the Olympic summer games. Expected operational result (EBITDA) for 2020 is € 5,8 million.

During the course of 2019 the company has started an intensive project to improve the organization. This project includes among others the reinforcement of the management team and the review of business processes. Already in 2020 this project should lead to important improvements of internal control which should enable the company to use its position in the market to become structurally profitable.

Based on the progress of process with NPEX and the possibilities for the potential acquisition of additional funding, the positive outlook for 2020 on revenue and result combined with the structural reinforcement of the organization management is confident that the company is able to continue its activities on a sustainable basis. Therefore the financial statements are based on the going concern presumption.

Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. The exchange differences resulting from the conversion as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognised in the annual account at the exchange rates prevailing at transaction date. The exchange differences resulting from the conversion as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

The foreign group companies and participations that have not been consolidated qualify as operations abroad with another functional currency than that of the company. Regarding the translation of the annual accounts of these operations abroad, the closing rate (as per balance sheet date) is used for balance sheet items and the rate of exchange on the transaction dates is used for items of the profit and loss accounts current rates. The differences in exchange that arise, go directly to the credit or to the debit of the group equity.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The useful life and the amortisation method are reassessed at the end of each financial year.

Goodwill is the positive difference between the acquisition price and the fair value of the acquired assets less liabilities and provisions of the acquired entity.

Tangible fixed assets

Tangible fixed assets are presented at acquisition price less cumulative depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.
Depreciation rates

Asset	%
Rental equipment	10% - 33%
Other tangible fixed assets	16% - 33%

If the expected depreciation method, useful economic life and/or residual value are subject to change over time, they are treated as a change in accounting estimate.

Costs of major maintenance are recognized under cost when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and taken directly to the profit and loss account. All other repair and maintenance costs are taken directly to the profit and loss account.

A tangible fixed asset is derecognized upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising on the disposal is taken to the profit and loss account.

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of the net asset value. Participating interests without such influence, are valued at the acquisition price, taking into account a provision for value decreases.

The non-consolidated participating interests whose business and financial policies can be significantly influenced, are valued at the nett capital value that is, however, not lower than zero. This nett capital value is calculated based on the principles of MTD Holding B.V.

Participating interests with negative nett capital value are valued at zero. If the company fully or partly guarantees the liabilities of the participation concerned, or is effectively obliged to enable the participation to pay its (share of) liabilities, a provision is formed. Provisions for doubtful debts which are already deducted from receivables from the participation are taken into account when determining the amount for the provision. Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions. Deferred tax assets are stated under the financial fixed assets if and to the extent it is probable that the tax claim can be realised in due course. The active deferrals are valued against the nominal value and are usually long-term.

The deferred tax asset based on the offsettable loss is valued at the nominal tax rate of the applicable country.

Impairment of non-current assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

Work in progress on construction contracts

The projects in progress commissioned by third parties are valued at the realised project costs plus the allocated profit minus the processed loss and declared terms. No profit is allocated if the result of the projects in progress cannot be reliably estimated. The project costs include costs directly relating to the project, costs that are apportionable to project activities in general and can be allocated to the project, and other costs that can be apportioned to the customer by contract.

Project income and project costs pursuant to projects in progress are processed as income and costs in the profit and loss account proportionally to the attained performance on the balance sheet date. The extent to which the performance has been attained is determined based on the project costs up to the balance sheet date in relation to the estimated total project costs/inspection of the executed part of the project/completion of a physically discernible project part.

When the total for all projects in progress is a debit balance, the total balance is presented as current asset. When the total for all projects in progress is a credit balance, the total balance is presented as short-term debt. Project income realised in the financial year is processed as income in the profit and loss account (nett turnover entry). Project costs have been included in the costs of raw materials and consumables and in the cost of outsourced work and other external costs.

Trade and other receivables

Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the nominal value, after deduction of any provisions. The fair value and amortised cost equal the nominal value. Any provisions for the risk of doubtful debts are deducted. The provisions are determined based on individual assessment of the receivables.

Cash and cash equivalents

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

Provisions

Deferred tax liability

This tax provision concerns the temporary differences between the valuation in the annual account and the tax valuation of assets and liabilities. The provision is calculated based on the applicable tax rate of 25,00%.

Non-current liabilities

On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the profit and loss account on the basis of the effective interest rate during the estimated term of the long-term debts.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price.

When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The result is determined based upon the difference between the net turnover and the costs and other expenses taking into account the aforementioned valuation principles.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Net turnover

The net turnover consists of revenue from the supply of services during the reporting period after deducting discounts, rebates and value added taxes.

Expenses general

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided for all other conditions for forming provisions are met.

Pension premiums

The Dutch Pensions Act is applicable to the pension arrangements and pension contributions are paid to the PMT sector pension fund.

Contributions payable to the pension plan administrator are recognized as an expense in the profit and loss account. Contributions payable or prepaid contributions as at year-end are recognized under accruals and deferred income, and prepayments and accrued income, respectively.

A provision is formed for liabilities other than the contributions payable to the pension plan administrator if, as at the balance sheet date, the group has a legal or constructive obligation towards the pension plan administrator and/or to its own employees. If it is possible that settlement of these liabilities will entail an outflow of resources and if a reliable estimate can be made of the amount of the liabilities.

Amortisation and depreciation

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost based on the expected life cycle. Financial profit and losses on disposal of tangible fixed assets are recorded under amortisation/depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expenses for loans (issued and received) during the current reporting period.

Share in result of participating interests

Where significant influence is exercised over participations, the group's share in the participations' results is included in the consolidated profit and loss account. This result is determined on the basis of the accounting principles applied by MTD Holding B.V.

Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the annual account and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realisation is likely.

PRINCIPLES FOR PREPARATION OF THE CONSOLIDATED CASH FLOW STATEMENT

In accordance with "Richtlijn voor de jaarverslaggeving 360.104" there is no cash flow statement included in the financial statements of MTD Holding B.V. The financial information of MTD Holding B.V. is included in the consolidated financial statements of Frontinus Holding B.V.

4 NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2018

ASSETS

FIXED ASSETS

1. Intangible fixed assets

	Goodwill
	€
Carrying amount as of January 1, 2018	-
Investments	126,502
Amortization	-
Carrying amount as of December 31, 2018	<u>126,502</u>
Purchase price	<u>126,502</u>

The goodwill is related to the acquisition of MTD Japan "New" and will be fully amortized in 2020 during the olympic games which will be held in Tokyo.

2. Tangible fixed assets

	Rental equipment	Other tangible fixed assets	Total
	€	€	€
<i>Carrying amount as of January 1, 2018</i>			
Purchase price	14,409,596	2,793,965	17,203,561
Cumulative depreciation and impairment	-8,961,514	-2,368,392	-11,329,906
	<u>5,448,082</u>	<u>425,573</u>	<u>5,873,655</u>
<i>Movement</i>			
Exchange difference	-1,420	-3,950	-5,370
Investments	834,055	241,304	1,075,359
Depreciation	-1,801,544	-166,673	-1,968,217
	<u>-968,909</u>	<u>70,681</u>	<u>-898,228</u>
<i>Carrying amount as of December 31, 2018</i>			
Purchase price	15,242,231	3,031,319	18,273,550
Cumulative depreciation and impairment	-10,763,058	-2,535,065	-13,298,123
Carrying amount as of December 31, 2018	<u>4,479,173</u>	<u>496,254</u>	<u>4,975,427</u>

Depreciation rates

	%
Rental equipment	10% - 33%
Other tangible fixed assets	16% - 33%

The group is the beneficial, not legal, owner of other tangible fixed assets with a carrying amount of €237K (2017: €169K) under financial lease contracts. For further details of these contracts, please refer to the note on financial leases under non-current liabilities.

3. Financial fixed assets

	<u>12/31/2018</u>	<u>12/31/2017</u>
	€	€
Participations in group companies		
MTD Japan "old"	<u>7,759</u>	<u>-</u>
	<u>2018</u>	<u>2017</u>
	€	€
<i>MTD Japan "old"</i>		
Carrying amount as of January 1	-	-
Investments	<u>7,759</u>	<u>-</u>
Carrying amount as of December 31	<u>7,759</u>	<u>-</u>
	<u>12/31/2018</u>	<u>12/31/2017</u>
	€	€
Other receivables		
Other receivable	<u>37,645</u>	<u>43,424</u>

The other receivable relates to deposits in Brasil.

CURRENT ASSETS

4. Receivables, prepayments and accrued income

	<u>12/31/2018</u>	<u>12/31/2017</u>
	€	€
Trade debtors		
Trade receivables	1,272,492	1,296,330
Provision for bad debts	-9,804	-
	<u>1,262,688</u>	<u>1,296,330</u>
Receivables from group companies		
Frontinus Holding B.V.	<u>1,504,436</u>	<u>1,448,260</u>

The collectability of the receivable on group companies relates to the going concern assumption of Frontinus Holding BV. At the moment the accounts 2018 are finalized there is a significant doubt about the ability of Frontinus Holding BV to continue as a going concern. The annual accounts of Frontinus Holding BV are based on the going concern assumption. Therefore management expects that the receivable can be fully collected.

Taxes and social securities

Value added taxes	1,374	164,401
Pay-roll tax	61	-
	<u>1,435</u>	<u>164,401</u>

Other receivables, deferred assets

Prepayments and accrued income	<u>257,738</u>	<u>352,761</u>
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5. Cash and cash equivalents

Other banks	462,279	770,032
Cash	791	11,841
Money in transit	-	3
	<u>463,070</u>	<u>781,876</u>

Cash is free at the disposal of the company.

EQUITY AND LIABILITIES

6. GROUP EQUITY

Please refer to the notes to the company balance sheet on page 29 of this report for an explanation of the equity.

7. PROVISIONS

Deferred tax liability

The provision for deferred tax relates to temporary differences between fiscal and commercial valuation of the tangible fixed assets and is calculated based on the applicable 25% rate.

	2018	2017
	€	€
Carrying amount as of January 1	383,489	542,144
Withdrawal	-146,133	-158,656
Carrying amount as of December 31	<u>237,356</u>	<u>383,488</u>

8. NON-CURRENT LIABILITIES

Financial lease

Financial lease

Carrying amount as of January 1	167,463	244,761
Funds withdrawn	153,468	-
Repayment	-84,309	-77,298
Carrying amount as of December 31	<u>236,622</u>	<u>167,463</u>
Repayment obligations next financial year	-104,874	-64,089
Long-term part as at December 31	<u>131,748</u>	<u>103,374</u>

The leases are leases under which the ownership of the lease asset will be transferred to the group at the end of the term of the lease. Lease payments are fixed annual amounts over the entire term of the lease. The average interest rate for the financial lease is 4,34%. There are no leases with a term of more than 5 years.

9. CURRENT LIABILITIES

	<u>12/31/2018</u>	<u>12/31/2017</u>
	€	€
Amounts payable to credit institutions		
ABN AMRO Bank N.V.	<u>303,525</u>	<u>1,004,303</u>

The part of the bank loans entered into the balance sheet with a maturity over five years is nil. The part with a maturity of less than 1 year is included in the current liabilities.

The credit arrangement, as of July 2016 with the ABN AMRO Bank N.V. can be divided into:

- a current account credit of EUR 1.000.000 (5.5%)
- a lending exposure credit of EUR 105.000
- a 2-year loan with a principal amount of EUR 1.000.000 (4%)
- a loan, principal amount of EUR 415.000 (Borgstellings-krediet EURIBOR Loan (one-month Euribor + 2%))
- a loan, principal amount of EUR 130.000 (one-month Euribor + 2,5%).
- a 6-year loan with a principal amount of EUR 1.040.000 (Euribor + 2.5%)
- a 6-year loan with a principal amount of EUR 545.000 (Euribor + 2.5%)

The group provided the following security for the credit arrangement granted by the ABN AMRO Bank N.V.:

- pledge of moveable tangible fixed assets;
- pledge of trade receivables;
- pledge of inventories;
- pledge of all receivables;
- pledge on the receivables and rights arising from the conclusion of work contracts to be concluded and to be concluded;
- pledge on the shares of MTD Nederland B.V.;
- pledge on the shares of MTD International B.V.;
- pledge on the shares of MTD Fleet Service B.V.;
- a personnel surety from Mr. J.A.A.M. Verhoeven in the amount of EUR 500.000 secured with (i) a mortgage, 2e in rang of EUR 500.000 plus 40% covering interest and expenses, on the property mentioned in the mortgage deed of September 13, 2011 for as far as this mortgage has not been cancelled and (ii) this security is provided by Mrs. C.J.M. Verhoeven.
- joint liability for all Dutch consolidated companies
- a surplus guarantee from ABN AMRO Lease N.V.

On November 8, 2019 ABN AMRO Bank has terminated the loan facility of € 1,1 million max as per March 1, 2020 with an transitional period until June 1, 2020. This event is relevant with respect to going concern. We draw attention to the disclosure going concern on page 9.

Trade creditors

Creditors	<u>1,570,527</u>	<u>904,953</u>
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Payables to group companies

Frontinus Holding B.V.	<u>426,304</u>	<u>311,934</u>
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	<u>12/31/2018</u>	<u>12/31/2017</u>
	€	€
Taxes and social securities		
Corporate income tax	263,029	732,192
Value added taxes	31,344	-
Pay-roll tax	215,435	113,330
Pension premiums	7,466	25,695
	<u>517,274</u>	<u>871,217</u>
 Other liabilities and accruals and deferred income		
Accruals and deferred income	<u>861,911</u>	<u>453,134</u>

CONTINGENT LIABILITIES

Contingent liabilities

Tax entity

Frontinus Holding B.V. is the head of the fiscal unity for VAT in which MTD Holding B.V., MTD Fleet B.V., MTD Nederland B.V. and MTD International take part.

Frontinus Holding B.V. is head of the fiscal unity for corporate income tax in which MTD Holding B.V., MTD Fleet B.V. and MTD Nederland B.V. take part. MTD International is solely taxable for income tax.

Long-term financial obligations

Rental commitments buildings

The company and its group companies have long-term rental commitments which relate to the rent of the office/building. The commitments amount to €2.351.171 which can be broke down as follows:

< 1 year € 846.231
1 - 5 years € 1.504.940

Risks

Tax investigation MTD International BV

The Dutch Tax Authorities has been investigated fiscal years 2013 and 2014 for MTD International BV. Based on the advise/tax memorandum of EY Tax Advisory Eindhoven, the maximum tax risk would be €180.000 (including 8% interest). The provision that has been taken 31th of December 2018 should be sufficient.

Russia tax (VAT)

In 2018 we have provided temporary water infrastructure for a project in Russia. We have paid VAT for the turnover in Russia. After the project we have recharged the project for rental equipment, including VAT (€85K) which we have marked as a tax return. Russian Tax Authorities could raise some questions about the VAT Tax Return.

	<u>2018</u>	<u>2017</u>
	€	€
14. Taxation		
Corporate income tax	<u>156,315</u>	<u>-156,018</u>
In the corporate income tax a release of € 170K is recorded relating to prior years.		
15. Share in result of participating interests		
Share in result of Waves Brasil	<u>-</u>	<u>-135,850</u>

COMPANY ANNUAL ACCOUNTS 2018

7 COMPANY PROFIT & LOSS ACCOUNT FOR THE YEAR 2018

	2018	2017
	€	€
Share in result of participating interests after taxes	-1,469,794	-3,524,475
Other income and expenses after taxation	43,109	109,987
Result after tax	<u><u>-1,426,685</u></u>	<u><u>-3,414,488</u></u>

8 NOTES TO THE COMPANY FINANCIAL STATEMENTS

The company financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code.

For the general principles for the preparation of the annual account, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated annual account, if there is no further explanation provided.

Financial fixed assets

Participating interests in group companies where extensive influence is exerted on business and financial policies are valued based on the net capital value that is, however, not lower than zero. This net capital value is calculated based on the principles of Frontinus Holding B.V.

Participating interests with a negative net capital value are valued at zero. When the company guarantees (wholly or partially) debts of the participating interest concerned, a provision is created primarily at the expense of claims against this participating interest and for the remainder under the provisions of the remaining part in the losses of the participating interest or the expected payments by the company on behalf of these participating interests.

9 NOTES TO THE COMPANY BALANCE SHEET AS AT DECEMBER 31, 2018

ASSETS

FIXED ASSETS

16. Financial fixed assets

	Participations in group companies	Receivables from group companies	Total
	€	€	€
Carrying amount as of January 1, 2018	16,894,281	1,220,500	18,114,781
Repayments	-	-440,479	-440,479
Exchange difference	30,571	-	30,571
Current year participation result	-1,469,794	-	-1,469,794
Provisions	1,321,208	-	1,321,208
Carrying amount as of December 31, 2018	<u>16,776,266</u>	<u>780,021</u>	<u>17,556,287</u>

	12/31/2018	12/31/2017
	€	€
Participations in group companies		
MTD Nederland B.V.	3,012,821	3,963,229
MTD International B.V.	11,476,213	11,434,832
MTD Deutschland GmbH	1,595,517	1,301,527
MTD France SARL	-	194,693
MTD Fleet Service B.V.	480,066	-
MTD Russia COO	120,561	-
MTD Korea	91,088	-
	<u>16,776,266</u>	<u>16,894,281</u>

Receivables from group companies

MTD Brasil Servicos de captacao tratamento e distribulcap Ltda.	780,021	1,167,500
MTD Korea	-	53,000
	<u>780,021</u>	<u>1,220,500</u>

EQUITY AND LIABILITIES

	12/31/2018	12/31/2017
	€	€
17. EQUITY		
Issued share capital	18,000	18,000
Share premium reserve	1,262,500	1,262,500
Legal reserves	-37,503	-68,074
Other reserves	3,314,464	4,741,149
	<u>4,557,461</u>	<u>5,953,575</u>

Issued share capital

Subscribed and paid up 180 ordinary shares at par value € 100.00	<u>18,000</u>	<u>18,000</u>
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The statutory share capital amounts to € 90,000.00.

	2018	2017
	€	€

Share premium reserve

Carrying amount as of January 1	<u>1,262,500</u>	<u>1,262,500</u>
Carrying amount as of December 31	<u>1,262,500</u>	<u>1,262,500</u>

	12/31/2018	12/31/2017
	€	€

Legal reserves

Reserve for exchange differences	<u>-37,503</u>	<u>-68,074</u>
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	2018	2017
	€	€

Other reserves

Carrying amount as of January 1	4,741,149	8,155,637
Allocation of financial year net result	<u>-1,426,685</u>	<u>-3,414,488</u>
Carrying amount as of December 31	<u>3,314,464</u>	<u>4,741,149</u>

18. PROVISIONS

	<u>12/31/2018</u>	<u>12/31/2017</u>
	€	€
Other provisions		
Provision subsidiaries	<u>4,837,731</u>	<u>3,516,523</u>
<i>Provision subsidiaries</i>		
MTD pure water Canada Ltd.	42,839	12,580
MTD (UK&Ireland) Ltd.	1,331,744	945,990
MTD France SARL	116,452	-
MTD USA LLC	1,260,643	790,481
MTD Brasil Servicos de captacao tratamento e distribulcap Ltda.	892,784	702,764
MTD Fleet Service B.V.	954,726	954,726
MTD Russia COO	29,338	27,985
MTD België BVBA	130,056	2,848
MTD Korea	79,149	79,149
	<u>4,837,731</u>	<u>3,516,523</u>

19. NON-CURRENT LIABILITIES

Loans from group companies

MTD Russia COO	<u>360,063</u>	<u>-</u>
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20. CURRENT LIABILITIES

	12/31/2018	12/31/2017
	€	€
Amounts payable to credit institutions		
ABN AMRO Bank N.V.	39,443	76,593

The part of the bank loans entered into the balance sheet with a maturity over five years is nil. The part with a maturity of less than 1 year is included in the current liabilities.

The credit arrangement, as of July 2016 with the ABN AMRO Bank N.V. can be divided into:

- a current account credit of EUR 1.000.000 (5.5%)
- a lending exposure credit of EUR 105.000
- a 2-year loan with a principal amount of EUR 1.000.000 (4%)
- a loan, principal amount of EUR 415.000 (Borgstellings-krediet EURIBOR Loan (one-month Euribor + 2%))
- a loan, principal amount of EUR 130.000 (one-month Euribor + 2,5%).
- a 6-year loan with a principal amount of EUR 1.040.000 (Euribor + 2.5%)
- a 6-year loan with a principal amount of EUR 545.000 (Euribor + 2.5%)

The group provided the following security for the credit arrangement granted by the ABN AMRO Bank N.V.:

- pledge of moveable tangible fixed assets;
- pledge of trade receivables;
- pledge of inventories;
- pledge of all receivables;
- pledge on the receivables and rights arising from the conclusion of work contracts to be concluded and to be concluded;
- pledge on the shares of MTD Nederland B.V.;
- pledge on the shares of MTD International B.V.;
- pledge on the shares of MTD Fleet Service B.V.;
- a personnel surety from Mr. J.A.A.M. Verhoeven in the amount of EUR 500.000 secured with (i) a mortgage, 2e in rang of EUR 500.000 plus 40% covering interest and expenses, on the property mentioned in the mortgage deed of September 13, 2011 for as far as this mortgage has not been cancelled and (ii) this security is provided by Mrs. C.J.M. Verhoeven.
- joint liability for all Dutch consolidated companies
- a surplus guarantee from ABN AMRO Lease N.V.

On November 8, 2019 ABN AMRO Bank has terminated the loan facility of € 1,1 million max as per March 1, 2020 with an transitional period until June 1, 2020. This event is relevant with respect to going concern. We draw attention to the disclosure going concern on page 9.

Repayment obligation long-term debt

Loans	-	43,330
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Trade creditors

Creditors	311,827	86,203
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CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

Tax entity

Frontinus Holding B.V. is the head of the fiscal unity for VAT in which MTD Holding B.V., MTD Fleet B.V., MTD Nederland B.V. and MTD International take part.

Frontinus Holding B.V. is head of the fiscal unity for corporate income tax in which MTD Holding B.V., MTD Fleet B.V. and MTD Nederland B.V. take part. MTD International is solely taxable for income tax.

10 OTHER DISCLOSURE

Subsequent events

On November 8, 2019 ABN AMRO Bank has terminated the loan facility of € 1,1 million max as per March 1, 2020 with an transitional period until June 1, 2020. This event is relevant with respect to going concern. We draw attention to the disclosure going concern on page 9.

Signing of the financial statements

Creation financial statements

The consolidated and separate financial statements are created by the management.

Tilburg, February 14, 2020

J.A.A.M. Verhoeven

OTHER INFORMATION

1 INDEPENDENT AUDITOR'S REPORT

To: the shareholders of MTD Holding B.V. registered at Tilburg

A. Report on the audit of the financial statements 2018 included in the annual report

Our disclaimer of opinion

We were engaged to audit the accompanying financial statements 2018 of MTD Holding B.V. based in Tilburg. The financial statements include the consolidated financial statements and the company financial statements.

We do not express an opinion on the financial statements of the company. Due to the significance of the matter(s) described in the 'Basis for our disclaimer of opinion' section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying financial statements.

The financial statements comprise:

1. the consolidated and company balance sheet as at December 31, 2018;
2. the consolidated and company profit and loss account for 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our disclaimer of opinion

Given the shortcomings in the irreplaceable internal control environment, we were unable to perform the audit in a rational manner to obtain reasonable assurance on the completeness of net turnover and obligations and directly related accounts as recorded or disclosed in the financial statements.

We are independent of MTD Holding B.V. in accordance with the Wet toezicht accountantsorganisatie (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

Material uncertainty related to going concern

We draw attention to the going concern paragraph in the notes on page 9 of the financial statements which indicates that based on the current financial forecast the company does not have sufficient cash to meet its obligations on a short term and is therefore dependent on an agreement with (new) lenders on additional funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Due to the significance of the matter described in the Basis for our disclaimer of opinion section, we have not been able to consider in accordance with Part 9 of Book 2 of the Civil Code whether or not the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We were engaged to read the other information and, based on our knowledge and understanding to be obtained through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

Management is responsible for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. However, due to the matter(s) described in the 'Basis for our disclaimer of opinion' section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Eindhoven, February 14, 2020

Crowe Foederer B.V.

w.g. mr. drs. H.W. Jansen RA RV