
Howden Axial Fans ApS

Industrivej 23, DK-4700 Næstved

Annual Report for 1 January - 31 December 2022

CVR No 15 52 42 43

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/7 2023

Kenneth Ladefoged
Petersen
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Howden Axial Fans ApS for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows for 2022.

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

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

Næstved, 18 July 2023

Executive Board

Kenneth Ladefoged Petersen

Board of Directors

Jillian Evanko
Chairman

James McParland

Frederick James Hearle

William Thomson

Tekin Özcay

Bjarne Børge Starzec

Independent Auditor's Report

To the Shareholder of Howden Axial Fans ApS

Opinion

We have audited the Financial Statements of Howden Axial Fans ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management 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.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of these Financial Statements.

Independent Auditor's Report

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 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.

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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially

Independent Auditor's Report

misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 18 July 2023

EY

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Rasmus Bloch Jespersen

State Authorised Public Accountant

mne35503

Company Information

The Company

Howden Axial Fans ApS
Industrivej 23
DK-4700 Næstved
E-mail: power@howden.dk
Website: www.howden.com

CVR No: 15 52 42 43
Financial period: 1 January - 31 December
Municipality of reg. office: Næstved

Board of Directors

Jillian Evanko, Chairman
James McParland
Frederick James Hearle
William Thomson
Tekin Özcay
Bjarne Børge Starzec

Executive Board

Kenneth Ladefoged Petersen

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg

Bankers

Danske Bank

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	DKKk	DKKk	DKKk	DKKk	DKKk
Key figures					
Profit/loss					
Revenue	352,070	365,419	324,527	355,426	355,804
Profit/loss before financial income and expenses	31,256	56,754	-7,692	36,552	12,272
Net financials	9,040	-223	7,664	459	1,965
Net profit/loss for the year	27,602	43,951	-753	26,403	11,147
Balance sheet					
Balance sheet total	406,189	463,237	417,962	434,421	370,933
Equity	224,655	197,053	238,102	239,124	212,243
Cash flows					
Cash flows from:					
- operating activities	59,299	90,518	11,087	-40,209	23,570
- investing activities	-70	-536	-1,432	-2,565	-225
including investment in property, plant and equipment	-70	-536	-1,432	-2,940	224
- financing activities	-62,820	-87,351	-9,675	35,282	-17,447
Change in cash and cash equivalents for the year	-3,591	2,631	-20	-7,492	5,898
Number of employees	139	149	153	152	162
Ratios					
Gross margin	38.2%	45.0%	32.7%	41.4%	33.6%
Profit margin	8.9%	15.5%	-2.4%	10.3%	3.4%
Return on assets	7.7%	12.3%	-1.8%	8.4%	3.3%
Solvency ratio	55.3%	42.5%	57.0%	55.0%	57.2%
Return on equity	13.1%	20.2%	-0.3%	11.7%	3.4%

For terms and definitions, please see the accounting policies.

Revenue key figure for 2020 has been adjusted as result of reclassification change made due to reclassification of service revenue. Refer to accounting policies. The comparative figures for 2019 and 2018 has not been adjusted as result of the reclassification change.

Management's Review

Key activities

Howden Axial Fans ApS, which is owned 100% by Howden Holdings ApS, markets, sells design and supplies large axial fans of the type VARIAX primarily to the global new build power plant, mining and metro/tunnel market. As part of the Howden regional strategy within the Aftermarket, Howden Axial Fans has in addition to the traditional markets for spares and service focused on increasing sales of other Howden products and services within the Nordic Region in Europe.

The products include new axial fans, conversion of axial fans, service of these and related replacement parts.

Howden Axial Fans ApS refers to the overall leadership team of the region "Europa" within the American group, Chart Industries Inc. with headquarter in Ball Ground, Georgia, United States of America. (www.chartindustries.com)

Chart Industries Inc. acquired the Howden Group from the former owner KPS Capital Partners on 16 March 2023.

Howden Axial Fan ApS follow our owner's policies and guidelines as laid out in the Howden Code of Conduct and related policies as well as Howden Global policies and guidelines. Howden Axial Fan ApS are certified towards ISO 9001, ISO 14001 and OHSAS 18001 and we have our own policy regarding values, quality, environment, health and safety. Policies and guidelines is available on www.howden.com.

Howden Axial Fans ApS consists of the following departments / activities:

- New Equipment Sales, Tunnel & Metro
- Product Development
- Quality Assurance
- Engineering
- Project Management
- Aftermarket & Technical Service
- Supply chain
- Finance, Admin, HR & IT

The year that was and the follow-up to last year's expected development

In DK, it was decided that the categorization of covid-19 as a disease critical to society would not be continued after 31 January 2022. We were again able to meet with customer, suppliers and colleagues and business behaviour seems to normalise again. However, the price increases on raw material, utilities, freight etc. that we have seen in 2021 continued into 2022. And soon after the world has opened again the Ukraine crises came to Europe. Inflation had no limit. The high cost level have mainly affected our New Build business where projects are running in 1-4 years. Price escalations have not been possible in all contracts. In our Aftermarket, we have been able to cover the extra cost by increasing the sales prices.

Management's Review

The earnings before tax is 40 mDKK in 2022 compared to 57 mDKK in 2021. Aftermarket has in terms of earnings been very status quo compared to 2021 where New Build has had a decline in earnings. The main driver is the continued high inflation.

Special risks, operational risks and financial risks

Expectations for the coming year 2022

In 2023, we will continue our focus on selecting profitable and strategic customers and not least invest further in continued expansion of the Aftermarket and Tunnel/Metro segment. Furthermore, we will focus on selling more of other Howden products into the Nordic region in Europe. We will continue capture market share in other Howden regions e.g. Middle East, Far East/South East Asia and China via our Howden network.

The sales in 2023 is expected to grow in a range of 15-20% especially in the Tunnel & Metro segment is a high growth expected due to strong strategic initiatives have been implemented in 2020-22. Aftermarket will increase and especially with in Power retrofit segment we begin to see higher demands for optimizing existing power plants with higher efficiency, lower operating costs and environmentally friendly solutions.

The continued high inflation in 2023 will still have a negative impact on the earnings in the long-term contracts within New Build business.

Development (including research) of our products and business systems

Recent years decline in especially power (coal fired) driven by strong environmental legislation/policies adopted by most US and EU countries has driven our product developments. While power has decreased other industrial markets not least within Tunnel & Metro, (urbanization combined with increasing need for effective transportation of goods/vehicle transportation) has experienced significant growth. Our focus have been to expand and develop new products specifically for T&M applications – jet fans and large axial fans – while both product ranges have been subject to continuous improvement initiatives to improve supply chain. To support product development and customer needs we have started upgrading the test facilities at the Howden Axial Fans site. The new facility will be completed in 2023.

While new build market for power plants have declined our installed base of power axials have seen increased requirements for retrofit solutions and service. To strengthen this opportunity further we have had several development initiatives on retrofit solutions including turning gear brake, acid resistant hydraulic hoses and hydraulic regulating systems for competitor fans.

During 2020-2022, further UPTIME solutions were developed and delivered within industrial and tunnel applications. The pipeline of global UPTIME opportunities for Axial Fan applications have been growing during the later years and we see an increased interest from customers on this predictive tool, as a mean to improve equipment performance as well as to avoid unplanned stoppage.

Management's Review

Corporate Social Responsibility (CSR)

Howden Axial Fans ApS, which is owned 100% by Howden Holdings ApS, markets, sells, designs and supplies large axial fans of type VARLAX primarily to the global power plant market and to the global mining and metro/tunnel market.

Howden Axial Fans ApS strives to operate in a responsible manner in every aspect of its business. Following the business model, described initially, where Howden Axial Fans ApS operates within the global market, the risks concerning our social responsibility primarily relates to our impact on the environment, our work environment and the risk of bribery and anticorruption. For the same reason, this is the focus when it comes to our social responsibility. Below we have further described our policies, goals, actions and accomplishments in these areas.

External environment

In the Howden EHS Charter the environmental policy is to “ensure our operation are sustainable”. The action shall focus on “reducing our environmental impact from our activities through a structured environment and sustainability improvement program”.

The Howden Global policy and our ISO 14001 certification requires continuously improvements. In 2021, Howden Global introduced an Environment, Social and Governance programme and issued the first annual ESG report in 2021 reporting the organisations non-financial performance. The report is followed up by a 2022 review.

On the environmental part of the ESG programme Howden will reduce the carbon footprint by 50% by 2030 and become carbon net zero by 2035.

Major investments in projects to reduce energy at HAX-DK have been put on hold until the new Chart organization is in place. In the meantime, we are looking for new and economically neutral options to ensure that we do not use unnecessary energy. In order to work in a more targeted manner with the tasks, we decided in 2022 to set up a working group to handle these tasks. In 2023, a formalized environmental committee is established.

In order to be able to set valid targets for reducing energy and water, we need to know our basic consumption. Activity level in the test lab and degree-days are factors that influence the total energy and water consumption. In 2023, a goal is to identify opportunities to measure our basic consumption.

Energy and water consumption are considered to pose the most significant risks to the external environmental and climate conditions.

Bribery and anticorruption

Howden Axial Fans ApS has again in 2022 focused on initiatives that can prevent any form of bribery and corruption, and has continued to develop the policy implemented back in 2014/2015 in regards to "Anti Bribery and Corruption Policy". We don't tolerate bribery or corruption. Every associate has gone through an ethics, bribery and corruption training including passing a test to be able to work in Howden Axial Fans ApS. In 2020 we also got a new set of values where one of these is “We do the right thing”

Management's Review

with direct links to ensuring a high level of ethical behavior. Furthermore, a Howden Group ABC whistleblower hotline is in place and is being used (not in relation to Howden Axial Fans).

We now believe we have a good and robust process, and no corruption incidents was reported in 2022. In 2023 we will continue to develop the policy "Anti Bribery and Corruption Policy" and employees will be trained in the area. However there will always be a risk of bribery and corruption but we consider the risk very limited.

Social responsibility (climate, work environment and human rights)

Howden Axial Fans is aware of and take its wider community responsibility. We are very focused on environmental and working conditions, environmental impact and our general ethical and social responsibility. To us, this is also what constitutes securing human rights - which we act responsible in respect of employees, in respect of the community and in respect of ensuring that our business partner's act with responsibility. Howden Axial Fans currently has the three main ISO certificates in the industry, namely ISO 9001, ISO 14001 and ISO 18001. Focus on the work environment has a high priority. Our primary risk is if we have work-related accidents. We do not accept accidents at work. In 2022, we managed again to avoid any severe work related accidents in staff and this is also the goal for 2023. In 2023 we will focus even more on the psychological working environment including well- being and anti-stress related activities.

In 2022, we could finally see that the Covid-19 infection was downgraded to a non-societal critical illness and we could return to a more normal everyday life. Many of our employees have chosen to keep some of their home working days. This provides an opportunity to give our employees greater flexibility in their working life, but it gives us new challenges in the new ways of working together now that it is a permanent situation and not a temporary one. We are looking into an exciting development in the future working environment.

We will furthermore continue to support a number of local social activities in vicinity of Næstved, including financial support to local organizations that support local charities, sponsorship of local sports clubs in football and basketball in Næstved. Finally, Howden Axial Fans strives to follow all rules and regulations in the social and environmental fields, and initiate even more volunteer activities for continual improvement of our ethical and social responsibility.

In the 2021 an ESG programme (Environmental, social and Governance) was launched. The programme includes wider activities for Howden's environmental and social responsibility. ESG is integrally linked to our visions of enabling our customers' vital processes, which advance a more sustainable world, and is clearly aligned with one of our core values "we do the right thing". Our ESG efforts are a fundamental characteristic of our brand as well as our purpose as an organization. In 2023 we will implement the "Bright future program" where Howden is helping disadvantaged and under-represented people in our communities realize their full potential and help build a more sustainable future for through education and skills development.

Anti-harassment and discrimination policy

It is important that our workplace remain free from all forms of discrimination, intimidation and

Management's Review

harassment. An environment where Associates can maximize their potential is only possible when each person is treated fairly and with respect. Associates are expected to comply with the Colfax Anti-Harassment and Discrimination Policy.

Howden Axial Fans is committed to enforcing this policy at all levels within the organization. This includes all sales agents, representatives, independent contractors, consultants, employees, officers, new hires and when they are acting on behalf of Howden Axial Fans. Any Associate who engages in prohibited discrimination or harassment will be subject to discipline, up to and including immediate discharge from employment. To ensure that all employees are treated fairly and not discriminated, all employees were in 2022 trained in Howden Axial Fans' policies on the area. In general we consider the risk related to harassment and discrimination as low. In 2022 no harassment or discrimination incidents was reported.

We have introduced a new engagement tool in which we identify if the organisation finds that we are not doing enough to prevent harassment or discrimination. However, there will always be a risk of harassment or discrimination.

Again, in 2023 all employees will be trained in our policies on the area.

Statement on gender distribution in management

Howden Axial Fans see it as strength that both genders are well represented at management level and that this brings benefit to Howdens business and the development of this. In Howden Axial Fans everyone has an equal opportunity independent of gender, sexual preference, religion or color.

Howden Axial Fans seeks to ensure a balance in the number of men and women at all levels of management, and are striving towards the objective, that neither men nor women will be represented by less than 20%.

In the management team (includes managers with responsibility of an independent function located in Denmark) the female representation is 27% (same as in 2021), which is higher than the set objective of the 20%. For comparison our Chart Executive Team has a female representation of 29%.

At the board of directors whereof the owner elects four members there is now one woman represented. The company's goal having one woman on the board among the four board of directors appointed by the owner is hereby achieved.

	Board	Management
Number of members elected by Howden	4	11
Underrepresented gender	25%	27%
Target number	20%	20%
Year of achievement of target	2023	2022

Target fulfillment is hard to meet since the industry in general is male dominated. Objective in all recruitments it to place the best-qualified candidate and the male/female ratio of applicants is approx.

Management's Review

90/10%. We seek to ensure that candidate shortlists have female representation and we strive to ensure that there is female representation in the interview panel but in support of better gender diversity but also to insure a higher degree of inclusion. Today the total female representation in Howden Axial Fans ApS is 23%.

Data ethics

At Howden, data ethics and data privacy are fundamental and integrated parts of the Company's policies and Code of Conduct. Training individual associates who have access to systems and data is essential. All associates are required to participate and document participation in yearly security and compliance training, update training in the quality management system, and complete ad hoc self-testing to continuously improve awareness and attention on this topic.

The data ethics and policies of Howden as prescribed by section 99d of the Danish Financial Statements Act, is described in more details in Howden Groups ESG Report 2022, which can be retrieved at <https://www.howden.com/en-gb/company/esg>.

Subsequent events

On March 16, 2023, Chart Industries Inc. took over The Howden Group. Since the takeover, some organizational changes have been introduced but a full plan is not yet rolled out. We do believe that the combined Chart and Howden businesses will bring positive synergies and also have a positive impact on Howden Axial Fan ApS.

The Company is closely following the development in the inflation and monitoring the potential impact on its financial result for 2023, but with mitigating actions, it is currently expected to have limited impact.

No other events with a material impact on the assessment of the economy of Howden Axial Fans ApS have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2022 DKKK	2021 DKKK
Revenue	2	352,070	365,419
Other operating income		16,805	14,250
Expenses for raw materials and consumables		-153,389	-146,723
Other external expenses		-81,089	-68,480
Gross profit/loss		134,397	164,466
Staff expenses	3	-99,972	-104,472
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-3,169	-3,240
Profit before financial income and expenses		31,256	56,754
Financial income	5	12,757	6,982
Financial expenses	6	-3,717	-7,205
Profit before tax		40,296	56,531
Tax on profit for the year	7	-12,694	-12,580
Net profit/loss for the year		27,602	43,951

Balance Sheet 31 December

Assets

	Note	2022 DKKk	2021 DKKk
Goodwill		12,146	14,704
Intangible assets	8	12,146	14,704
Land and buildings		6,347	6,582
Other fixtures and fittings, tools and equipment		1,210	1,516
Property, plant and equipment	9	7,557	8,098
Fixed assets		19,703	22,802
Finished goods and goods for resale		9,657	10,355
Inventories		9,657	10,355
Trade receivables		30,999	41,942
Contract work in progress	10	52,830	56,429
Receivables from group enterprises		279,333	311,838
Other receivables	11	7,054	5,037
Deferred tax asset	12	796	5,230
Prepayments	13	230	426
Receivables		371,242	420,902
Cash at bank and in hand		5,587	9,178
Currents assets		386,486	440,435
Assets		406,189	463,237

Balance Sheet 31 December

Liabilities and equity

	Note	2022 DKKk	2021 DKKk
Share capital	14	1,500	1,500
Retained earnings		223,155	195,553
Equity		224,655	197,053
Non-current tax liability	20	4,200	0
Other provisions	16	7,244	13,394
Provisions		11,444	13,394
Other payables		10,919	10,826
Long-term debt	17	10,919	10,826
Trade payables		60,301	60,011
Contract work in progress, liabilities	10	33,451	20,070
Payables to group enterprises		44,614	121,505
Corporation tax		3,408	5,393
Other payables	11,17	17,397	34,985
Short-term debt		159,171	241,964
Debt		170,090	252,790
Liabilities and equity		406,189	463,237
Subsequent events	1		
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
Fee to auditors appointed at the general meeting	22		
Accounting Policies	23		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKKk	DKKk	DKKk	DKKk
2022				
Equity at 1 January	1,500	195,553	0	197,053
Net profit/loss for the year	0	27,602	0	27,602
Equity at 31 December	1,500	223,155	0	224,655
2021				
Equity 1. januar	1,500	151,602	85,000	238,102
Dividend transferred to intercompany payables	0	0	-85,000	-85,000
Net profit/loss for the year	0	43,951	0	43,951
Equity at 31 December	1,500	195,553	0	197,053

Cash Flow Statement 1 January - 31 December

	Note	2022 DKKK	2021 DKKK
Net profit/loss for the year		27,602	43,951
Adjustments	18	6,824	16,043
Change in working capital	19	21,731	32,645
Cash flows from operating activities before financial income and expenses		56,157	92,639
Financial income received		12,758	6,219
Financial expenses paid		-3,571	-6,991
Cash flows from ordinary activities		65,344	91,867
Corporation tax paid		-6,045	-1,349
Cash flows from operating activities		59,299	90,518
Purchase of property, plant and equipment		-70	-536
Cash flows from investing activities		-70	-536
Issuance of loan to group enterprises		-62,820	-87,351
Cash flows from financing activities		-62,820	-87,351
Change in cash and cash equivalents		-3,591	2,631
Cash and cash equivalents at 1 January		9,178	6,547
Cash and cash equivalents at 31 December		5,587	9,178
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5,587	9,178
Cash and cash equivalents at 31 December		5,587	9,178

Notes to the Financial Statements

1 Subsequent events

No events with a material impact on Howden Axial Fans ApS' financial position have occurred after the balance sheet date.

	2022 DKKk	2021 DKKk
2 Revenue		
Geographical segments		
Revenue, domestic markets	10,679	5,444
Revenue, export markets	341,391	359,975
	352,070	365,419
Business segments		
Revenue, New Build Wind Tunnels, Tunnel & Metro	49,089	57,681
Revenue, New Build Power	20,947	13,593
Revenue, Aftermarket	236,491	245,931
Revenue, Other	45,543	48,214
	352,070	365,419

3 Staff expenses

Wages and salaries	90,752	94,936
Pensions	8,002	8,205
Other social security expenses	1,218	1,331
	99,972	104,472
Average number of employees	139	149

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. There has been no remuneration to the Board of Directors in 2021 and 2022.

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	2,557	2,557
Depreciation of property, plant and equipment	612	683
	3,169	3,240

Notes to the Financial Statements

	2022 DKKK	2021 DKKK
5 Financial income		
Interest from group enterprises	10,336	6,026
Other financial income	0	8
Exchange rate gains	2,421	948
	<u>12,757</u>	<u>6,982</u>
6 Financial expenses		
Other financial expenses	3,717	2,033
Fair value of derivatives	0	5,172
	<u>3,717</u>	<u>7,205</u>
7 Tax on profit for the year		
Current tax for the year	4,760	8,167
Deferred tax for the year	4,434	4,413
Adjustment for uncertain tax provisions	3,500	0
	<u>12,694</u>	<u>12,580</u>
8 Intangible assets		
		Goodwill DKKK
Cost at 1 January		<u>25,571</u>
Cost at 31 December		<u>25,571</u>
Impairment losses and amortisation at 1 January		10,867
Amortisation for the year		<u>2,558</u>
Impairment losses and amortisation at 31 December		<u>13,425</u>
Carrying amount at 31 December		<u>12,146</u>

Notes to the Financial Statements

9 Property, plant and equipment

	Land and buildings DKKk	Other fixtures and fittings, tools and equipment DKKk
Cost at 1 January	7,186	14,777
Additions for the year	<u>0</u>	<u>71</u>
Cost at 31 December	<u>7,186</u>	<u>14,848</u>
Impairment losses and depreciation at 1 January	604	13,261
Depreciation for the year	<u>235</u>	<u>377</u>
Impairment losses and depreciation at 31 December	<u>839</u>	<u>13,638</u>
Carrying amount at 31 December	<u>6,347</u>	<u>1,210</u>

	2022 DKKk	2021 DKKk
Selling price of work in progress	180,281	129,683
Payments received on account	<u>-160,902</u>	<u>-93,324</u>
	<u>19,379</u>	<u>36,359</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	52,830	56,429
Contract work in progress recognised in liabilities	<u>-33,451</u>	<u>-20,070</u>
	<u>19,379</u>	<u>36,359</u>

Notes to the Financial Statements

11 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded to hedge future sale of goods in USD, GBP, PLN and SEK and to hedge future purchase of goods in SEK and USD. Furthermore, at the balance sheet date the Company has derivative instruments in the same currencies to hedge recognised amounts receivables and payables. At the balance sheet date, the fair value of unsettled derivative financial instruments, determined by used of level 2 of the fair value hierarchy, amounts to:

	<u>2022</u> DKKK	<u>2021</u> DKKK
Assets	936	0
Liabilities	0	1,742

The derivatives do not qualify as hedge accounting from an accounting perspective, and no profit and loss concerning future sale and purchase of goods were accounted for in the equity in 2022.

Sales contracts and purchase orders for purchase of goods in USD have been hedged for a period of 1-3 months for an amount of DKK 7,775k (net purchase).

Sales contracts and purchase orders for purchase of goods in GBP, PLN and SEK have been hedged for a period of 1-7 months for an amount of DKK 7,234k (net sales).

	<u>2022</u> DKKK	<u>2021</u> DKKK
12 Deferred tax asset		
Deferred tax asset at 1 January	5,230	9,643
Amounts recognised in the income statement for the year	<u>-4,434</u>	<u>-4,413</u>
Deferred tax asset at 31 December	<u>796</u>	<u>5,230</u>

The deferred tax asset primarily concerns temporary differences between the carrying amount and tax base of goodwill, work in progress and warranty provisions.

13 Prepayments

Prepayments consist of prepaid expenses concerning insurance premium, subscriptions and interest.

Notes to the Financial Statements

14 Share capital

The share capital consists of 1 share of a nominal value of DKKk 1,500. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	<u>2022</u> DKKK	<u>2021</u> DKKK
15 Distribution of profit		
Retained earnings	27,602	43,951
	<u>27,602</u>	<u>43,951</u>

16 Other provisions

Warranty commitments and other commitments in connection with delayed delivery

7,244	13,394
<u>7,244</u>	<u>13,394</u>

The provisions are expected to mature as follows:

Within 1 year

25,564	13,394
<u>25,564</u>	<u>13,394</u>

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt. The debt falls due for payment as specified below:

Other payables

After 5 years	0	0
Between 1 and 5 years	10,919	10,826
Long-term part	<u>10,919</u>	<u>10,826</u>
Other short-term payables	17,397	34,985
	<u>28,316</u>	<u>45,811</u>

Notes to the Financial Statements

	2022	2021
	DKKK	DKKK
18 Cash flow statement - adjustments		
Financial income	-12,757	-6,982
Financial expenses	3,717	7,205
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,170	3,240
Tax on profit for the year	12,694	12,580
	6,824	16,043

19 Cash flow statement - change in working capital

Change in inventories	697	1,420
Change in receivables	31,158	34,028
Change in other provisions	-6,150	1,031
Change in trade payables, etc	-3,974	81,166
Change in payables dividend	0	-85,000
	21,731	32,645

20 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	337	430
Between 1 and 5 years	0	621
After 5 years	0	0
	337	1,051

Rent obligations, period of non-terminability up to 24 months	6,200	8,658
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Guarantee obligations

Guarantee obligations amount to DKK 36,960k (2021: DKK 59,800k).

Collateral restrictions:

The Company has a general collateral restriction over the company's assets.

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Howden Holdings ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Uncertain tax positions

In 2022 the Danish Tax Administration (SKAT) initiated a transfer pricing audit concerning 2017-2019 investigating the inter-company relationship and transactions between the Company and other group entities. In April 2023, SKAT issued a proposed ruling, including a reassessment and an increase of the Company's taxable income for 2017-2019 of in total DKK 52.1 million, equivalent to a tax value of DKK 11.5 million. Management believes the positions taken by the Company are supportable and in accordance with applicable tax law, and the Company will defend its position in court, if needed. The ultimate resolution of the matter is uncertain and may take several years and may potentially result in a material adverse impact to the Company's financial statements. As a result of the Company's assessment and evaluation of SKAT's proposed final ruling, the Company has recorded a uncertain tax provisions of DKK 4.2 million (incl. interest and surcharges of DKK 0.7 million) in these financial statements.

21 Related parties

	Basis
Controlling interest	
Howden Holdings ApS, Industrivej 23, Næstved, Denmark	Parent Company
KPS Capital Partners LP, 485 Lexington Avenue, FI 31, New York 10017, USA	Ultimate Parent Company

Notes to the Financial Statements

21 Related parties (continued)

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Sale of goods and services, mDKK 184.2
Purchase of goods and services, mDKK 58.3
Interest income, mDKK 10.3
Management fee and Trademark fee, cost, mDKK 10.3
Royalty, income, mDKK 10.5
Product license fee expense, mDKK 23.6

As at 31 December 2022, the Company had the following balance with related parties:

Receivables, mDKK 61.0
Payables, mDKK 45.5
Loan receivables, mDKK 218.5

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

<u>Name</u>	<u>Place of registered office</u>
Granite Holdings II B.V.	The Netherlands

The consolidated financial statements of Granite Holdings II. B.V. are not made available to the public.

22 Fee to auditors appointed at the general meeting

	<u>2022</u> DKKK	<u>2021</u> DKKK
Fee for statutory audit	<u>891</u>	<u>900</u>
	<u>891</u>	<u>900</u>

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of Howden Axial Fans ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2022 are presented in Danish kroner.

Fair value

Fair value is determined based on the principal market. If no principal market exists, the fair value is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All asset and liabilities that are measured at fair value of whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market.

Level 2: Value based on generally accepted valuation methods on the basis of observable market information.

Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.

Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement

Notes to the Financial Statements

23 Accounting Policies (continued)

unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

The Company has chosen IAS 39 as interpretation for hedge accounting.

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Revenue

Information on geographical segments is based on the Company's internal financial reporting system.

Income Statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Income from the sale of services, which include service contracts, is recognised in revenue on a straight-

Notes to the Financial Statements

23 Accounting Policies (continued)

line basis as the services are rendered because the services are rendered in the form of an indefinite number of actions over a specified period of time.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, payment under operation leases, etc.

Staff expenses

Staff expenses comprise wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of goodwill and property, plant and equipment.

Other operating income

Other operating income comprise items secondary to the Company's activities, including gains and disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with its Danish Group entities. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to

Notes to the Financial Statements

23 Accounting Policies (continued)

interest surcharges to the management company.

Balance Sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years determined on the basis of Management's experience with the individual business areas and the business case for the acquired business.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-6 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Notes to the Financial Statements

23 Accounting Policies (continued)

Assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value.

The Company has chosen IAS 39 as interpretation for impairment write-down provisions of financial receivables.

Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes to the Financial Statements

23 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial reporting years.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of typically 1-5 years. Provisions are measured and recognised based on experience with guarantee work. The company makes provisions for warranty obligations on the basis of a risk assessment of the nature of delivery.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Notes to the Financial Statements

23 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Uncertain tax positions

The Company carries out potentially complex transactions that require management to make judgments and estimates as to the tax impact of those transactions. The positions adopted by the Company in tax matters are based on its interpretation of tax laws and regulations. Some of those positions may be subject to uncertainty. In such cases, the Company assesses the amount of the tax liability on the basis of the following assumptions: that its position will be examined by one or more tax authorities on the basis of all relevant information, that a technical assessment is carried out with reference to legislation, case law, regulations, and established practice, and that each position is assessed individually (or collectively where appropriate), with no offset or aggregation between positions. Those assumptions are assessed on the basis of facts and circumstances existing at the end of the reporting period. When an uncertain tax liability is regarded as probable, it is measured on the basis of the Company's best estimate and recognized as a tax liability; uncertain tax assets are not recognized. When an uncertain tax liability is regarded as not probable, it is disclosed as contingent liability.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Notes to the Financial Statements

23 Accounting Policies (continued)

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

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

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$