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# ***Howden Axial Fans ApS***

Industrivej 23, DK-4700 Næstved

## **Annual Report for 1 January - 31 December 2021**

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CVR No 15 52 42 43

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
6 /7 2022

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 2021.

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 2021 of the Company and of the results of the Company operations and cash flows for 2021.

In our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

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

Næstved, 6 July 2022

## Executive Board

Kenneth Ladefoged Petersen

## Board of Directors

Frederick James Hearle  
Chairman

James McParland

Mark Paul Lehman

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 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 misstated.

## **Independent Auditor's Report**

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, 6 July 2022

**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**

Frederick James Hearle, Chairman  
James McParland  
Mark Paul Lehman  
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:

	2021	2020	2019	2018	2017
	DKKk	DKKk	DKKk	DKKk	DKKk
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	365,419	324,527	355,426	355,804	582,890
Profit/loss before financial income and expenses	56,754	-7,692	36,552	12,272	71,037
Net financials	-223	7,664	459	1,965	2,612
Net profit/loss for the year	43,951	-753	26,403	11,147	57,401
<b>Balance sheet</b>					
Balance sheet total	463,237	417,962	434,421	370,933	664,023
Equity	197,053	238,102	239,124	212,243	439,370
<b>Cash flows</b>					
Cash flows from:					
- operating activities	90,518	11,087	-40,209	23,570	403,640
- investing activities	-536	-1,432	-2,565	-225	-26,347
including investment in property, plant and equipment	-536	-1,432	-2,940	224	1,526
- financing activities	-87,351	-9,675	35,282	-17,447	-371,219
Change in cash and cash equivalents for the year	2,631	-20	-7,492	5,898	6,074
Number of employees	149	153	152	162	132
<b>Ratios</b>					
Gross margin	45.0%	32.7%	41.4%	33.6%	27.1%
Profit margin	15.5%	-2.4%	10.3%	3.4%	12.2%
Return on assets	12.3%	-1.8%	8.4%	3.3%	10.7%
Solvency ratio	42.5%	57.0%	55.0%	57.2%	66.2%
Return on equity	20.2%	-0.3%	11.7%	3.4%	13.0%

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, 2018, and 2017 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, designs and supplies large axial fans of type VARIAX primarily to the global power plant market and to the global mining and metro/tunnel market.

Howden Axial Fans ApS refers to an overall group management in Howden Ltd. Glasgow, Scotland, which is part of the American group KPS Capital Partners. ([www.kpsfund.com](http://www.kpsfund.com)).

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

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](http://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 2020, the Covid-19 pandemic hit most of the world and it changed from one day to the next our way of doing business. 2021 has also been impacted by the pandemic but the organisation – systems and employees – ability to adapt to the new reality (working from home, use of protective equipment, travel restrictions etc.) have been invaluable. However – in the second half of 2021, we have seen price increases on both material and cargo, which has led to a higher cost level. It is not possible to calculate the economic impact of the Covid-19 pandemic for Howden Axial Fans for 2021.

After a poor result in 2020, we went back on track in 2021 where a result before tax of 57 mDKK is very satisfying. The main driver compared to 2020 is the aftermarket business and the fact that no extraordinary events have affected the result as in 2020 where a significant provision was made against receivables with in the power business. The transition to the infrastructure sector within Tunnel & Metro has continued during 2021 with focus on product development and new market penetration.

# Management's Review

## Special risks, operational risks and financial risks

### Expectations for the coming year 2022

In 2022, 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 aim to capture market share in other areas like Middle East, Far East/South East Asia and China via our Howden network.

The sales in 2022 is expected to grow in a range of 4-6% especially in the Tunnel & Metro segment is a high growth expected due to strong strategic initiatives have been implemented in 2020/21. Sales in the Power market will increase due to delayed projects from 2021 where Aftermarket will be more status quo compared to 2021. In the Tunnel & Metro segment the company has implemented strong strategic initiatives. The high inflation seen at the beginning of 2022 is an unknown factor when it comes to earnings in 2022. In particular, the prices of raw materials and transport are crucial for the company.

### 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 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 2022.

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 and 2021, 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 2020 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.

### 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 VARIAX 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

## **Management's Review**

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 programme”.

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

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. In 2021, the environmental project for Howden Axial Fans ApS was to save energy by installing more energy efficient LED lights in the workshops and warehouse. Hereby saving up to 75% electricity. In 2022, we will improve the ventilation and climate system. This will include the face out the use of R22 cooling agent, a more energy efficient system and change to LED-based lighting in the office building. With this project, we will save 50-60% of the buildings energy use for both electricity and natural gas. Besides this we also up-dated the Energy Audit Review according to the EU requirements to identify new energy saving opportunities.

In 2021, the Howden also introduced the Sustainability Focus programme entirely on sustainability involving monthly sustainability presentations and actions to all associates and business units.

Howden Axial Fan do not have an explicit CO<sub>2</sub> or Climate policy but we have set targets for 2022 from Howden Global to reduce the use of resources for Heating with 15%, Electricity with 20%, water consumption with 5% and other consumptions (diesel, gas etc.) with 5%. Data are reported to Howden Global quarterly.

In late 2022, Howden Global will issue new specific targets for the CO<sub>2</sub> reduction for each business units including Howden Axial Fan.

### ***Bribery and anticorruption***

Howden Axial Fans ApS has again in 2021 focused on initiatives that can prevent any form of bribery and corruption, and has continued to develop the policy implemented during 2014/2015 in regards to "Anti Bribery and Corruption Policy". 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” 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 2021. In 2022 we will continue to develop the policy “Anti Bribery and Corruption Policy” and employees will be

## Management's Review

trained in the area. However there will always be a risk of bribery and corruption but we consider the risk to be 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 – please also see the section on bribery and anticorruption. 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. We do not accept accidents at work. In 2021, we managed again to avoid any severe work related accidents in staff and this is also the goal for 2022. In 2022, we will continue to train employees in a “good and safe working environment” to avoid accidents at work. However there will always be a risk of work-related accidents.

In 2021, the Covid-19 pandemic has put additional pressure on the physical and mental well-being of our employees caused by health risks and lockdowns. Howden Axial Fans ApS has put great focus on protecting our employees during this time by prescribing guidelines and providing protective equipment. This has, among other things, ensured the health of employees during the pandemic."

In 2021, we managed again to avoid any severe work related accidents in staff and this is also the goal for 2021. 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.

### ***Anti-harassment and discrimination policy***

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

## **Management's Review**

2021 trained in Howden Axial Fans' policies on the area. In general we consider the risk related to harassment and discrimination as low. In 2021 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 2022 all employees will be trained in our policies on the area.

### **Gender Policy**

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 in 2020 will be represented by less than 20%.

In the management team the female representation has increase from 20% in last year to now 27%, which is higher than the set objective of the 20%.

At the board of directors whereof the owner elects four members there are no woman represented for the time being. The target figure has not been achieved since no new board members were elected in 2021. It is the company's goal that by 2025 there is one woman on the board among the four board of directors appointed by the owner.

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. 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.

### **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 2021, which can be retrived at <https://www.howden.com/en-gb/company/esg>.

## **Management's Review**

### **Subsequent events**

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

The Company is also closely following the development in Ukraine and monitoring the potential impact on its financial reporting for 2022, but with mitigating actions it is currently expected to have limited impact.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> DKKK	<u>2020</u> DKKK
<b>Revenue</b>	2	<b>365,419</b>	<b>324,527</b>
Other operating income		14,250	15,864
Expenses for raw materials and consumables		-146,723	-153,371
Other external expenses		-68,480	-80,920
<b>Gross profit/loss</b>		<b>164,466</b>	<b>106,100</b>
Staff expenses	3	-104,472	-110,479
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-3,240	-3,313
<b>Profit before financial income and expenses</b>		<b>56,754</b>	<b>-7,692</b>
Financial income	5	6,982	8,652
Financial expenses	6	-7,205	-988
<b>Profit before tax</b>		<b>56,531</b>	<b>-28</b>
Tax on profit for the year	7	-12,580	-725
<b>Net profit/loss for the year</b>		<b>43,951</b>	<b>-753</b>

# Balance Sheet 31 December

## Assets

	Note	2021 DKKk	2020 DKKk
Goodwill		14,704	17,261
<b>Intangible assets</b>	8	<b>14,704</b>	<b>17,261</b>
Land and buildings		6,582	6,818
Other fixtures and fittings, tools and equipment		1,516	1,427
<b>Property, plant and equipment</b>	9	<b>8,098</b>	<b>8,245</b>
<b>Fixed assets</b>		<b>22,802</b>	<b>25,506</b>
Finished goods and goods for resale		10,355	11,775
<b>Inventories</b>		<b>10,355</b>	<b>11,775</b>
Trade receivables		41,942	40,482
Contract work in progress	10	56,429	37,197
Receivables from group enterprises		311,838	272,776
Other receivables	17	5,037	11,387
Deferred tax asset	11	5,230	9,643
Corporation tax		0	2,142
Prepayments	12	426	507
<b>Receivables</b>		<b>420,902</b>	<b>374,134</b>
<b>Cash at bank and in hand</b>		<b>9,178</b>	<b>6,547</b>
<b>Currents assets</b>		<b>440,435</b>	<b>392,456</b>
<b>Assets</b>		<b>463,237</b>	<b>417,962</b>



# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKKk	2020 DKKk
Share capital	13	1,500	1,500
Retained earnings		195,553	151,602
Proposed dividend for the year		0	85,000
<b>Equity</b>		<b>197,053</b>	<b>238,102</b>
Other provisions	15	13,394	12,363
<b>Provisions</b>		<b>13,394</b>	<b>12,363</b>
Other payables		10,826	11,376
<b>Long-term debt</b>	16	<b>10,826</b>	<b>11,376</b>
Trade payables		60,011	53,162
Contract work in progress, liabilities	10	20,070	32,897
Payables to group enterprises		121,505	41,942
Corporation tax		5,393	716
Other payables	16,17	34,985	27,404
<b>Short-term debt</b>		<b>241,964</b>	<b>156,121</b>
<b>Debt</b>		<b>252,790</b>	<b>167,497</b>
<b>Liabilities and equity</b>		<b>463,237</b>	<b>417,962</b>
Subsequent events	1		
Distribution of profit	14		
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 DKKk	Retained earnings DKKk	Proposed dividend for the year DKKk	Total DKKk
<b>2021</b>				
Equity at 1 January	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
<b>Equity at 31 December</b>	<b>1,500</b>	<b>195,553</b>	<b>0</b>	<b>197,053</b>
<b>2020</b>				
Equity 1. januar	1,500	237,624	0	239,124
Net adjustment of hedge instruments	0	-269	0	-269
Net profit/loss for the year	0	-85,753	85,000	-753
<b>Equity at 31 December</b>	<b>1,500</b>	<b>151,602</b>	<b>85,000</b>	<b>238,102</b>

## Cash Flow Statement 1 January - 31 December

	Note	2021 DKKK	2020 DKKK
Net profit/loss for the year		43,951	-753
Adjustments	18	16,043	-3,626
Change in working capital	19	32,645	12,116
<b>Cash flows from operating activities before financial income and expenses</b>		<b>92,639</b>	<b>7,737</b>
Financial income received		6,219	8,653
Financial expenses paid		-6,991	-983
<b>Cash flows from ordinary activities</b>		<b>91,867</b>	<b>15,407</b>
Corporation tax paid		-1,349	-4,320
<b>Cash flows from operating activities</b>		<b>90,518</b>	<b>11,087</b>
Purchase of property, plant and equipment		-536	-1,432
<b>Cash flows from investing activities</b>		<b>-536</b>	<b>-1,432</b>
Issuance of loan to group enterprises		-87,351	-9,675
<b>Cash flows from financing activities</b>		<b>-87,351</b>	<b>-9,675</b>
<b>Change in cash and cash equivalents</b>		<b>2,631</b>	<b>-20</b>
Cash and cash equivalents at 1 January		6,547	6,567
<b>Cash and cash equivalents at 31 December</b>		<b>9,178</b>	<b>6,547</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		9,178	6,547
<b>Cash and cash equivalents at 31 December</b>		<b>9,178</b>	<b>6,547</b>

# Notes to the Financial Statements

## 1 Subsequent events

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

	2021 DKKK	2020 DKKK
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Revenue, domestic markets	5,444	12,586
Revenue, export markets	359,975	311,941
	<b>365,419</b>	<b>324,527</b>
<b>Business segments</b>		
Revenue, New Build Wind Tunnels, Tunnel & Metro	57,681	29,084
Revenue, New Build Power	13,593	31,738
Revenue, Aftermarket	245,931	215,543
Revenue, Other	48,214	48,162
	<b>365,419</b>	<b>324,527</b>
<b>3 Staff expenses</b>		
Wages and salaries	94,936	101,150
Pensions	9,536	9,329
	<b>104,472</b>	<b>110,479</b>
<b>Average number of employees</b>	<b>149</b>	<b>153</b>

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 2020 and 2021.

## 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	683	756
	<b>3,240</b>	<b>3,313</b>

## Notes to the Financial Statements

	2021 <u>DKKK</u>	2020 <u>DKKK</u>
<b>5 Financial income</b>		
Interest received from group enterprises	6,026	1,310
Other financial income	8	54
Fair value of derivatives	0	5,606
Exchange rate gains	948	1,682
	<u><b>6,982</b></u>	<u><b>8,652</b></u>
<b>6 Financial expenses</b>		
Other financial expenses	2,033	988
Fair value of derivatives	5,172	0
	<u><b>7,205</b></u>	<u><b>988</b></u>
<b>7 Tax on profit for the year</b>		
Current tax for the year	8,167	3,508
Deferred tax for the year	4,413	-2,828
Adjustment of tax concerning previous years	0	45
	<u><b>12,580</b></u>	<u><b>725</b></u>
<b>8 Intangible assets</b>		<u>Goodwill</u> DKKK
Cost at 1 January		<u>25,571</u>
Cost at 31 December		<u>25,571</u>
Impairment losses and amortisation at 1 January		8,310
Amortisation for the year		<u>2,557</u>
Impairment losses and amortisation at 31 December		<u>10,867</u>
<b>Carrying amount at 31 December</b>		<u><b>14,704</b></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	14,241
Additions for the year	<u>0</u>	<u>536</u>
Cost at 31 December	<u>7,186</u>	<u>14,777</u>
Impairment losses and depreciation at 1 January	368	12,814
Depreciation for the year	<u>236</u>	<u>447</u>
Impairment losses and depreciation at 31 December	<u>604</u>	<u>13,261</u>
<b>Carrying amount at 31 December</b>	<b><u>6,582</u></b>	<b><u>1,516</u></b>

	2021 DKKk	2020 DKKk
<b>10 Contract work in progress</b>		
Selling price of work in progress	129,683	91,165
Payments received on account	<u>-93,324</u>	<u>-86,865</u>
	<b><u>36,359</u></b>	<b><u>4,300</u></b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	56,429	37,197
Contract work in progress recognised in liabilities	<u>-20,070</u>	<u>-32,897</u>
	<b><u>36,359</u></b>	<b><u>4,300</u></b>

### 11 Deferred tax asset

Deferred tax asset at 1 January	9,643	6,453
Amounts recognised in the income statement for the year	-4,413	2,828
Adjustment of tax concerning previous years	<u>0</u>	<u>362</u>
<b>Deferred tax asset at 31 December</b>	<b><u>5,230</u></b>	<b><u>9,643</u></b>

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

# Notes to the Financial Statements

## 12 Prepayments

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

## 13 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.

	2021 DKKk	2020 DKKk
<b>14 Distribution of profit</b>		
Proposed dividend for the year	0	85,000
Retained earnings	43,951	-85,753
	<b>43,951</b>	<b>-753</b>

## 15 Other provisions

Warranty commitments and other commitments in connection with delayed delivery

13,394	12,363
<b>13,394</b>	<b>12,363</b>

The provisions are expected to mature as follows:

Within 1 year

13,394	12,363
<b>13,394</b>	<b>12,363</b>

## 16 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	10,826	11,376
Long-term part	10,826	11,376
Other short-term payables	34,985	27,404
	<b>45,811</b>	<b>38,780</b>

# Notes to the Financial Statements

## 17 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, NOK, SEK and GBP 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:

	2021 DKKK	2020 DKKK
Assets	0	5,135
Liabilities	1,742	0

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 2021.

Sales contracts and purchase orders for purchase of goods in USD have been hedged for a period of 1-12 months for an amount of DKK 23,076k (net sales).

Sales contracts and purchase orders for purchase of goods in NOK, GBP and SEK have been hedged for a period of 1-9 months for an amount of DKK 9,252k (net sales).

## 18 Cash flow statement - adjustments

	2021 DKKK	2020 DKKK
Financial income	-6,982	-8,652
Financial expenses	7,205	988
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,240	3,313
Tax on profit for the year	12,580	725
	<u>16,043</u>	<u>-3,626</u>



## Notes to the Financial Statements

	2021	2020
	DKKK	DKKK
<b>19 Cash flow statement - change in working capital</b>		
Change in inventories	1,420	714
Change in receivables	34,028	7,792
Change in other provisions	1,031	3,646
Change in trade payables, etc	81,166	233
Change in payables dividend	-85,000	0
Fair value adjustments of hedging instruments	0	-269
	<b>32,645</b>	<b>12,116</b>

## 20 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	430	85
Between 1 and 5 years	621	37
After 5 years	0	0
	<b>1,051</b>	<b>122</b>

Rent obligations, period of non-terminability up to 36 months	8,658	4,298
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### Guarantee obligations

Guarantee obligations amount to DKK 59,800k (2020: DKK 57,604k).

Collateral restrictions:

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

### 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.

As a Company operating globally and trading with other group companies, the Company is from time to time involved in inspections and inquiries from local tax authorities. Management believes that currently identified inspections and inquiries from tax authorities will have no material impact on the financial position of the Company.

# Notes to the Financial Statements

## 21 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Howden Holdings ApS, Industrivej 23, Næstved, Denmark	Parent Company
KPS Capital Partners LP, 485 Lexington Avenue, Fl 31, New York 10017, USA	Ultimate Parent Company

### Transactions

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

Sale of goods and services, mDKK 202.0  
Purchase of goods and services, mDKK 40.1  
Interest income, mDKK 6.0  
Management fee and Trademark fee, cost, mDKK 16.8  
Royalty, income, mDKK 8.2  
Product license fee expense, mDKK 21.0

Receivables, mDKK 74.7  
Payables, mDKK 121.3  
Loan receivables, mDKK 236.4

### 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 Group Annual Report of may be obtained at the following address:

Howden Group Limited  
Old Govan Road  
Renfrew PA4 8XJ  
Scotland

## Notes to the Financial Statements

	<u>2021</u> DKKK	<u>2020</u> DKKK
<b>22 Fee to auditors appointed at the general meeting</b>		
Fee for statutory audit	<u>900</u>	<u>786</u>
	<u><b>900</b></u>	<u><b>786</b></u>

# Notes to the Financial Statements

## 23 Accounting Policies

The Annual Report of Howden Axial Fans ApS for 2021 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 2021 are presented in Danish kroner.

### Classification change

A reclassification change has been made in the income statement between revenue, other operating income, and expenses for raw materials and consumables to correctly present the gross revenue from a group service agreement, which in previous periods partly have been recognized as other operating income and partly have been netted expenses for raw materials and consumables. In the income statement for 2020 revenue of DKK 48,162 thousand, of which DKK 5,324 thousand and DKK 42,828 thousand were presented as other operating income and expenses for raw materials and consumables, respectively, have been reclassified to revenue. As a result of the reclassification change, revenue in 2020 increased by DKK 48,162 thousand, other operating income decreased by DKK 5,324 thousand, and expenses for raw materials and consumables increased by DKK 42,828 thousand. The classification change did not impact profit/loss for the year 2020 nor equity or total assets at 31 december 2020.

### 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.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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.

### 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 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.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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-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 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.

#### 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. The item is net of refunds made by public authorities.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of 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 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
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## Notes to the Financial Statements

### 23 Accounting Policies (continued)

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.

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.



# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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.

### 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

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

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.

### 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.

### 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.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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.

#### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$