Exhausto A/S

Odensevej 76, 5550 Langeskov

CVR no. 18 68 37 41

Annual report 2017

Approved at the Company's annual general meeting on May 23 2018

Chairman:

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Mads Rosenmeier

Building a better
working world

Contents

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Exhausto A/S for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend the annual report to be approved at the annual general meeting.

Langeskov, 23 May 2018
Executive Board:

Steen Høier CEO	Mads Rosenmeier CFO

Board of Directors:

Stanislas Bruno Lacroix Chairman	Laurent Mouchet	Marc Patrick Brévière
Fabrice Boutet	Lone Lindberg Workers' representative	Jens Vahl Rasmussen Workers' representative

Independent auditor's report

To the shareholders of Exhausto A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Exhausto A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditor's report

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

Odense, 23 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Smedegaard Hvid State Authorised Public Accountant MNE-nr.: mne31450	Torben Ahle Pedersen State Authorised Public Accountant MNE-nr.: mne16611

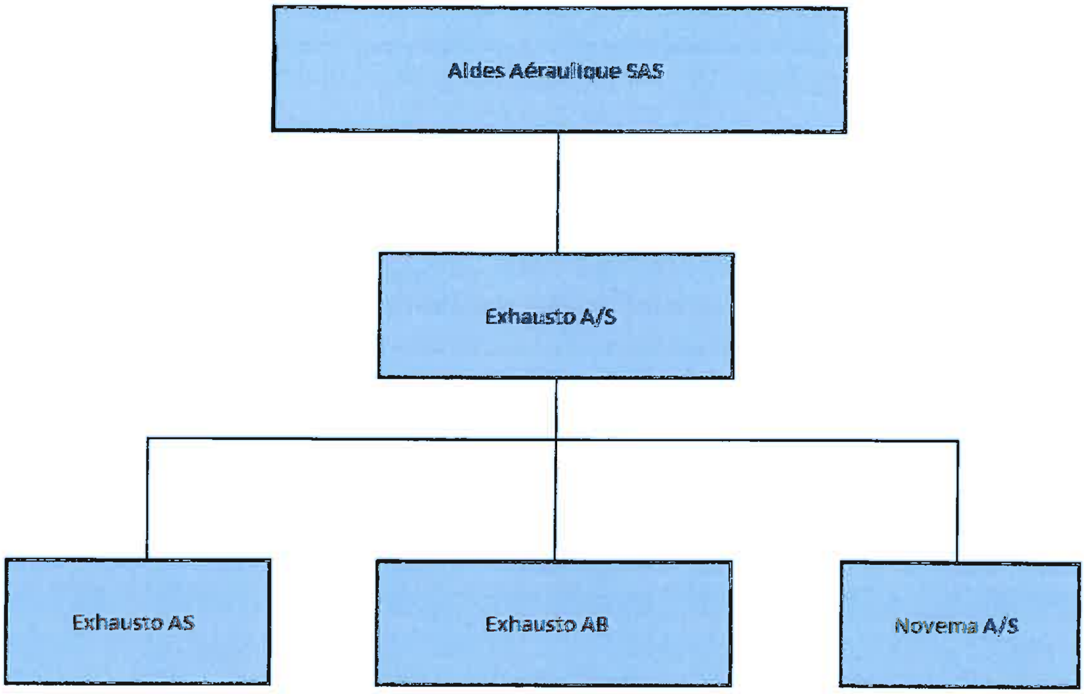
Management's review

Information about the company

Name	Exhausto A/S
Adress, zip code, city	Odensevej 76, 5550 Langeskov
CVR-no.	18 68 37 41
Founded	4. August 1995
Registered office	Kerteminde
Financial year	1. january - 31. december
Executive Board	Steen Høier Mads Rosenmeier
Board of Directors	Stanislas Bruno Lacroix Laurent Mouchet Marc Patrick Brévière Fabrice Boutet Lone Lindberg, Workers' representative Jens Vahl Rasmussen, Workers' representative
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, 5100 Odense C

Management's review

Group chart



Management's review

Financial highlights for the Group

In DKK millions	2017	2016	2015	2014	2013
Key figures					
Revenue	392	439	469	471	480
EBITDA	26	15	-1	12	6
Ordinary operating profit/loss	6	-5	-17	-6	-13
Profit/loss from financials income and expenses	-2	0	1	1	-3
Profit/loss for the year	3	-5	-14	-6	-12
Total assets	280	259	329	303	298
Portion relating to investments in items of property, plant and equipment	13	4	10	5	3
Equity	167	164	169	183	190
Financial ratios					
Operating margin	0,8	-1,1	-3,7	-1,3	-2,6
Return of investment	1,9	-1,7	-5,4	-5,0	-4,9
Assets/Equity	1,6	1,6	2,0	1,7	1,6
Average number of full-time employees	262	311	317	292	278

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2017".

Management's review

Management commentary

Principal activities etc. of the company

EXHAUSTO A/S is a subsidiary of Aldes Aéraulique SAS, and its principal activities comprise manufacturing, marketing and selling of ventilation solutions. The EXHAUSTO Group was acquired by Aldes as at June 30 2016.

Business review, financing and investments

The group revenue was in 2017 391.8 MDKK (439.3 MDKK in 2016) and EBITDA amounted to 25.9 MDKK (15.1 MDKK in 2016). The result for the year after tax was 3.2 MDKK (compared to -4.9 MDKK in 2016). The main reason for the drop in the group revenue is the significantly lower revenue in Norway due to a fire at our production site in Flå, Norway in April 2017 (34 MDKK lower revenue than budgeted). The fire and the following lower revenue has not had a significant impact on earnings due to our insurance coverage.

The revenue in the parent company was 308.6 MDKK (295.2 MDKK in 2016) and the result for the year after tax was 3.2 MDKK (compared to -4.9 MDKK in 2016).

During 2017 EXHAUSTO A/S has sold the shares of the subsidiary EXHAUSTO GmbH. The sale was in the context of an intra-group trade with the parent company Aldes Aéraulique SAS. The shares are sold at estimated fair value, which has resulted in a profit of 5.5 MDKK.

The result for the year met the expectations as stated in the 2016 Annual report. The net cash flow from operating activities and overall net cash flow was positive in 2017.

The result for the year is considered satisfactory and a significant improvement compared to 2016.

Outlook

Management expects a higher revenue for 2018 than realised in 2017 and a positive result for the year.

Risks

General risks

The Company's most significant risks relate to its ability to continue as a leading supplier of ventilation solutions to the markets in which the Company operates. Moreover, the Company is affected by the conditions in the construction sector.

Financial risks

Currency, interest and credit risks

The Company is exposed to currency risks, as a significant part of its transactions is in foreign currency and is affected by exchange rate and interest developments on these currencies. The activities comprises foreign subsidiaries, suppliers and customers. The Group only carries out transaction-based currency deposits. EXHAUSTO A/S is managing the group's financial risks centrally and coordinates the liquidity.

Knowledge resources

The Company is continuously considering the need to be able to attract, develop and retain employees with relevant levels of competence.

Management's review

Corporate Social Responsibility

At present, EXHAUSTO A/S has not laid down specific policies and strategies for corporate social responsibility, including human rights, anti-corruption, environment and climate impact. EXHAUSTO A/S has defined the general framework of how the Company wishes to act in relation to its surroundings.

The Board has adopted a goal and policy for equal representation of the sexes in the Board. The objective is that the percentage of women in the board of directors among non-employee members will be 20% in 2018. The policy is that, when replacing non-elected board members, there is a woman in the candidate field. There are currently four men and no women among the members of the Board of Directors elected by the general meeting.

Management commentary

It is the Group's policy that management positions must be occupied by the most suitable candidates while at the same time wishing to qualify female management talents. In order to follow the policy, at least one of both sexes should be among the last three candidates when recruiting for management jobs. Furthermore female leadership talents, is supported by coaching, mentoring, network participation and formal management training. In 2017 the proportion of underrepresented gender in the company's other management has remained unchanged. Management expects an increase of the underrepresented gender in the years to come as a result of these initiatives. We did not reach the target for 2017 covering women in our Board, because we did not find a candidate with the right qualifications.

Environmental aspects

The Company is continuously seeking to reduce the environmental impact of the Company's operations, and its products are constantly improved for the purpose of making the products as energy-effective as possible.

The Company is not obliged to prepare an environmental report.

Research and development activities

The Company has significant costs related to research and development in order to provide and secure market shares and future positive financial results.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent	
Note	DKK'000	2017	2016	2017	2016
3	Revenue	391,817	439,252	308,578	295,235
	Changes in stocks of finished goods, VUF and merchandise	-2,855	-2,600	-2,855	-2,600
2	Other operating income	21,952	36	0	36
		410,914	436,688	305,723	292,671
	Production costs	-193,377	-214,675	-148,853	-151,967
4	Other external costs	-59,747	-66,210	-46,716	-45,690
5	Staff costs	-131,938	-140,742	-91,313	-82,667
8,9	Depreciation	-22,719	-19,947	-21,658	-19,635
	Result of operating activities	3,133	-4,886	-2,817	-7,288
10	Share of net profit/loss in subsidiaries	0	0	4,516	1,862
2	Result regarding divestment of subsidiaries	5,510	0	5,510	0
5	Financial income	507	2,489	507	2,486
6	Financial expenses	-2,722	-2,681	-2,733	-2,698
	Result before tax	6,429	-5,078	4,983	-5,638
7	Tax for the year	-3,183	209	-1,737	769
	Profit/loss for the year	3,246	-4,869	3,246	-4,869

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
	ASSETS				
	Non-current assets				
8	Intangible assets				
	Goodwill	25,217	28,819	0	0
	Patents and licences	42,313	50,742	42,313	50,742
	Development assets	33,216	39,724	33,216	39,724
	Development projects in progress	1,509	2,246	1,509	2,246
		102,255	121,531	77,038	92,712
9	Plant and equipment				
	Plant and machinery	14,177	3,336	7,416	3,336
	Fixtures and fittings, plant and equipment	2,464	767	2,169	160
		16,641	4,103	9,585	3,496
	Other non-current assets				
10	Investments in subsidiaries	0	0	40,725	50,969
	Total non-current assets	118,896	125,634	127,348	147,177
	Current assets				
	Inventories				
	Raw materials and consumables	39,019	36,151	30,330	28,541
	Work in progress	2,481	3,060	1,158	1,118
	Finished goods and goods for resale	14,027	12,097	14,108	11,017
		55,527	51,308	45,596	40,676
11	Receivables				
	Trade receivables	42,613	50,325	23,634	26,996
	Group loans	15,870	0	41,265	10,438
	Other receivables	775	2,859	523	219
	Prepayments	2,095	1,674	1,880	1,278
		61,353	54,858	67,302	38,931
	Cash	44,463	27,186	19,066	5,160
	Total current assets	161,343	133,353	131,964	84,767
	TOTAL ASSETS	280,239	258,987	259,312	231,944

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
	EQUITY AND LIABILITIES				
13	Equity				
	Share capital	22,222	22,222	22,222	22,222
	Reserve for development costs	6,342	5,575	6,342	5,575
	Retained earnings	122,352	136,539	122,352	136,539
	Dividend proposed for the year	15,870	0	15,870	0
	Total equity	166,786	164,336	166,786	164,336
	Provisions				
14	Deferred tax	10,498	8,532	9,350	8,592
15	Other provisions	2,012	3,477	1,900	3,200
	Total Provisions	12,510	12,009	11,250	11,792
	Non current liabilities				
	Capitalized Financial lease liabilities	10,723	0	4.176	0
	Total non current liabilities	23,233	12,009	15,426	11,792
	Current liabilities				
	Debt to credit institutions	10,190	12,176	10,190	12,176
	Prepayments received from customers	0	54	0	0
	Trade payables	46,603	36,937	43,514	23,052
	Corporate tax	1,272	1,499	979	0
	Payables to subsidiaries	0	0	2,192	3,227
	Other provisions	32,155	31,976	20,224	17,361
	Total current liabilities	90,220	82,642	77,100	55,816
	TOTAL EQUITY AND LIABILITIES	280,239	258,987	259,312	231,944

1 Accounting policies
2 Special items
15 Contractual obligations and contingencies, etc.
16 Related parties

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group Share capital	Reserve for development costs	Retained earnings	Dividend proposed for the year	Total equity
	Equity at 1 January 2017	22,222	5,575	136,539	0	164,336
16	Transfer, see "Appropriation of profit/loss"	0	767	-13,391	15,870	3,246
	Foreign exchange adjustments, foreign subsidiary	0	0	-796	0	-796
	Equity at 31 December 2017	22,222	6,342	122,352	15,870	166,786

Movements in equity are specified as follows:

Note	DKK'000	Parent Share capital	Reserve for development costs	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2017	22,222	5,575	136,539	0	164,336
16	Transfer, see "Appropriation of profit/loss"	0	767	-13,391	15,870	3,246
	Foreign exchange adjustments, foreign subsidiary	0	0	-796	0	-796
	Equity at 31 December 2017	22,222	6,342	122,352	15,870	166,786

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2017	Group 2016
	Profit/loss of operating activities	3.133	-4.886
	Depreciation	22.719	19.947
	Other adjustments of non-cash operating items	-4,716	-1.313
18	Cash generated from operations before changes in working capital	21,136	13.747
19	Changes in working capital	14.719	35.695
	Cash generated from operations	35.855	49.442
	Income taxes paid	-1,300	-754
	Expense taxes paid	0	0
	Cash flows from operating activities	34,555	48.688
	Acquisition of intangible assets	-3.019	-5.887
	Acquisition of property, plant and equipment	-2.116	-673
	Disposal of property, plant and equipment	0	96
	Disposal of financial assets	0	1.895
	Cash flows from investing activities	-5.135	-4.570
	Loan financing:		
	Payments on debt to credit institutes	-1.986	-48.108
	Financial expense net, paid	-2,215	-192
	Admission of debt financing	0	0
	Tax credit system	0	3.574
	Receivable regarding insurance in Norway	-7.942	0
	Cash flows from financing activities	-12,143	-44.726
	Net cash flows	17,277	-608
	Cash, beginning of year	27.186	27.794
	Cash, year-end	44.463	27.186

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of Exhausto A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Exhausto A/S, and subsidiaries in which Exhausto A/S directly or indirectly holds more than 50% of the voting rights or over which it otherwise exercises control.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Business combinations

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the

1 Accounting policies (continued)

Calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met. Goodwill and negative goodwill from acquired entities may be adjusted until 20 year of acquisition.Consolidated financial statements and parent company financial statements
1 January - 31 December

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods, including sale of semi-manufactured good to the wood industry and trade in wood, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

In so far as customers are offered a right of return in connection with a sale, revenue corresponding to the Company's experience with returns is recognised until the return period has expired.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Production costs

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, premises, bad debts, operating leases, etc.

Administrative expenses

Administrative expenses include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Profit/loss from investments in subsidiaries

The item includes Exhausto A/S proportionate share of the loss for the year in subsidiaries after elimination of intra-group losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Development costs comprise expenses, salaries and amortisation charges directly attributable to development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 2-5 years, however not exceeding 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 10 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Plant and machinery	5-10 years
Fixtures and fittings, plant and equipment	3-5 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method of accounting.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down in so far as the amount receivable is considered irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity where the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be declared before the annual report of Exhausto A/S is adopted are not taken to the net revaluation reserve.

The purchase method of accounting is applied to corporate acquisitions, see the above description under "Consolidated financial statements".

Impairment of assets

The carrying amount of intangible assets, plant and equipment and investments in subsidiaries is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads. Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

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1 Accounting policies (continued)

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise anticipated expenses relating to warranty commitments.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

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1 Accounting policies (continued)

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to only minor risks of changes in value.

Financial ratios

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin $$\frac{Operating\ profit\ (EBIT)*100}{Revenue}$$

Return of investment $$\frac{Operating\ profit\ (EBIT)*100}{Average\ assets\ excl.\ financial\ assets}$$

Assets/Equity $$\frac{Assets}{Equity}$$

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2 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items also comprise significant one-off items, which in the opinion of Management do not form part of the Group's operating activities.

As disclosed in the Management's review, the profit for the year is affected by several matters that in the opinion of the Board of Directors do not form part of the operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK'000	2017	2016
Income		
Profit regarding insurance compensation for fire in production facilities in Norway	21,952	0
Divestment of Exhausto GmbH	5,510	0
Net profit/loss from special items	27,462	0
Special items are recognised in the below financial statement items		
Other operating income	21,952	0
Result regarding divestment of subsidiaries	5,510	0
Net profit/loss from special items	27,462	0

3 Segment information

The company has not disclosed the breakdown of revenue by geographical and business segment, see section 96(1) of the Danish Financial Statements Act, as Management is of the opinion that such disclosure could be highly detrimental to the Company.

4 Other external costs

	Group		Parent	
DKK'000	2017	2016	2017	2016
Fees paid to auditors appointed at the annual general meeting				
Total fee to EY	855	812	520	396
Fess for statutory audit	551	494	235	144
Fees for tax advisory services	202	161	202	135
Other assistance	102	157	84	117
	304	318	286	252

5 Staff costs

DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
Wages and salaries	119,433	126,780	83,255	75,017
Pensions	8,556	8,384	6,179	5,951
Other social security costs	3,949	5,578	1,879	1,699
	131,938	140,742	91,313	82,667
Average number of full-time employees	262	311	184	206

Staff costs include salary and remuneration of DKK 3,086 thousand (2016: 3,681 KDKK) to the Company's current and former Executive Board and remuneration of DKK 50 thousand to the Board of Directors (2016: 0 KDKK).

6 Financial income and expenses

This amount includes interest income from group entities in the parent company, KDKK 0 (2016: KDKK 672)

This amount includes interest expenses to group entities in the parent company, KDKK 59 (2016: KDKK 81)

7 Tax for the year

DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
Current tax charge for the year	1,246	2,215	979	0
Adjustment of the deferred tax charge for the year	1,937	-2,006	758	-769
	3,183	209	1,737	-769

Analysed as follows:

	Group 2017	Group 2016	Parent 2017	Parent 2016
Tax for the year	1,246	2,215	979	0
Adjustment of the deffered tax charge for the year	1,937	-2,006	758	-769
	3,183	209	1,737	-769

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8 Intangible assets

	Group				
DKK'000	Goodwill	Patents and licences	Develop-ment assets	Development projects in progress	Total
Cost at 1 January 2017	62,840	84,293	40,816	2,246	190,195
Additions on acquisition of subsidiary	0	0	0	0	0
Additions	0	0	0	2,282	2,282
Transferred	0	0	3,019	-3,019	0
Cost at 31 December 2017	62,840	84,293	43,835	1,509	192,477
Amortisation and impairment losses at 1 January 2017	-34,020	-33,551	-1,092	0	-68,663
Adjustment opening balance, incl. currency adjustment	0	0	-3,033	0	-3,033
Depreciation	-3,603	-8,429	-6,494	0	-18,526
Amortisation and impairment losses at 31 December 2017	-37,623	-41,980	-10,619	0	-90,222
Carrying amount at 31 December 2017	25,217	42,313	33,216	1,509	102,255
Amortised over	15 years	10 years	5 years		

9 Plant and equipment

	Group		
DKK'000	Plant and machinery	Fixtures and fittings, plant and equipment	Total
Cost at 1 January 2017	80,921	51,444	132,365
Additions	12,663	355	13,018
Disposals	-17,446	-179	-17,625
Cost at 31 December 2017	76,138	51,620	127,758
Depreciation and impairment losses at 1 January 2017	-77,586	-49,874	-127,460
Adjustment opening balance, incl. currency adjustment	0	3,033	3,033
Depreciation	-1,821	-2,371	-4,192
Disposals	17,446	56	17,502
Depreciation and impairment losses at 31 December 2017	-61,961	-49,156	111,117
Carrying amount at 31 December 2017	14,177	2,464	16,641
Depreciated over	5-10 years	3-5 years	

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	DKK'000	Parent 2017	Parent 2016
10	Investments in subsidiaries		
	Cost at 1 January	61,871	87,844
	Disposals	-3,845	-25,973
	Cost at 31 December	58,026	61,871
	Value adjustments at 1 January	-10,902	-37,145
	Foreign exchange adjustment	-797	39
	Other adjustment	99	27,945
	Profit/loss for the year	4,516	1,862
	Amortization of goodwill	-3,603	-3,603
	Disposals	-6,614	0
	Value adjustments at 31 December	-17,301	-10,902
	Carrying amount at 31 December	40,725	50,969
	Non-amortised goodwill	25,217	28,819

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
EXHAUSTO AB	100%	731	6,665
EXHAUSTO AS	100%	3,807	8,843
EXHAUSTO GmbH (sold 2017)	0%	0	0

11 Receivables

There is no portion falling due for payment after one year after the financial year-end

	DKK'000	Group 2017	Group 2016	Parent 2017	Parent 2016
12	Deferred tax				
	Deferred tax at 1 January	8,553	6,964	8,592	5,786
	Adjustment of the deferred tax charge for the year	1,945	-2,006	758	-768
	Tax credit system	0	3,574	0	3,574
	Deferred tax at 31 December	10,498	8,532	9,350	8,592

13 Equity

The share capital has been unchanged the last 5 years.

14 Other provisions

Other provisions comprise warranty commitments related to the Company's usual warranty commitment. The provisions are expected to due within the next year.

15 Contractual obligations and contingencies, etc.

Operating lease liabilities

DKK'000	2017	2016
Lease liabilities (operating liabilities)	2,527	2,924
Rent liabilities (10-year irrevocable lease)	20,850	37,238
	23,377	40,162

16 Related parties

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or 5% of the share capital:

Aldes Aéraulique SAS - 20 Boulevard Joliot-Curie, 69694 Vénissieux cedex, France

Related party transactions:

Related party transactions effected in 2017 were carried out on market terms, and therefore related party transactions are not disclosed in the financial statements in accordance with section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

	Parent	
DKK'000	2017	2016
17 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Transferred to reserves under equity	-12,624	-4,869
Dividend proposed for the year	15,870	0
	3,246	-4,869

	Group	
DKK'000	2017	2016
18 Cash generated from operations before changes in working capital		
Revenue and other operating income	413,769	439,288
Costs	-410,636	-444,174
Provision for deferred tax	397	0
Depreciation	22,719	19,947
Other provisions	-1,896	-970
Other	-3,217	-343
	21,136	13,747

	DKK'000	2017	2016
19	Changes in working capital		
	Change in inventories	-4,219	4,491
	Change in receivables	9,375	52,010
	Change in trade and other payables	9,563	-20,806
		14,719	35,695