EXHAUSTO A/S

Odensevej 76,, 5550 Langeskov

CVR no. 18 68 37 41

Annual report 2018

Approved at the Company's annual general meeting on 21 May 2019

Chairman:

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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 2018.

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 2018 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 2018.

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, 21 May 2019
Executive Board:

Steen Høier
CEO

Mads Rosenmeier
CFO

Board of Directors:

Stanislas Bruno Lacroix
Chairman

Laurent Mouchet

Marc Patrick Bréyère

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 2018, 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 2018 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 2018 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, 21 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Smedegaard Hvid
State Authorised
Public Accountant
mne31450

Torben Ahle Pedersen
State Authorised
Public Accountant
mne16611

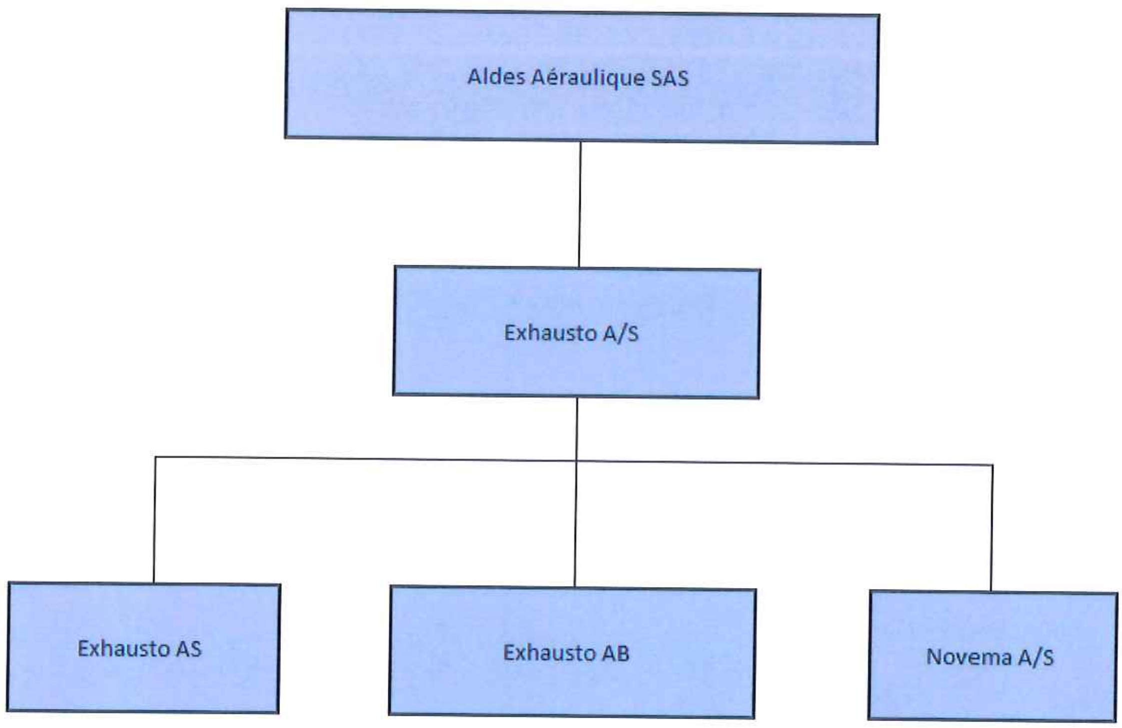
Management's review

Company details

Name	EXHAUSTO A/S
Address, 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
Board of Directors	Stanislas Bruno Lacroix Laurent Mouchet Marc Patrick Brévière Fabrice Boutet Lone Lindberg, Workers' representative Jens Vahl Rasmussen, Workers' representative
Executive Board	Steen Høier Mads Rosenmeier
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	2018	2017	2016	2015	2014
Key figures					
Revenue	409	392	439	469	471
EBITDA	16	26	15	-1	12
Ordinary operation profit/loss	-7	6	-5	-17	-6
Profit/loss from financials income and expenses	-1	-2	0	1	1
Profit/loss for the year	-5	3	-5	-14	-6
Total assets	243	280	259	329	303
Portion relating to investments in items of property, plant and equipment	1	13	4	10	5
Equity	145	167	164	169	183
Financial ratios					
Operating margin	-1,5	0,8	-1,1	-3,7	-1,3
Return of investment	-2,4	1,9	-1,7	-5,4	-5,0
Assets/Equity	1,7	1,6	1,6	2,0	1,7
Average number of full-time employees	279	262	311	317	292

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

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 at June 30 2016.

Business review, financing and investments

The group revenue was in 2018 408.8 MDKK (391.8 MDKK in 2017) and EBITDA amounted to 16.4 MDKK (25.9MDKK in 2017). The result for the year after tax was -5.2 MDKK (compared to 3.2 MDKK in 2017). The main reason for the raise in the group revenue is a higher revenue in Norway. Norway is back with full capacity after the fire in our production site at Flå, Norway in April 2017, but still the revenue is not fully back on the level as before the fire. The fire and the following lower revenue has had an impact on earnings also in 2018. In 2018 we realized a loss, 6 mill DKK, on exchange rates in our Swedish and Norwegian subsidiaries, which is linked to the drop in exchange rates on SEK and NOK.

The revenue in the parent company was 324.9 MDKK (308.6 MDKK in 2017) and the result for the year after tax was -5.2 MDKK (compared to 3.2 MDKK in 2017).

The result for the year did not met the expectations as stated in the 2017 Annual report. The net cash flow from operating activities and overall net cash flow was positive in 2018.

The result for the year is not satisfactory.

Outlook

Management expects a higher revenue for 2019 than realized in 2018 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

Management commentary

Business Model

EXHAUSTO A/S' business activities are related to manufacturing, marketing and selling of ventilation solutions. Specifically, EXHAUSTO A/S develops and produces products and systems for the use in comfort ventilation systems. The company has production facilities on Fyn in Denmark and in Flå in Norway. Sales companies are located in Denmark, Norway, Sweden and Germany.

EXHAUSTO A/S' main impacts on society are related to social and environmental conditions amongst the suppliers. In relation to EXHAUSTO A/S' own operations, the main impacts are related to labour conditions and environmental issues such as waste and energy use related to the production. Furthermore, the end-use of EXHAUSTO A/S ventilation systems has positive impact on health and well-being.

Labor Conditions

Policy

EXHAUSTO A/S recognizes our employees as the most valuable asset for the company. Therefore, the company not only aspires to provide a safe and healthy work environment, but also provides continuous education of our external and internal workforce to make sure their competencies stay up-dated and relevant.

Risks, actions, and results

With regards to labor conditions, EXHAUSTO A/S has identified risks related to safety among employees and external technicians. To mitigate risks and to secure a safe and healthy work environment, EXHAUSTO A/S in 2018 conducted meetings with employees at an ongoing basis. Further, all new employees was introduced to safe and healthy procedures.

In relation to our external workforce, EXHAUSTO A/S ensures that hired technicians are compensated fairly in accordance with the standards set by the Danish unions. The company also offers training of the external staff to make sure their competences stay up-dated in fast changing labor market.

Human Rights

Policy

EXHAUSTO A/S recognizes its social responsibility not only in relation to its own employees but also in relation to employees at suppliers. The company supports and respects the internationally recognized human rights as formulated in the UN Human Rights Declaration and the internationally recognized labor rights as specified in the International Labor Organization (ILO) core conventions.

Risks, actions, and results

EXHAUSTO A/S most material risk of violating human rights is related to the supply chain of mechanics, electro-mechanics and electronics. EXHAUSTO A/S has consequently enacted a Code of Conduct, which the most important suppliers of EXHAUSTO have signed. The Code of Conduct includes our expectations and requirements related to child labor, forced labour, and discrimination among other things. In 2018, EXHAUSTO A/S has not registered any breaches of the expectations and requirements defined in the Code of Conduct.

Management's review

Management commentary

Environmental and climate

Policy

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

Risks, actions, and results

EXHAUSTO A/S has identified and waste as material issues with a risk of having a negative impact on the environment. In 2018, to reduce the relative amount of the company's waste, EXHAUSTO A/S has continued its efforts to improve waste management. In 2018, we did not register any breaches with environmental legislative requirements.

Further, EXHAUSTO A/S has identified energy consumption related to the production of ventilation systems as well as the energy consumption related to actual use phase of the ventilation systems as areas with risks of having negative climate impact in terms of energy use and CO_2 emissions. In 2018, EXHAUSTO A/S continued working with energy optimization related to production as well as the end-use of products. In production facilities lighting sources were changed to LED.

Anti-corruption

Policy

EXHAUSTO A/S does not tolerate corruption or bribery in any form, and does not allow employees to receive any gifts or entertainment, that may influence their business decisions.

Risks, actions, and results

EXHAUSTO A/S has identified the most material risks associated with anti-corruption as related to gifts and entertainment that employees may give or receive. In 2018, EXHAUSTO management tested a course on business ethics. This is now ready for implementation in 2019.

Equal Gender Representation

Board of directors

EXHAUSTO A/S' board consisted of 1 women and 6 men on 31-12-2018. It is the company's target to have a gender representation of 25% by 2022. EXHAUSTO A/S did not reach the target for 2018 covering women in our Board, because we did not find a candidate with the right qualifications.

Management

It is EXHAUSTO A/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 person of each gender should be among the last three candidates when recruiting for management positions. Furthermore, female leadership talents are supported by coaching, mentoring, network participation and formal management training. In 2018 the proportion of underrepresented gender in the company's other management has remained unchanged and, therefore, still constitute 43 percent.

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

Income statement

Note	DKK'000	Group 2018	Group 2017	Parent 2018	Parent 2017
3	**Revenue**	408,822	391,817	324,948	308,578
	Changes in stocks of finished goods, VUF and merchandise	-1,476	-2,855	-1,476	-2,855
	Other operating income	6,161	21,952	322	0
		413,507	410,914	323,794	305,723
	Production costs	-200,452	-193,377	-162,477	-148,853
4	Other external costs	-64,025	-59,747	-47,444	-46,716
5	Staff costs	-132,700	-131,938	-97,324	-91,313
	Depreciation	-22,587	-22,719	-21,556	-21,658
	Result of operating activities	-6,257	3,133	-5,007	-2,817
10	Share of net profit/loss in subsidiaries	0	0	-1,067	4,516
	Result regarding divestment of subsidiaries	0	5,510	0	5,510
6	Financial income	1,633	507	1,628	507
6	Financial expenses	-2,353	-2,722	-2,259	-2,733
	Result before tax	-6,977	6,429	-6,705	4,983
7	Tax for the year	1,753	-3,183	1,481	-1,737
	Profit/loss for the year	-5,224	3,246	-5,224	3,246

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

Balance sheet

Note	DKK'000	Group 2018	Group 2017	Parent 2018	Parent 2017
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Goodwill	21,615	25,217	0	0
	Patents and licences	33,884	42,313	33,884	42,313
	Development assets	26,679	33,216	26,679	33,216
	Development projects in progress	5,119	1,509	5,119	1,509
		87,297	102,255	65,682	77,038
9	**Plant and equipment**				
	Plant and machinery	12,036	14,177	6,253	7,416
	Fixtures and fittings, plant and equipment	2,033	2,464	1,753	2,169
		14,069	16,641	8,006	9,585
	Other non-current assets				
10	Investments in subsidiaries	0	0	35,795	40,725
	Total non-current assets	101,366	118,896	109,483	127,348
	Current assets				
	Inventories				
	Raw materials and consumables	34,719	39,019	28,388	30,330
	Work in progress	2,932	2,481	1,580	1,158
	Finished goods and goods for resale	15,074	14,027	14,506	14,108
		52,725	55,527	44,474	45,596
11	**Receivables**				
	Trade receivables	42,894	42,613	27,143	23,634
	Group loans	11,232	15,870	18,459	41,265
	Other receivables	2,087	775	567	523
	Prepayments	2,983	2,095	2,378	1,880
		59,196	61,353	48,547	67,302
	Cash	29,446	44,463	16,996	19,066
	Total current assets	141,367	161,343	110,017	131,964
	TOTAL ASSETS	242,733	280,239	219,500	259,312

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

Balance sheet

Note	DKK'000	Group 2018	Group 2017	Parent 2018	Parent 2017
	EQUITY AND LIABILITIES				
13	**Equity**				
	Share capital	22,222	22,222	22,222	22,222
	Reserve for development costs	8,942	6,342	8,942	6,342
	Retained earnings	114,268	122,352	114,268	122,352
	Dividend proposed for the year	0	15,870	0	15,870
	Total equity	145,432	166,786	145,432	166,786
	Provisions				
12	Deferred tax	8,732	10,498	7,869	9,350
14	Other provisions	1,150	2,012	1,150	1,900
	Total Provisions	9,882	12,510	9,019	11,250
	Non current liabilities				
	Capitalized financial lease liabilities	9,573	10,723	3,891	4,176
	Total non current liabilities	9,573	10,723	3,891	4,176
	Current liabilities				
	Debt to credit institutions	996	10,190	996	10,191
	Trade payables	46,619	46,603	39,490	43,514
	Corporate tax	97	1,272	0	979
	Payables to subsidiaries	295	0	1,105	2,192
	Other provisions	29,839	32,155	19,567	20,224
	Total current liabilities	77,846	90,220	61,158	77,100
	Total liabilities other than provision	87,419	100,943	65,049	81,276
	TOTAL EQUITY AND LIABILITIES	242,733	280,239	219,500	259,312

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 at 1 January 2018	22,222	6,342	122,352	15,870	166,786
	Dividend distribution	0	0	0	-15,870	-15,870
17	Transfer, see "Appropriation of profit/loss"	0	2,600	-7,824	0	-5,224
	Foreign exchange adjustments, foreign subsidiaries	0	0	-260	0	-260
	Equity at 31 December 2018	22,222	8,942	114,268	0	145,432

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 2018	22,222	6,342	122,352	15,870	166,786
	Dividend distribution	0	0	0	-15,870	-15,870
17	Transfer, see "Appropriation of profit/loss"	0	2,600	-7,824	0	-5,224
	Foreign exchange adjustments, foreign subsidiaries	0	0	-260	0	-260
	Equity at 31 December 2018	22,222	8,942	114,268	0	145,432

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

Cash flow statement

Note	DKK'000	Group 2018	Group 2017
	Profit/loss of operating activities	-6,256	3,133
	Depreciation	22,587	22,719
	Other adjustments of non-cash operating items	-1,507	-4,716
18	Cash generated from operations before changes in working capital	14,824	21,136
19	Changes in working capital	-12,334	14,719
	Cash generated from operations	2,490	35,855
	Income taxes paid	-1,340	-1,300
	Cash flows from operating activities	1,150	34,555
	Acquisition of intangible assets	-287	-3,019
	Acquisition of property, plant and equipment	-4,977	-2,116
	Disposal of property, plant and equipment	160	0
	Cash flows from investing activities	-5,104	-5,135
	Loan financing:		
	Payments on debt to credit institutes	-1,150	-1,986
	Financial expense net, paid	-720	-2,215
	Amendment of payables to credit institutions	-9,193	0
	Receivable regarding insurance in Norway	0	-7,942
	Cash flows from financing activities	-11,063	-12,143
	Net cash flows	-15,017	17,277
	Cash, beginning of year	44,463	27,186
	Cash, year-end	29,446	44,463

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 2018 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

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 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

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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 recognized.

In case of changes in the depreciation period or the residual value, the effect on the amortization 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.

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1 **Accounting policies (continued)**

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.

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1 Accounting policies (continued)

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.

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.

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.

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Notes

1 **Accounting policies (continued)**

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.

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.

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

Notes

1 **Accounting policies (continued)**

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	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Return of investment	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Average assets excl. financial assets}}$
Assets/Equity	$\frac{\text{Assets}}{\text{Equity}}$

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	2018	2017
Income		
Profit regarding insurance compensation for fire in production facilities in Norway	5,839	21,952
Divestment of Exhausto GmbH	0	5,510
Net profit/loss from special items	5,839	27,462
Special items are recognised in the below financial statement items		
Other operating income	5,839	21,952
Result regarding divestment of subsidiaries	0	5,510
Net profit/loss from special items	5,839	27,462

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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. The industry is characterized by high competition.

4 Other external costs

	Group		Parent	
DKK'000	2018	2017	2018	2017
Fees paid to auditors appointed at the annual general meeting				
Total fee to EY	526	567	481	521
Fess for statutory audit	254	281	210	235
Fees for tax advisory services	230	202	230	202
Other assistance	42	84	41	84
	272	286	271	286

5 Staff costs

Wages and salaries	119,001	119,433	88,507	83,255
Pensions	8,993	8,556	6,894	6,179
Other social security costs	4,706	3,949	1,923	1,879
	132,700	131,938	97,324	91,313
Average number of full-time employees	279	262	201	184

Staff costs include salary and remuneration of DKK 3,914 thousand (2017: DKK 3,086 thousand) to the Company's Executive Board and remuneration of DKK 50 thousand to the Board of Directors (2017: DKK 50 thousand).

6 Financial income and expenses

This amount includes interest income from group entities in the parent company, KDKK 0 (2017: KDKK 0).

This amount includes interest expenses to group entities in the parent company, KDKK 28 (2017: KDKK 59).

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

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7 Tax for the year

DKK'000	Group 2018	Group 2017	Parent 2018	Parent 2017
Current tax charge for the year	-13	-1,238	0	-979
Adjustment of the deferred tax charge for the year	1,766	-1,945	1.481	-758
	1,753	-3,183	1.481	-1,737
Analysed as follows:				
Tax for the year	-13	-1,246	0	-979
Adjustment of the deferred tax charge for the year	-1,766	-1,937	1.481	-758
	1,753	-3,183	1.481	-1,737

8 Intangible assets

	Group				
DKK'000	Goodwill	Patents and licences	Develop-ment assets	Development projects in progress	Total
Cost at 1 January 2018	62,840	84,293	43,835	1,509	192,477
Additions	0	0	287	4,639	4,926
Transferred	0	0	0	-1,029	-1,029
Cost at 31 December 2018	62,840	84,293	44,122	5,119	196,374
Amortisation and impairment losses at 1 January 2018	-37,623	-41,980	-10,619	0	-90,222
Depreciation	-3,602	-8,429	-6,824	0	-18,855
Amortisation and impairment losses at 31 December 2018	-41,225	-50,409	-17,443	0	-109,077
Carrying amount at 31 December 2018	21,615	33,884	26,679	5,119	87,297
Amortised over	15 years	10 years	5 years		

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9 Plant and equipment

DKK'000	Group: Plant and machinery	Group: Fixtures and fittings, plant and equipment	Group: Total
Cost at 1 January 2018	76,138	50,728	126,866
Additions	608	759	1,367
Disposals	-354	-1,242	-1,596
Cost at 31 December 2018	76,392	50,245	126,637
Depreciation and impairment losses at 1 January 2018	-61,961	-48,265	-110,226
Depreciation	-2,545	-1,187	-3,732
Disposals	150	1,240	1,390
Depreciation and impairment losses at 31 December 2018	-64,356	-48,212	-112,568
Carrying amount at 31 December 2018	12,036	2,033	14,069
Depreciated over	5-10 years	3-5 years	

10 Investments in subsidiaries

DKK'000	Parent: 2018	Parent: 2017
Cost at 1 January	58,026	61,871
Disposals	0	-3,845
Cost at 31 December	58,026	58,026
Value adjustments at 1 January	-17,301	-10,902
Foreign exchange adjustment	-260	-797
Other adjustment	0	99
Profit/loss for the year	-1,067	4,516
Amortization of goodwill	-3,603	-3,603
Disposals	0	-6,614
Value adjustments at 31 December	-22,231	-17,301
Carrying amount at 31 December	35,795	40,725
Non-amortised goodwill	21,615	25,217

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
EXHAUSTO AB	100%	645	7,064
EXHAUSTO AS	100%	167	5,768
NOVEMA AGGREGATER AS	100%	-1,880	1,349

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11 Receivables

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

DKK'000	Group		Parent	
	2018	2017	2018	2017
12 Deferred tax				
Deferred tax at 1 January	10,498	8,553	9,350	8,592
Adjustment of the deferred tax charge for the year	-1,766	1,945	-1,481	758
Deferred tax at 31 December	8,732	10,498	7,869	9,350

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	2018	2017
Lease liabilities (operating liabilities)	3,772	2,527
Rent liabilities (10-year irrevocable lease)	13,299	20,850
	17,071	23,377

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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 2018 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.

17 Appropriation of profit/loss

DKK'000	Parent	
	2018	2017
Recommended appropriation of profit/loss		
Transferred to reserves under equity	-7,824	-13,391
Reserve for development cost	2,600	767
Dividend proposed for the year	0	15,870
	-5,224	3,246

18 Cash generated from operations before changes in working capital

DKK'000	Group	
	2018	2017
Revenue and other operating income	414,983	413,769
Costs	-421,239	-410,636
Provision for deferred tax	0	397
Depreciation	22,587	22,719
Other provisions	-1,233	-1,896
Other	-274	-3,217
	14,824	21,136

19 Changes in working capital

DKK'000	2018	2017
Change in inventories	2,802	-4,219
Change in receivables	-13,501	9,375
Change in trade and other payables	-1,635	9,563
	-12,334	14,719