

EXHAUSTO A/S

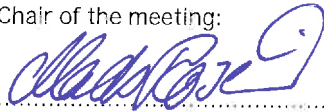
Odensevej 76, 5550 Langeskov

CVR no. 18 68 37 41

Annual report 2021

Approved at the Company's annual general meeting on 7 June 2022

Chair of the meeting:



Mads Rosenmeier

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Statement by the Board of Directors and the Executive Board

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 2021.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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

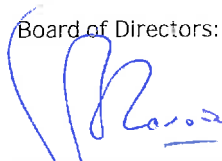
We recommend that the annual report be approved at the annual general meeting.

Langeskov, 7 June 2022
Executive Board:



Mads Rosenmeier
CEO

Board of Directors:



Stanislas Bruno Lacroix
Chair



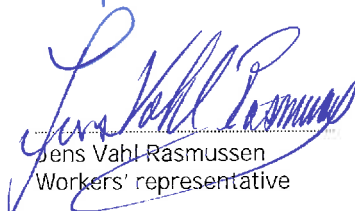
Didier Bondil



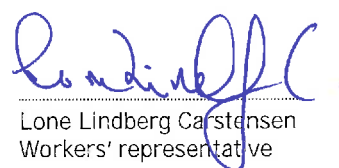
Pierre-Yves Nicolas Rollet



Cécile Carole Folachier ép.
Tavernier



Jens Vahl Rasmussen
Workers' representative



Lone Lindberg Carstensen
Workers' representative

Independent auditor's report

To the shareholders of EXHAUSTO A/S

Opinion

We have audited the financial statements of EXHAUSTO A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Odense, 7 June 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Søren Smødegård Hvild
State Authorised Public Accountant
mne31450



Torben Ahle Pedersen
State Authorised Public Accountant
mne16611

Management's review

Company details

Name EXHAUSTO A/S
Address, Postal code, City Odensevej 76, 5550 Langeskov

CVR no. 18 68 37 41
Established 4 August 1995
Registered office Kerteminde
Financial year 1 January - 31 December

Board of Directors Stanislas Bruno Lacroix, Chair
Didier Bondil
Pierre-Yves Nicolas Rollet
Cécile Carole Folachier ép. Tavernier
Jens Vahl Rasmussen, Workers' representative
Lone Lindberg Carstensen, Workers' representative

Executive Board Mads Rosenmeier, CEO

Auditors EY Godkendt Revisionspartnerselskab
Cortex Park Vest 3, 5230 Odense M, Denmark

Management's review

Financial highlights

DKKm	2021	2020	2019	2018	2017
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Key figures

Earnings before interest, taxes, depreciation and amortisation (EBITDA)	22	25	17	15	24
Operating profit/loss	4	4	-1	-5	-3
Profit for the year	8	2	-6	-5	3

Total assets	212	219	202	220	259
Investments in property, plant and equipment	1	1	6	1	6
Equity	150	141	139	145	167

Financial ratios

Return of investment	2.9%	2.8%	-0.6%	-2.5%	-1.5%
Assets/Equity	1.4	1.6	1.4	1.5	1.6

Average number of full-time employees	173	181	196	201	184
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For terms and definitions, please see the accounting policies.

Management's review

Business review

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.

Financial review

The result for the year after tax was 7.9 MDKK (compared to 2.1 MDKK in 2020). EXHAUSTO A/S have received wage compensation from the government due to COVID-19. This have had a positive influence on the result of the year.

The result for the year met the expectations as stated in the 2020 Annual report. The net cash flow from operating activities and overall net cash flow was positive in 2021.

The result for the year is satisfactory, and especially if taking the uncertainty around the COVID-19 situation into consideration.

Knowledge resources

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

Financial risks and use of financial instruments

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.

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.

Management commentary

Environmental and climate

EXHAUSTO A/S has identified waste as material issues with a risk of having a negative impact on the environment. In 2021, to reduce the relative amount of the company's waste, EXHAUSTO A/S has continued its efforts to improve waste management. In 2021, 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 of the ventilation systems as areas with risks of having negative climate impact in terms of energy use and CO2 emissions. In 2021, EXHAUSTO A/S continued working with energy optimization related to production as well as the end-use of products.

COVID-19

EXHAUSTO A/S has identified the most material risks associated with COVID-19 as related to the health of our employees and to have to close down our activities due to COVID-19. In addition to the recommendations given from the government we have implemented further restrictions at our production sites.

Further we have used the governmental package, "lønkompensation" before beginning of 2021 as we consider the low activities as only short term. We have during 2021 booked as income 1.4 MDKK from the government to compensate partly the salaries of the employees sent home.

Management's review

Research and development activities

Research and development activities are done in EXHAUSTO A/S. The activities are primarily development of more environmentally ventilation systems. The activities are expected to increase in the coming years.

Outlook

The spread of COVID-19 throughout the world have had and will have an influence on the business of EXHAUSTO A/S. So far the spread of COVID-19 has not directly impacted EXHAUSTO A/S significantly, However at this time it is not possible to predict the long term influence. As the potential impact is unknown at this time, this has not been included when setting the expectations for activity and earnings in 2022.

The war in Ukraine had so far only had minor direct influence. The sales to Russia were stopped when the war started, but it was not significant. Indirect the war does have influence on the prices and availability of raw material. The potential impact of this will be covered by higher sales prices and we do expect significant influence on the expectations for activity and earnings in 2022 if we face significant limitation on raw materials.

Management expects a higher revenue (5-10%) for 2022 than realized in 2021 and a result for the year on level with 2021.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2021	2020
	Gross profit	116,187	116,153
3	Staff costs	-94,263	-91,350
	Amortisation/depreciation and impairment of intangible assets and plant and equipment	-16,746	-17,412
	Profit before net financials	5,178	7,391
	Income from investments in group enterprises	2,253	-561
4	Financial income	3,315	1,424
5	Financial expenses	-1,124	-5,438
	Profit before tax	9,622	2,816
6	Tax for the year	-1,712	-751
	Profit for the year	7,910	2,065

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Fixed assets		
7	Intangible assets		
	Completed development projects	10,388	15,253
	Patents and licences	8,596	17,026
	Development projects in progress and prepayments for intangible assets	0	1,432
		<u>18,984</u>	<u>33,711</u>
8	Property, plant and equipment		
	Plant and machinery	4,107	4,680
	Fixtures and fittings, other plant and equipment	4,405	5,065
		<u>8,512</u>	<u>9,745</u>
9	Investments		
	Investments in group enterprises	64,417	62,112
	Receivables from group enterprises	21,375	28,717
		<u>85,792</u>	<u>90,829</u>
	Total fixed assets	<u>113,288</u>	<u>134,285</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	29,834	20,172
	Work in progress	1,610	1,310
	Finished goods and goods for resale	10,244	6,971
		<u>41,688</u>	<u>28,453</u>
10	Receivables		
	Trade receivables	23,678	17,521
	Receivables from group enterprises	18,100	22,691
	Corporation tax receivable	334	0
	Other receivables	482	57
	Prepayments	1,124	1,235
		<u>43,718</u>	<u>41,504</u>
	Cash	13,617	15,217
	Total non-fixed assets	<u>99,023</u>	<u>85,174</u>
	TOTAL ASSETS	<u><u>212,311</u></u>	<u><u>219,459</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	22,222	22,222
	Reserve for development costs	8,103	9,927
	Translation reserve	299	-213
	Hedging reserve	-199	0
	Retained earnings	119,098	109,364
	Total equity	<u>149,523</u>	<u>141,300</u>
	Provisions		
12	Deferred tax	2,810	4,821
	Other provisions	875	1,275
14	Total provisions	<u>3,685</u>	<u>6,096</u>
	Liabilities other than provisions		
13	Non-current liabilities other than provisions		
	Lease liabilities	2,763	3,578
	Payables to group entities	14,341	13,786
		<u>17,104</u>	<u>17,364</u>
	Current liabilities other than provisions		
13	Short-term part of long-term liabilities other than provisions	814	800
	Prepayments received from customers	607	0
	Trade payables	26,092	26,851
	Corporation tax payable	0	3,343
	Other payables	12,355	23,705
	Deferred income	2,131	0
		<u>41,999</u>	<u>54,699</u>
	Total liabilities other than provisions	<u>59,103</u>	<u>72,063</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>212,311</u></u>	<u><u>219,459</u></u>
1	Accounting policies		
2	Special items		
16	Contractual obligations and contingencies, etc.		
17	Related parties		
18	Appropriation of profit		

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Translation reserve	Hedging reserve	Retained earnings	Total
		22,222	9,842	0	0	107,384	139,448
18	Transfer, see "Appropriation of profit"	0	85	0	0	1,980	2,065
	Adjustment of investments through foreign exchange adjustments	0	0	-213	0	0	-213
	Equity at 1 January 2021	22,222	9,927	-213	0	109,364	141,300
18	Transfer, see "Appropriation of profit"	0	-1,824	0	0	9,734	7,910
	Adjustment of investments through foreign exchange adjustments	0	0	512	0	0	512
	Adjustment of hedging instruments at fair value	0	0	0	-256	0	-256
	Tax on items recognised directly in equity	0	0	0	57	0	57
	Equity at 31 December 2021	22,222	8,103	299	-199	119,098	149,523

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of EXHAUSTO A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The annual report of EXHAUSTO A/S and its subsidiary is included in the Consolidated Financial Statements of Aldes Aéraulique SAS.

The accounting policies used in the preparation of the financial statements are consistent with those of last year except that a reclassification of comparative figures has been made.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

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

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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® 2020.

Revenue is measured at the fair value of the agreed consideration excluding 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.

Gross profit

The items revenue, cost of sales, change in inventories of finished goods and work in progress, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Raw materials and consumables, etc.

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 include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs 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.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	2-10 years
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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, but not exceeding 10 years.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

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

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable 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 and cannot exceed 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, but not exceeding 10 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The cost of self constructed assets includes the cost of direct materials and labour, etc. directly used in the production process and a portion of the relating production overheads.

As regards self-produced assets, the cost includes the cost of materials and labour, etc. directly relating to the production.

Also, the cost of self-produced assets includes interest expenses in the production period regarding loans to finance the production.

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

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Investments in subsidiaries

Equity 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.

Positive differences (goodwill) between the cost price and the fair value of identifiable assets and liabilities, including the value of the value of the assets and liabilities incl. the amount of restructuring liabilities is recognised under investments in subsidiaries and is written off over the estimated financial useful life determined on the basis of management's experience in each business area. The depreciation period is a maximum of 15 years and is the longest for strategically acquired companies with significant market power and long earnings profile. The carrying amount of goodwill is assessed on an ongoing basis and is written down above the profit and loss account in cases where the carrying amount exceeds the expected future net income from the business or activity to which goodwill is linked.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (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 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. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect 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. Borrowing costs are not recognised in the cost price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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 tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's 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 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 "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

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 amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Translation reserve

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

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Notes to the financial statements

1 Accounting policies (continued)

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date 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 at fair value if the obligation is expected to be settled far into the future.

Income tax and deferred tax

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

Deferred tax is measured according to the 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 and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or 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 is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return of investment	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Average assets excl. financial assets}}$
Assets/Equity	$\frac{\text{Assets}}{\text{Equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

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 Company's operating activities.

In 2020, the profit for the year was affected by amended principle for obsolescence inventories that in the opinion of the Board of Directors did 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	2021	2020
Income		
Government compensation due to COVID-19	1,122	2,452
	<u>1,122</u>	<u>2,452</u>
Expenses		
Amended principle for obsolescence inventories	0	-4,675
	<u>0</u>	<u>-4,675</u>
Special items are recognised in the below items of the financial statements		
Production costs	0	-4,993
Share of net profit/loss in subsidiaries	0	-780
Other operating income	1,438	3,143
Estimated tax changes for the year and deferred tax	-316	407
Net profit/loss on special items	<u>1,122</u>	<u>-2,223</u>
3 Staff costs		
Wages/salaries	85,466	82,978
Pensions	6,631	6,375
Other social security costs	2,166	1,997
	<u>94,263</u>	<u>91,350</u>
Average number of full-time employees	<u>173</u>	<u>181</u>

Staff costs include salary and remuneration of DKK 1,834 thousand to the Company's Executive Board and to the Board of Directors (2020: DKK 2,802 thousand).

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Notes to the financial statements

DKK'000		2021	2020		
4	Financial income				
	Interest receivable, group entities	112	18		
	Other financial income	3,203	1,406		
		<u>3,315</u>	<u>1,424</u>		
5	Financial expenses				
	Other financial expenses	1,124	5,438		
		<u>1,124</u>	<u>5,438</u>		
6	Tax for the year				
	Estimated tax charge for the year	3,666	3,343		
	Deferred tax adjustments in the year	-1,954	-2,592		
		<u>1,712</u>	<u>751</u>		
7	Intangible assets				
		Completed development projects	Patents and licences	Development projects in progress and prepayments for intangible assets	Total
	DKK'000				
	Cost at 1 January 2021	46,281	84,293	1,432	132,006
	Transferred	1,432	0	-1,432	0
	Cost at 31 December 2021	<u>47,713</u>	<u>84,293</u>	<u>0</u>	<u>132,006</u>
	Impairment losses and amortisation at 1 January 2021	31,028	67,267	0	98,295
	Amortisation for the year	6,297	8,430	0	14,727
	Impairment losses and amortisation at 31 December 2021	<u>37,325</u>	<u>75,697</u>	<u>0</u>	<u>113,022</u>
	Carrying amount at 31 December 2021	<u>10,388</u>	<u>8,596</u>	<u>0</u>	<u>18,984</u>
	Amortised over	<u>2-10 years</u>	<u>10 years</u>		

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Notes to the financial statements

8 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2021	63,502	39,569	103,071
Additions	786	0	786
Disposals	-11	0	-11
Cost at 31 December 2021	64,277	39,569	103,846
Impairment losses and depreciation at 1 January 2021	58,822	34,504	93,326
Depreciation	1,359	660	2,019
Reversal of accumulated depreciation and impairment of assets disposed	-11	0	-11
Impairment losses and depreciation at 31 December 2021	60,170	35,164	95,334
Carrying amount at 31 December 2021	4,107	4,405	8,512
Property, plant and equipment include finance leases with a carrying amount totalling	3,374	0	3,374
Depreciated over	5-10 years	3-5 years	

Financial statements 1 January - 31 December

Notes to the financial statements

9 Investments

DKK'000	Investments in group enterprises	Receivables from group enterprises	Total
Cost at 1 January 2021	88,863	28,717	117,580
Disposals	0	-7,342	-7,342
Cost at 31 December 2021	88,863	21,375	110,238
Value adjustments at 1 January 2021	-26,751	0	-26,751
Foreign exchange adjustments	512	0	512
Profit/loss for the year	7,806	0	7,806
Value adjustments for the year	-5,553	0	-5,553
Transferred	-460	0	-460
Value adjustments at 31 December 2021	-24,446	0	-24,446
Carrying amount at 31 December 2021	64,417	21,375	85,792

The carrying amount of group entities comprises a share of the entities' net asset value, TDKK 26.301 (2020 amount TDKK 18,443) , goodwill at a carrying amount of TDKK 38,116 (2020 amount TDKK 43,669).

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
EXHAUSTO AB	100.00%	8,881	498
EXHAUSTO AS	100.00%	12,192	3,018
NOVEMA AGGREGATER AS	100.00%	1,817	2,266
EXHAUSTO by Aldes GmbH	100.00%	3,411	2,024

10 Receivables

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

11 Share capital

The Company's share capital has remained DKK 22,222 thousand over the past 5 years.

DKK'000	2021	2020
12 Deferred tax		
Deferred tax at 1 January	4,821	7,413
Deferred tax adjustment for the year	-1,954	-2,592
Tax on equity transactions	-57	0
Deferred tax at 31 December	2,810	4,821
Deferred tax relates to:		
Intangible assets	3,429	5,656
Property, plant and equipment	-215	-357
Inventories	-948	-962
Liabilities	544	484
	2,810	4,821

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Notes to the financial statements

13 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2021	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	3,577	814	2,763	0
Payables to group entities	14,341	0	14,341	0
	<u>17,918</u>	<u>814</u>	<u>17,104</u>	<u>0</u>

14 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 Derivative financial instruments

Forecast transactions

The Company uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year.

16 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2021	2020
Rent and lease liabilities	<u>62,043</u>	<u>70,995</u>

17 Related parties

Related party transactions

Related party transactions effected in 2021 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.

Ownership

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

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

18 Appropriation of profit

Recommended appropriation of profit

Other statutory reserves	-1,824	85
Retained earnings	<u>9,734</u>	<u>1,980</u>
	<u>7,910</u>	<u>2,065</u>