

EXHAUSTO A/S

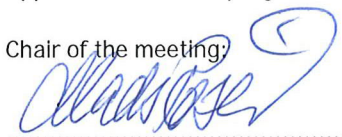
Odensevej 76, 5550 Langeskov

CVR no. 18 68 37 41

Annual report 2020

Approved at the Company's annual general meeting on 21 May 2021

Chair of the meeting:



.....



EY

Building a better
working world





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Notes to the financial statements	14

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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 21 May 2021
Executive Board:

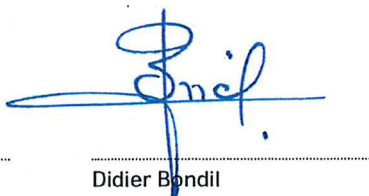


Mads Rosenmeier
CEO

Board of Directors:



Stanislas Bruno Lacroix
Chair



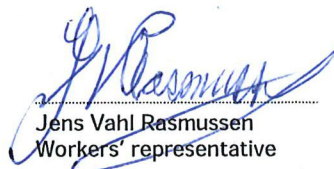
Didier Bondil



Pierre-Yves Nicolas Rollet



Marc Patrick Brévière



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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and the 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 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, 21 May 2021
EY 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, 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 Marc Patrick Brévière Jens Vahl Rasmussen, Workers' representative Lone Lindberg Carstensen, Workers' representative
Executive Board	Mads Rosenmeier, CEO
Auditors	EY Godkendt Revisionspartnerselskab Englandsgade 25, P.O. Box 200, 5100 Odense C, Denmark

Management's review

Financial highlights

DKKm	2020	2019	2018	2017	2016
Key figures					
Revenue	263	284	325	309	295
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	25	17	15	24	14
Operating profit/loss	4	-1	-5	-3	-7
Profit/loss for the year	2	-6	-5	3	-5
Balance sheet					
Total assets	206	202	220	259	232
Investments in property, plant and equipment	1	6	1	6	0
Equity	141	139	145	167	164
Financial ratios					
Operating margin	2.8%	-0.4%	-1.5%	-1.0%	-2.4%
Return of investment	2.5%	-0.6%	-2.5%	-1.5%	-3.2%
Assets/Equity	1.5%	1.4%	1.5%	1.6%	1.4%
Other					
Average number of employees	181	196	201	184	204

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 income statement for 2020 shows a profit of DKK 2,065 thousand against a loss of DKK 5,927 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 141,300 thousand.

The revenue in the company was 262,7 MDKK (284,4 MDKK in 2019) and the result for the year after tax was 2,1 MDKK (compared to -5.9 MDKK in 2019).

The result of the year was influenced by increased provision on obsolescence inventories of 6,0 MDKK, due to a decision to align group principles and a higher management fee of 4,3 MDKK. 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.

In December 2020 Exhausto A/S purchased Exhausto by Aldes GmbH from Aldes Aéraulique SAS. Exhausto by Aldes GmbH is now a 100 % owned subsidiary.

The result for the year met the expectations as stated in the 2019 Annual report. The net cash flow from operating activities and overall net cash flow was positive in 2020.

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.

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 Group has production facilities on Fyn in Denmark and in Flå in Norway. Sales companies are located in Denmark, Germany, Norway and Sweden.

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.

Management's review

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 labour 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 2020 conducted meetings with employees at an ongoing basis. Further, all new employees are 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 labour market.

Human Rights

Policy

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 labour market.

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 labour, forced labour, and discrimination among other things. In 2020, EXHAUSTO A/S did visit one new supplier and have made a control of the Code of Conduct. Due to COVID-19 it has not been possible to visit other suppliers. EXHAUSTO A/S have not registered any breaches of the expectations and requirements defined in the Code of Conduct.

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

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 labour market.

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 labour market.

Management's review

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 2019, EXHAUSTO management tested a course on business ethics. This was implemented in 2020.

Equal Gender Representation

Board of directors

EXHAUSTO A/S' board consisted of 1 woman and 6 men on 31. December 2020. It is the company's target to have a gender representation of 25% by 2022. EXHAUSTO A/S did not reach the target for 2020 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 2020 the proportion of gender in the company's other management is 50 percent.

COVID-19

Policy

EXHAUSTO A/S' aim is to follow the recommendations covering COVID-19 given by the government.

Risks, actions, and results

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. So far, we have had only a few employees infected by covid-19 and none of these were infected at our production sites. All infected employees are in process to recover.

Further we have used the governmental package, "lønkomensation" before summer 2020 and beginning of 2021 as we consider the low activities as only short term. We have during 2020 booked as income 3,1 MDKK from the government to compensate partly the salaries of the employees sent home.

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 2021.

Management expects a higher revenue for 2021 than realized in 2020 and a positive result for the year

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
3	Revenue	262,732	284,374
	Cost of sales	-114,617	-125,864
	Change in inventories of finished goods and work in progress	-3,811	-4,561
	Other operating income	3,296	8
	Other external expenses	-31,447	-39,892
	Gross profit	116,153	114,065
4	Staff costs	-91,350	-97,347
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-17,412	-17,928
	Profit/loss before net financials	7,391	-1,210
	Income from investments in group enterprises	-561	-4,150
5	Financial income	1,424	1,464
6	Financial expenses	-5,438	-2,487
	Profit/loss before tax	2,816	-6,383
7	Tax for the year	-751	456
	Profit/loss for the year	2,065	-5,927

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Completed development projects	15,253	20,955
	Patents and licences	17,026	25,455
	Development projects in progress and prepayments for intangible assets	1,432	2,309
		<u>33,711</u>	<u>48,719</u>
9	Property, plant and equipment		
	Plant and machinery	5,905	7,140
	Fixtures and fittings, other plant and equipment	3,840	4,120
		<u>9,745</u>	<u>11,260</u>
10	Investments		
	Investments in group enterprises	62,112	32,632
		<u>62,112</u>	<u>32,632</u>
	Total fixed assets	<u>105,568</u>	<u>92,611</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	20,172	25,588
	Work in progress	1,310	1,064
	Finished goods and goods for resale	6,971	10,510
		<u>28,453</u>	<u>37,162</u>
11	Receivables		
	Trade receivables	17,521	19,307
	Group loans	37,622	30,067
	Other receivables	57	1,182
	Prepayments	1,235	1,316
		<u>56,435</u>	<u>51,872</u>
	Cash	15,217	20,463
	Total non-fixed assets	<u>100,105</u>	<u>109,497</u>
	TOTAL ASSETS	<u><u>205,673</u></u>	<u><u>202,108</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	22,222	22,222
	Reserve for development costs	9,927	9,842
	Retained earnings	109,151	107,384
	Total equity	<u>141,300</u>	<u>139,448</u>
	Provisions		
13	Deferred tax	4,821	7,413
	Other provisions	1,275	1,350
10	Provision, investments in group enterprises	0	1,042
15	Total provisions	<u>6,096</u>	<u>9,805</u>
	Liabilities other than provisions		
14	Non-current liabilities other than provisions		
	Lease liabilities	3,578	4,378
	Other payables	0	3,128
		<u>3,578</u>	<u>7,506</u>
	Current liabilities other than provisions		
14	Short-term part of long-term liabilities other than provisions	800	788
	Trade payables	23,322	28,120
	Debt to credit institutions	0	1,125
	Corporation tax payable	3,343	0
	Other payables	27,234	15,316
		<u>54,699</u>	<u>45,349</u>
		<u>58,277</u>	<u>52,855</u>
	TOTAL EQUITY AND LIABILITIES	<u>205,673</u>	<u>202,108</u>

- 1 Accounting policies
- 2 Special items
- 16 Contractual obligations and contingencies, etc.
- 17 Related parties
- 18 Fee to the auditors appointed by the Company in general meeting
- 19 Appropriation of profit/loss

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2019	22,222	8,942	114,268	145,432
19	Transfer, see "Appropriation of profit/loss"	0	900	-6,827	-5,927
	Adjustment of investments through foreign exchange adjustments	0	0	-57	-57
	Equity at 1 January 2020	22,222	9,842	107,384	139,448
19	Transfer, see "Appropriation of profit/loss"	0	85	1,980	2,065
	Other value adjustments of equity	0	0	-213	-213
	Equity at 31 December 2020	22,222	9,927	109,151	141,300

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of EXHAUSTO A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large 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.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Changes in accounting estimates

Management has changed its accounting estimate regarding provisions on obsolescence inventories due to a decision to align group principles. The change has had a negative effect on result for the year and equity by 4,7 MDKK. In total assets have decreased by 6,0 MDKK. Reference is also made to the comments in the Management's review.

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.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 property, plant and equipment.

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 sales 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.

Cash

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Revaluation reserve

The reserve comprises revaluations of property, plant and equipment/investments in subsidiaries and associates relative to cost net of deferred tax.

The revaluation reserve is reduced by the depreciation charges relating to the revaluation.

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.

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".

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
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.

As disclosed in the Management's review, the profit for the year is affected by amended principle for obsolescence inventories 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	2020	2019
Income		
Government compensation due to COVID-19	2,452	0
	<u>2,452</u>	<u>0</u>
Expenses		
Amended principle for obsolescence inventories	-4,675	-3,235
	<u>-4,675</u>	<u>-3,235</u>
Special items are recognised in the below items of the financial statements		
Production costs	-4,993	-2,481
Share of net profit/loss in subsidiaries	-780	-1,310
Other operating income	3,143	0
Estimated tax changes for the year and deferred tax	407	556
Net loss on special items	<u>-2,223</u>	<u>-3,235</u>

3 Segment information

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

4 Staff costs

Wages/salaries	82,978	88,436
Pensions	6,375	6,816
Other social security costs	1,997	2,095
	<u>91,350</u>	<u>97,347</u>
Average number of full-time employees	<u>181</u>	<u>196</u>

Staff costs include salary and remuneration of DKK 2,752 thousand (2019: DKK 3,772 thousand) to the Company's Executive Board and remuneration of DKK 50 thousand to the Board of Directors (2019: DKK 50 thousand).

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000		2020	2019		
5	Financial income				
	Interest receivable, group entities	18	0		
	Other financial income	1,406	1,464		
		<u>1,424</u>	<u>1,464</u>		
6	Financial expenses				
	Other financial expenses	5,438	2,487		
		<u>5,438</u>	<u>2,487</u>		
7	Tax for the year				
	Estimated tax charge for the year	3,343	0		
	Deferred tax adjustments in the year	-2,592	-456		
		<u>751</u>	<u>-456</u>		
8	Intangible assets				
		Completed development projects	Patents and licences	Development projects in progress and prepayments for intangible assets	Total
	DKK'000				
	Cost at 1 January 2020	45,294	84,293	2,309	131,896
	Additions	40	0	271	311
	Transferred	947	0	-1,148	-201
	Cost at 31 December 2020	<u>46,281</u>	<u>84,293</u>	<u>1,432</u>	<u>132,006</u>
	Impairment losses and amortisation at 1 January 2020	24,339	58,838	0	83,177
	Amortisation for the year	6,689	8,429	0	15,118
	Impairment losses and amortisation at 31 December 2020	<u>31,028</u>	<u>67,267</u>	<u>0</u>	<u>98,295</u>
	Carrying amount at 31 December 2020	<u>15,253</u>	<u>17,026</u>	<u>1,432</u>	<u>33,711</u>
	Amortised over	<u>5 years</u>	<u>10 years</u>		

Financial statements 1 January - 31 December

Notes to the financial statements

9 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2020	72,187	46,756	118,943
Additions	69	528	597
Disposals	10,076	6,856	16,932
Transferred	182	10	192
Cost at 31 December 2020	<u>82,514</u>	<u>54,150</u>	<u>136,664</u>
Impairment losses and depreciation at 1 January 2020	65,047	42,636	107,683
Depreciation	1,485	809	2,294
Reversal of accumulated depreciation and impairment of assets disposed	10,077	6,865	16,942
Impairment losses and depreciation at 31 December 2020	<u>76,609</u>	<u>50,310</u>	<u>126,919</u>
Carrying amount at 31 December 2020	<u>5,905</u>	<u>3,840</u>	<u>9,745</u>
Property, plant and equipment include finance leases with a carrying amount totalling	<u>4,225</u>	<u>0</u>	<u>4,225</u>
Depreciated over	<u>5-10 years</u>	<u>3-5 years</u>	

Financial statements 1 January - 31 December

Notes to the financial statements

10 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2020	58,026
Additions	30,837
Cost at 31 December 2020	88,863
Value adjustments at 1 January 2020	-25,394
Foreign exchange adjustments	-213
Profit/loss for the year	3,041
Value adjustments for the year	-3,602
Transferred	-583
Value adjustments at 31 December 2020	-26,751
Carrying amount at 31 December 2020	62,112

The carrying amount of group entities comprises a share of the entities' net asset value, TDKK 18,443 (2019 amount TDKK 14,180), goodwill at a carrying amount of TDKK 43,669 (2019 amount TDKK 18,013).

Of the total carrying amount, negative net assets in group entities, TDKK 460, have been set off against receivables.

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
EXHAUSTO AB	100.00%	8,455	617
EXHAUSTO AS	100.00%	8,599	2,568
NOVEMA AGGREGATER AS	100.00%	-460	45
EXHAUSTO by Aldes GmbH	100.00%	1,388	-189

11 Receivables

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

12 Share capital

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

DKK'000	2020	2019
13 Deferred tax		
Deferred tax at 1 January	7,413	7,869
Adjustment of the deferred tax charge for the year	-2,592	-456
Deferred tax at 31 December	4,821	7,413

Financial statements 1 January - 31 December

Notes to the financial statements

14 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	4,378	800	3,578	371
	<u>4,378</u>	<u>800</u>	<u>3,578</u>	<u>371</u>

15 Provisions

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

16 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2020	2019
Rent and lease liabilities	<u>70,995</u>	<u>78,094</u>

17 Related parties

Related party transactions

Related party transactions effected in 2020 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.

Financial statements 1 January - 31 December

Notes to the financial statements

	2020	2019
DKK'000		
18 Fee to the auditors appointed by the Company in general meeting		
Total fees to EY	256	279
Fees for statutory audit	198	195
Fees for tax advisory services	38	53
Tax assistance	20	31
	256	279
DKK'000		
19 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Other statutory reserves	85	900
Retained earnings/accumulated loss	1,980	-6,827
	2,065	-5,927