

EXHAUSTO A/S

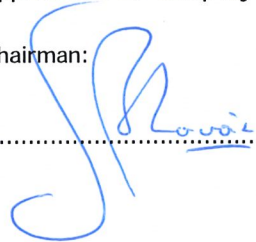
Odensevej 76, 5550 Langeskov

CVR no. 18 68 37 41

Annual report 2019

Approved at the Company's annual general meeting on 12 June 2020

Chairman:



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Contents

Statement by Management on the annual report	2
Independent auditor's report	3
Management's review	5
Company details	5
Group chart	6
Financial highlights	7
Management commentary	8
Financial statements 1 January - 31 December	11
Income statement	11
Balance sheet	12
Notes	15

Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of EXHAUSTO A/S for the financial year 1 January - 31 December 2019.

The annual report has been 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 2019 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2019.

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


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

Langeskov, 12 June 2020
Executive Board:

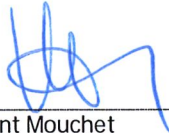


Mads Rosenmeier
CEO


Board of Directors:



Stanislas Bruno Lacroix
Chairman



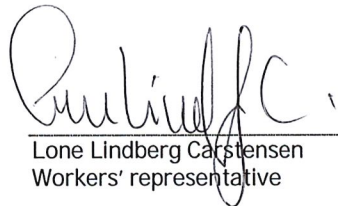
Laurent Mouchet



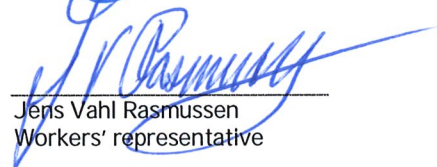
Marc Patrick Brévière



Fabrice Boutet



Lone Lindberg Carstensen
Workers' representative



Jens Vahl Rasmussen
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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 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 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.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- ▶ 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 Statements Act. We did not identify any material misstatement of the Management's review.

Odense, 12 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Søren Smedegaard Hvid
State Authorised
Public Accountant
mne31450



Torben Ahle Pedersen
State Authorised
Public Accountant
mne16611

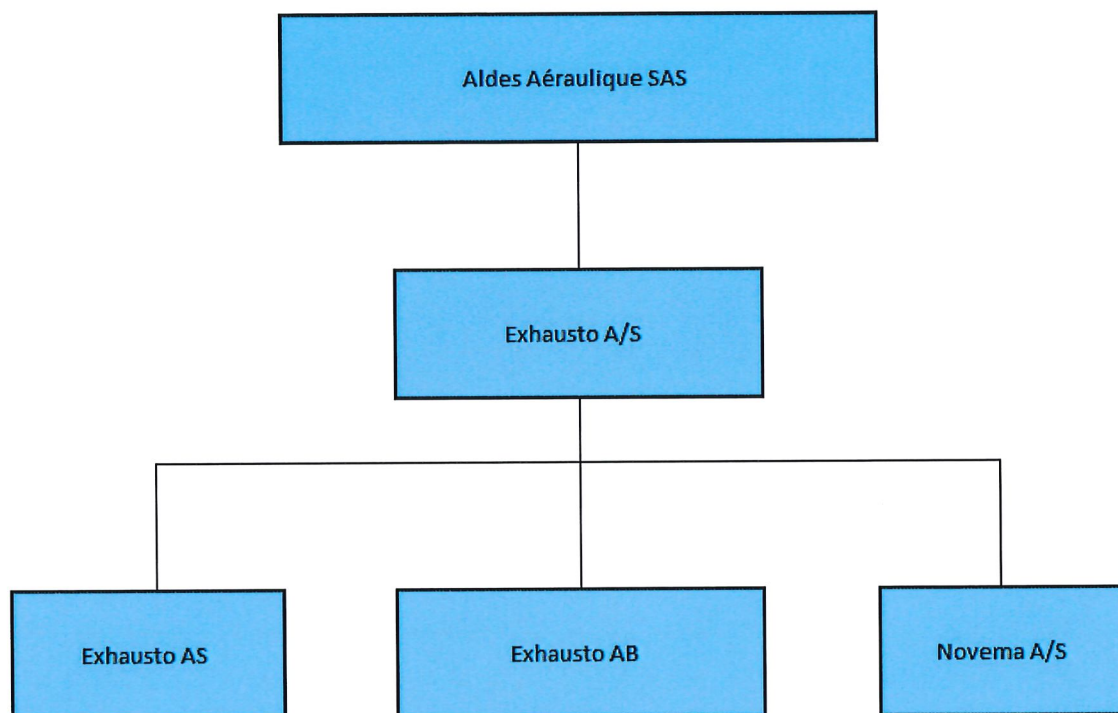
Management's review

Company details

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

Management's review

Group chart



Management's review

Financial highlights

In DKK millions	2019	2018	2017	2016	2015
Key figures					
Revenue	284	325	309	295	309
EBITDA	13	15	24	14	-6
Operating profit/loss	1	-5	-3	-7	-17
Profit/loss from financials income and expenses	-1	-1	-2	0	1
Profit/loss for the year	-6	-5	3	-5	-14
Balance sheet					
Total assets	202	220	259	232	298
Portion relating to investments in items of property, plant and equipment	6	1	6	0	4
Equity	139	145	167	164	169
Financial ratios					
Operating margin	0,4	-1,5	-1,0	-2,4	-5,5
Return of investment	0,6	-2,5	-1,5	-3,2	-6,0
Assets/Equity	1,5	1,5	1,6	1,4	1,8
Other					
Average number of full-time employees	196	201	184	204	206

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines. For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Principal activities etc. of the company

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

Business review, financing and investments

The revenue in the company was 284,4 MDKK (324,9 MDKK in 2018) and the result for the year after tax was -5,9 MDKK (compared to -5,2 MDKK in 2018). The result of the year was influenced by increased provision on obsolescence inventories of 3,2 MDKK, due to a decision to align group principles.

The result for the year did not meet the expectations as stated in the 2018 Annual report. The net cash flow from operating activities and overall net cash flow was positive in 2019.

The result for the year is not satisfactory.

Outlook

The spread of COVID-19 throughout the world will have an influence on the business of EXHAUSTO A/S. Year to date, the spread of COVID-19 has not impacted EXHAUSTO A/S significantly. However at this time it is not possible to predict the influence in the coming months. As the potential impact is unknown at this time, this has not been included when setting the expectations for activity and earnings in 2020.

Management expects a higher revenue for 2020 than realized in 2019 and a positive result for the year.

Risks

General risks

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

Financial risks

Currency, interest and credit risks

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

Knowledge resources

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

Management's review

Management commentary

Business Model

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

Labor Conditions

Policy

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

Risks, actions, and results

With regards to labor conditions, EXHAUSTO A/S has identified risks related to safety among employees and external technicians. To mitigate risks and to secure a safe and healthy work environment, EXHAUSTO A/S in 2019 conducted meetings with employees at an ongoing basis. Further, all new employees was introduced to safe and healthy procedures.

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

Human Rights

Policy

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

Risks, actions, and results

EXHAUSTO A/S most material risk of violating human rights is related to the supply chain of mechanics, electro-mechanics and electronics. EXHAUSTO A/S has consequently enacted a Code of Conduct, which the most important suppliers of EXHAUSTO have signed. The Code of Conduct includes our expectations and requirements related to child labor, forced labour, and discrimination among other things. In 2019, EXHAUSTO A/S has not registered any breaches of the expectations and requirements defined in the Code of Conduct.

Management's review

Management commentary

Environmental and climate

Policy

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

Risks, actions, and results

EXHAUSTO A/S has identified and waste as material issues with a risk of having a negative impact on the environment. In 2019, to reduce the relative amount of the company's waste, EXHAUSTO A/S has continued its efforts to improve waste management. In 2019, we did not register any breaches with environmental legislative requirements.

Further, EXHAUSTO A/S has identified energy consumption related to the production of ventilation systems as well as the energy consumption related to actual use phase of the ventilation systems as areas with risks of having negative climate impact in terms of energy use and CO₂ emissions. In 2019, EXHAUSTO A/S continued working with energy optimization related to production as well as the end-use of products. In production facilities lighting sources were changed to LED.

Anti-corruption

Policy

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

Risks, actions, and results

EXHAUSTO A/S has identified the most material risks associated with anti-corruption as related to gifts and entertainment that employees may give or receive. In 2019, EXHAUSTO management tested a course on business ethics. This is now ready for implementation in 2020.

Equal Gender Representation

Board of directors

EXHAUSTO A/S' board consisted of 1 woman and 6 men on 31. December 2019 It is the company's target to have a gender representation of 25% by 2022. EXHAUSTO A/S did not reach the target for 2019 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 2019 the proportion of gender in the company's other management has changed from 43 percent to 50 percent.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
3	Revenue	284,374	324,948
	Changes in stocks of finished goods, VUF and merchandise	-4,561	-1,476
	Other operating income	8	322
		<u>279,821</u>	<u>323,794</u>
	Production costs	-125,865	-162,477
4	Other external costs	-39,892	-47,444
5	Staff costs	-97,347	-97,324
	Depreciation	-17,927	-17,953
	Result of operating activities	<u>-1,210</u>	<u>-1,404</u>
10	Share of net profit/loss in subsidiaries	-4,151	-4,670
6	Financial income	1,464	1,628
6	Financial expenses	-2,486	-2,259
	Result before tax	<u>-6,383</u>	<u>-6,705</u>
7	Tax for the year	456	1,481
	Profit/loss for the year	<u><u>-5,927</u></u>	<u><u>-5,224</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
8	Intangible assets		
	Patents and licences	25,455	33,884
	Development assets	20,955	26,679
	Development projects in progress	2,309	5,119
		<u>48,719</u>	<u>65,682</u>
9	Plant and equipment		
	Plant and machinery	7,140	6,253
	Fixtures and fittings, tools and equipment	4,120	1,753
		<u>11,260</u>	<u>8,006</u>
	Other non-current assets		
10	Investments in subsidiaries	32,632	35,795
	Total non-current assets	<u>92,611</u>	<u>109,483</u>
	Current assets		
	Inventories		
	Raw materials and consumables	25,588	28,388
	Work in progress	1,064	1,580
	Finished goods and goods for resale	10,510	14,506
		<u>37,162</u>	<u>44,474</u>
11	Receivables		
	Trade receivables	19,307	27,143
	Group loans	30,067	18,459
	Other receivables	1,182	567
	Prepayments	1,316	2,378
		<u>51,872</u>	<u>48,547</u>
	Cash	20,462	16,996
	Total current assets	<u>109,496</u>	<u>110,017</u>
	TOTAL ASSETS	<u><u>202,107</u></u>	<u><u>219,500</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
13	Equity		
	Share capital	22,222	22,222
	Reserve for development costs	9,842	8,942
	Retained earnings	107,384	114,268
	Total equity	139,448	145,432
	Long-term liabilities		
12	Deferred tax	7,413	7,869
14	Other provisions	1,350	1,150
10	Provision for investments in subsidiaries	1,042	0
15	Lease commitments	4,378	3,353
15	Other payables	3,128	0
	Total long-term liabilities	17,311	12,372
	Short-term liabilities		
15	Lease commitments	788	538
	Debt to credit institutions	1,125	996
	Trade payables	28,119	39,490
	Payables to subsidiaries	0	1,105
	Other payables	15,316	19,567
	Total short-term liabilities	45,348	61,696
	Total liabilities	62,659	74,068
	TOTAL EQUITY AND LIABILITIES	202,107	219,500

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

Financial statements 1 January - 31 December

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
18	Transfer, see "Appropriation of profit/loss"	0	900	-6,827	-5,927
	Foreign exchange adjustments, foreign subsidiaries	0	0	-57	-57
	Equity at 31 December 2019	22,222	9,842	107,384	139,448

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of Exhausto A/S for 2019 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.

The accounting policies 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 3.2 MDKK. In total assets have decreased by 3,8 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 Company, as its cash flows are reflected in the consolidated cash flow statement of Aldes Aéraulique SAS.

Foreign currency translation

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

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

Income statement

Revenue

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

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

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

Other operating income

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

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Production costs

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

Staff costs

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

Profit/loss from investments in subsidiaries

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

Financial income and expenses

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

Tax for the year

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

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

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

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

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

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

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

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

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

Plant and equipment

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

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

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

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

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

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

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

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

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

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

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

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 assets

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

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

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

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

Financial statements 1 January - 31 December

Notes

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.

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

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

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

Receivables

Receivables are measured at amortised cost.

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

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

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

Prepayments

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

Equity

Reserve for net revaluation according to the equity method

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

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

The reserve cannot be recognised at a negative amount.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Reserve for development costs

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

Dividend

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

Income tax and deferred tax

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

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

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

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

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

Other provisions

Other provisions comprise anticipated expenses relating to warranty commitments.

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

Liabilities

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

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Cash and cash equivalents

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

Financial ratios

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

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

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

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	2019	2018
Income		
Amended principle for obsolescence inventories	-3,235	0
Profit regarding insurance compensation for fire in production facilities in Norway	0	5,839
Net profit/loss from special items	<u>-3,235</u>	<u>5,839</u>

Special items are recognised in the below financial statement items

Production costs	-2,481	0
Share of net profit/loss in subsidiaries	-1,310	5,839
Adjustment of the deferred tax charge for the year	556	0
Net profit/loss from special items	<u>-3,235</u>	<u>5,839</u>

3 Segment information

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

DKK'000	2019	2018
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4 Other external costs

Fees paid to auditors appointed at the annual general meeting		
Total fee to EY	279	481
Fees for statutory audit	195	210
Fees for tax advisory services	53	230
Other assistance	31	41
	<u>84</u>	<u>271</u>

Financial statements 1 January - 31 December

Notes

DKK'000	<u>2019</u>	<u>2018</u>
5 Staff costs		
Wages and salaries	88,436	88,507
Pensions	6,816	6,894
Other social security costs	2,095	1,923
	<u>97,347</u>	<u>97,324</u>
 Average number of full-time employees	 <u>196</u>	 <u>201</u>

Staff costs include salary and remuneration of DKK 3,772 thousand (2018: DKK 3,914 thousand) to the Company's Executive Board and remuneration of DKK 50 thousand to the Board of Directors (2018: DKK 50 thousand).

6 Financial income and expenses

This amount includes interest income from group entities in the parent company, KDKK 0 (2018: KDKK 0).

This amount includes interest expenses to group entities in the parent company, KDKK 27 (2018: KDKK 28).

DKK'000	<u>2019</u>	<u>2018</u>
7 Tax for the year		
Current tax charge for the year	0	0
Adjustment of the deferred tax charge for the year	456	1,481
	<u>456</u>	<u>1,481</u>
 Analysed as follows:		
Tax for the year	0	0
Adjustment of the deferred tax charge for the year	456	1,481
	<u>456</u>	<u>1,481</u>

Financial statements 1 January - 31 December
Notes
8 Intangible assets

DKK'000	Patents and licences	Development assets	Development projects in progress	Total
Cost at 1 January 2019	84,293	44,122	5,119	133,534
Additions	0	33	1,201	1,234
Transferred	0	1,139	-4,011	-2,872
Cost at 31 December 2019	84,293	45,294	2,309	131,896
Amortisation and impairment losses at 1 January 2019	-50,409	-17,443	0	-67,852
Depreciation	-8,429	-6,896	0	-15,325
Amortisation and impairment losses at 31 December 2019	-58,838	-24,339	0	-83,177
Carrying amount at 31 December 2019	25,455	20,955	2,309	48,719
Amortised over	10 years	5 years		

9 Plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	69,634	43,454	113,088
Additions	2,553	3,302	5,855
Disposals	0	0	0
Cost at 31 December 2019	72,187	46,756	118,943
Depreciation and impairment losses at 1 January 2019	-63,381	-41,701	-105,082
Depreciation	-1,666	-935	-2,601
Disposals	0	0	0
Depreciation and impairment losses at 31 December 2019	-65,047	-42,636	-107,683
Carrying amount at 31 December 2019	7,140	4,120	11,260
Plant and equipment include assets held under finance leases with a carrying amount totalling	5,077	0	5,077
Depreciated over	5-10 years	3-5 years	

Financial statements 1 January - 31 December

Notes

DKK'000	2019	2018
10 Investments in subsidiaries		
Cost at 1 January	58,026	58,026
Additions/disposals	0	0
Cost at 31 December	58,026	58,026
Value adjustments at 1 January	-22,231	-17,301
Foreign exchange adjustment	-56	-260
Other adjustment	2	0
Profit/loss for the year	-548	-1,067
Amortization of goodwill	-3,603	-3,603
Investments with negative equity transferred to provisions	1,042	0
Value adjustments at 31 December	-25,394	-22,231
Carrying amount at 31 December	32,632	35,795
Non-amortised goodwill	18,013	21,615

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
EXHAUSTO AB	100%	700	7,642
EXHAUSTO AS	100%	1,983	6,977
NOVEMA AGGREGATER AS	100%	-3,231	-1,042

11 Receivables

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

Financial statements 1 January - 31 December

Notes

DKK'000	2019	2018
12 Deferred tax		
Deferred tax at 1 January	7,869	9,350
Adjustment of the deferred tax charge for the year	-456	-1,481
Deferred tax at 31 December	7,413	7,869
13 Equity		
The share capital has been unchanged the last 5 years.		
14 Other provisions		
Other provisions comprise warranty commitments related to the Company's usual warranty commitment. The provisions are expected to due within the next year.		
DKK'000	2019	2018
15 Long-term debt		
The liabilities can be specified as follows:		
Lease commitments		
0-1 year	788	538
1-5 years	3,229	2,274
> 5 years	1,149	1,079
	5,166	3,891
Other payables (Employees' Fund for Residual Holiday Funds)		
1-5 years	3,128	0
> 5 years	0	0
	3,128	0
Total liabilities other than provisions	8,294	3,891
The liabilities are recognised in the balance sheet as follows:		
Long-term liabilities	7,506	3,353
Short-term liabilities	788	538
	8,294	3,891
16 Contractual obligations and contingencies, etc.		
Operating lease liabilities		
Lease liabilities (operating liabilities)	4,110	3,772
Rent liabilities (10-year irrevocable lease)	73,984	13,299
	78,094	17,071

Financial statements 1 January - 31 December

Notes

17 Related parties

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

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

Related party transactions

Related party transactions effected in 2019 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.

DKK'000	2019	2018
18 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Transferred to reserves under equity	-6,827	-7,824
Reserve for development cost	900	2,600
	-5,927	-5,224