

Dantherm A/S

Marienlyst 65, 7800 Skive

CVR no. 20 86 45 91

Annual report 2022

Approved at the Company's annual general meeting on 3 July 2023

Chair of the meeting:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Dantherm A/S for the financial year 1 January - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Skive, 3 July 2023
Executive Board:

.....
Jakob Bonde Jessen

Board of Directors:

.....
Bjarke Brøns
Chairman

.....
Jakob Bonde Jessen

.....
Bendt Laursen

.....
Poul Erik Buchhave Madsen

.....
Tina Madsen Jensen

Independent auditor's report

To the shareholders of Dantherm A/S

Opinion

We have audited the financial statements of Dantherm A/S for the financial year 1 January - 31 December 2022, 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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

Independent auditor's report

- ▶ 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.

Aarhus, 3 July 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Steen Skorstengaard
State Authorised Public Accountant
mne19709

Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085

Management's review

Company details

Name	Dantherm A/S
Address, Postal code, City	Marienlyst 65, 7800 Skive
CVR no.	20 86 45 91
Registered office	Skive Kommune
Financial year	1 January - 31 December
Website	www.danthermgroup.com
Telephone	+45 96 14 37 00
Board of Directors	Bjarke Brøns, Chairman Jakob Bonde Jessen Bendt Laursen Poul Erik Buchhave Madsen Tina Madsen Jensen
Executive Board	Jakob Bonde Jessen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2022	2021	2020	2019	2018
Key figures					
Revenue	449,403	375,469	326,866	333,787	331,206
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	51,154	44,151	34,945	26,758	24,862
Operating profit/loss	41,316	32,435	20,370	11,937	10,176
Net financials	-4,836	-3,557	-2,457	-3,461	-2,979
Profit for the year	24,497	21,904	15,036	6,633	5,563
Total assets					
Total assets	328,498	275,460	223,670	226,136	225,367
Investments in property, plant and equipment	7,071	2,082	1,058	3,069	2,462
Equity	113,023	102,526	92,330	81,294	89,660
Financial ratios					
Operating margin	8.1%	8.3%	6.2%	3.6 %	3.1 %
Equity ratio	34.4%	37.2%	41.3%	35.9%	39.8%
Return on equity	22.7%	22.5%	17.3%	7.8%	6.2%
Average number of full-time employees					
Average number of full-time employees	279	225	225	248	261

For terms and definitions, please see the accounting policies.

Management's review

Business review

Primary activities

Dantherm is a leading provider of climate control products and solutions. The group companies have more than 60 years of experience in designing and manufacturing high-quality and energy-efficient equipment for heating, cooling, dehumidification and ventilation, and offers a wide product range of both mobile and installed products with many different applications covering a large number of market sectors. The Dantherm Group is headquartered in Skive, Denmark and has subsidiaries in Norway, Sweden, the United Kingdom, Germany, France, Switzerland, Italy, Spain, Poland, Russia and China.

Financial review

Development in activities and financial affairs

Revenue amounted to DKK 449,4 m in 2022 against DKK 375,5 m in 2021, which equals a growth of 19,7%. The growth was in more of the business units

Profit before depreciation, amortisation and impairment losses and write-downs (EBITDA) amounted to DKK 51,1 m in 2022 against DKK 44,1m in 2021. The profit has been negatively impacted by non-recurring cost of DKK 5,1 m.

Due to the growth, our average number of headcount has also increased from 225 to 279.

The profit for the year was DKK 24,5 m against DKK 21,9 m in 2021.

Our outlook for 2022 in last year's annual report was a revenue of approx. DKK 400 m and an improvement in profit. As both objectives are met, management considers the year to be satisfactory.

Outlook

Revenue is expected to increase in 2023 with a turnover of approx. DKK 450-500m. As a result, of the higher activity, and EBITDA is expected in the range of DKK 60-80 m.

Financial risks and use of financial instruments

Foreign currency risks

The main part of transactions in the company is in local currency or in EUR. Due to the close link between DKK and EUR, no hedging of this is made. Other transactions in foreign currency is usually not hedged.

Management's review

Interest rate risks

Financing of the company is through the company Polar Fox Holding II A/S (parent of Dantherm Group A/S, which is parent of Dantherm A/S), in which the bank debt has a variable interest rate. The interest rate is determined as LIBOR + a margin. The margin is adjusted according to leverage ratio between debt and profit. In 2023, the group has entered into an agreement to fix the interest rate on part of the interest-bearing debt in the group.

Research and development activities

Dantherm devotes considerable resources to product development to remain at the forefront of technological developments and continually adapts its products to changing market demands and legislation. Dantherm has extensive knowledge, experience and expertise gained from supplying more than three million climate control products and solutions sold worldwide.

The development activities is mainly development and modifications of products within HVAC and amounts to DKK 4.841 k. We expect development activities to be at the same level as this year.

Statutory CSR report

Regarding reporting on Corporate Social Responsibility in alignment with §99a, we refer to the annual report of Polar Fox Holding I ApS. (CVR-number of Polar Fox Holding I ApS is DK42608335).

Account of the gender composition of Management

Regarding reporting on gender composition of management in alignment with §99b. Members of the board of directors is decided by group management with the persons who possess the right and best competences. One of the 5 members of the board of directors is a woman, equal to 20% As our target is 20% we have met the target.

Other management positions in the company are handled by the persons who possess the right and best competences. In connection with recruitment or appointment to management positions, equal opportunities are sought for both genders.

17% of managers in the company are currently women. The gender distribution target for the other management positions is that min. 25% of the under-represented gender is represented at the end of 2025. Other management positions are defined as all employees, who are managers for other employees.

Hence, the target is currently not fulfilled. The current managers are found to be the most suitable based on experience and competencies.

When possible, the company makes sure that both genders are represented in the final stages of the recruitment process.

Data ethics

Data accountability

It is highly emphasized that our use of IT systems and personal data is done in a responsible manner. Protection of personal data about our employees, customers and suppliers create trust in us as a workplace, customer and supplier.

We therefore ensure that the processes in the group related to personal data about employees, customers, suppliers, and other persons is managed in accordance with the legislation on personal data protection and IT security requirements.

Policy on data ethics

The group does not have a formal policy, as the group only to a limited extent collects and processes data, does not apply new technologies for the Company's principal activities and does not make specific data analysis, evaluations or segmentations single-handedly or through external suppliers.

Other policies in place

Management's review

The group has a whistleblower setup, where employees safely can report behavior, which is against the rules.

The group has a data protection policy, where the objective is to determine our level of ambition and creates the framework for the safety initiatives that are necessary to follow when we as an organization need to meet the requirements of legislation and best practice.

In addition, the group also have a personal data protection policy, which lays down the framework for how we process personal data. It is to ensure that we comply with the General Data Protection Regulation (GDPR) and supplementary local rules in data protection legislation.

All the mentioned policies are available at our internal website, where all employees can access them.

Events after the balance sheet date

There has not been any subsequent events, which has significant impact on the financial status as of December 31, 2022

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2022	2021
	Revenue	449,403	375,469
	Change in inventories of finished goods and work in progress	8,230	4,632
	Work performed for own account and capitalised	3,509	5,916
	Other operating income	0	505
	Raw materials and consumables	-235,095	-196,319
4	Other external expenses	-35,452	-26,140
	Gross profit	190,595	164,063
5	Staff costs	-134,370	-118,188
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-14,909	-12,933
	Other operating expenses	-5,071	-1,724
	Profit before net financials	36,245	31,218
6	Financial income	214	791
7	Financial expenses	-5,050	-4,348
	Profit before tax	31,409	27,661
8	Tax for the year	-6,912	-5,757
	Profit for the year	24,497	21,904

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Completed development projects	24,840	26,120
	Acquired other similar rights	955	2,707
	Development projects in progress and prepayments for intangible assets	6,437	8,926
		<u>32,232</u>	<u>37,753</u>
10	Property, plant and equipment		
	Land and buildings	56,120	57,133
	Plant and machinery	10,626	6,696
	Fixtures and fittings, other plant and equipment	1,183	1,286
	Property, plant and equipment under construction	1,457	1,620
		<u>69,386</u>	<u>66,735</u>
	Investments		
	Deposits, investments	0	9
		<u>0</u>	<u>9</u>
	Total fixed assets	<u>101,618</u>	<u>104,497</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	98,613	49,877
	Work in progress	14,463	9,545
	Finished goods and goods for resale	29,905	26,593
		<u>142,981</u>	<u>86,015</u>
	Receivables		
	Trade receivables	33,082	31,224
	Receivables from group enterprises	35,958	32,311
	Other receivables	1,424	2,794
11	Prepayments	3,750	2,663
		<u>74,214</u>	<u>68,992</u>
	Cash	<u>9,685</u>	<u>15,956</u>
	Total non-fixed assets	<u>226,880</u>	<u>170,963</u>
	TOTAL ASSETS	<u><u>328,498</u></u>	<u><u>275,460</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	60,800	60,800
	Reserve for development costs	24,396	27,024
	Retained earnings	1,359	702
	Dividend proposed	26,468	14,000
	Total equity	113,023	102,526
	Provisions		
13	Deferred tax	9,618	9,442
15	Other provisions	999	1,350
	Total provisions	10,617	10,792
	Liabilities other than provisions		
14	Non-current liabilities other than provisions		
	Other payables	10,913	10,724
		10,913	10,724
	Current liabilities other than provisions		
	Prepayments received from customers	6,560	1,177
	Trade payables	77,868	67,418
	Payables to group enterprises	90,775	64,096
	Corporation tax payable	7,150	4,375
	Other payables	11,592	14,352
		193,945	151,418
	Total liabilities other than provisions	204,858	162,142
	TOTAL EQUITY AND LIABILITIES	328,498	275,460

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- 17 Collateral
- 18 Related parties
- 19 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2021	60,000	18,955	375	13,000	92,330
	Disposals on demerger/corporate sale	800	5,553	-5,061	0	1,292
19	Transfer, see "Appropriation of profit"	0	2,516	5,388	14,000	21,904
	Dividend distributed	0	0	0	-13,000	-13,000
	Equity at 1 January 2022	60,800	27,024	702	14,000	102,526
19	Transfer, see "Appropriation of profit"	0	-2,628	657	26,468	24,497
	Dividend	0	0	0	-14,000	-14,000
	Equity at 31 December 2022	60,800	24,396	1,359	26,468	113,023

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Dantherm A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Polar Fox Holding I ApS and Dantherm Group A/S.

Reporting currency

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

Foreign currency translation

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

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

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/ depreciation

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

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

Completed development projects	3-5 years
Acquired other similar rights	3 years
Land and buildings	15 years
Plant and machinery	5-8 years
Fixtures and fittings, other plant and equipment	3-5 years

Other operating expenses

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

Financial income and expenses

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

Tax

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

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 3-5 years.

Acquired toher similar rights includes software etc. and are measured at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over the estimated useful life. The amortisation period is 3 years.

Property, plant and equipment

Items of property, 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.

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

Leases

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

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

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 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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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 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 and cash equivalents include bank accounts and cash

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

Equity

Reserve for development costs

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Warranty commitments include expected costs for repairing works within the warranty period of 1-2 years. The provisions for warranty commitments are recognised on based on past experience. The amount of the provision corresponds to the expected warranty costs on goods sold at the end of 2022 during the warranty period.

Income taxes

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.

Other payables

Other payables are measured at net realisable value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Segment information

The company's revenue is all in the same business segment (heat, ventilation, cooling and dehumidifying systems) and within the same geographical area (Western Europe). Thus, no disclosure has been made regarding the split of revenue into business segment and geographical area in accordance with § 96,1 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

2 Events after the balance sheet date

There has not been any subsequent events, which has significant impact on the financial status as of December 31, 2022.

3 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities. Special items may comprise expenses incurred for extensive structuring of processes and basic structural adjustments as well as any related disposal gains and losses, that have a material impact over time. Special items also comprise significant one-off items that, in Management's opinion, do not form part of the Company's primary operating activities and that are deemed not to be recurring. As disclosed in the Management's review, the profit/loss for the year is affected by a number of matters that Management does not consider 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.

Expenses

Relocation of production in the UK to Denmark	-4,235	0
Restructuring costs	-836	0
	<u>-5,071</u>	<u>0</u>

Special items are recognised in the below items of the financial statements

Other external expenses	-5,071	0
Net profit/ loss on special items	<u>-5,071</u>	<u>0</u>

Financial statements 1 January - 31 December

Notes to the financial statements

4 Fee to the auditors appointed in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Polar Fox Holding I ApS and the consolidated financial statements for Dantherm Group A/S.

5 Staff costs

Wages/salaries	121,762	104,223
Pensions	6,820	8,625
Other social security costs	2,085	478
Other staff costs	3,703	4,862
	<u>134,370</u>	<u>118,188</u>
	<u>2022</u>	<u>2021</u>
Average number of full-time employees	<u>279</u>	<u>225</u>

Total remuneration to Management: t.DKK 1,695 (2021: t.DKK 3,712)

6 Financial income

Interest receivable, group entities	191	330
Other interest income	23	18
Exchange adjustments	0	443
	<u>214</u>	<u>791</u>

7 Financial expenses

Interest expenses, group entities	3,500	217
Other interest expenses	374	3,026
Exchange adjustments	1,176	1,105
	<u>5,050</u>	<u>4,348</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 Tax for the year

Estimated tax charge for the year	7,150	5,757
Deferred tax adjustments in the year	156	0
Tax adjustments, prior years	-394	0
	<u>6,912</u>	<u>5,757</u>

9 Intangible assets

DKK'000	Completed development projects	Acquired other similar rights	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2022	103,375	13,837	8,926	126,138
Additions	0	152	4,841	4,993
Transferred	7,330	0	-7,330	0
Cost at 31 December 2022	<u>110,705</u>	<u>13,989</u>	<u>6,437</u>	<u>131,131</u>
Impairment losses and amortisation at 1 January 2022	77,255	11,130	0	88,385
Amortisation for the year	8,610	1,904	0	10,514
Impairment losses and amortisation at 31 December 2022	<u>85,865</u>	<u>13,034</u>	<u>0</u>	<u>98,899</u>
Carrying amount at 31 December 2022	<u>24,840</u>	<u>955</u>	<u>6,437</u>	<u>32,232</u>

Completed development projects

Completed development projects include development and testing of HVAC finished products. In management's view, development has proceeded according to plan. Dantherm A/S has a constant portfolio of development projects that are currently being initiated and completed. The completed development projects are depreciated over 5 years. A large share of turnover and gross margin consists of products developed in Dantherm's development department.

Management has not identified any indication of impairment in relation to the carrying amount of the system.

Development projects in progress

Development projects in progress include development and testing of new HVAC finished products. The costs consist essentially of internal costs in the form of direct receipts and purchased materials and other external services, which are registered through the company's internal project module.

As at 31 December 2022, the accounting value totals DKK 6,437. The majority of ongoing development projects are expected to be completed in 2023. After which marketing and sales can begin. Management expects that development efforts in 2023 will continue in line with 2022.

The new systems are expected to result in significant competitive advantages and thus constitute a significant part of earnings and profit for the company also in 2023.

In 2022, management has conducted an impairment test of the carrying value of the ongoing development projects. It is considered that the recoverable value in terms of utility exceeds the carrying value. The utility is calculated on the basis of expected cash flows based on budgets for the next three years on the newly developed products.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2022	151,234	114,675	17,139	1,620	284,668
Additions	1,699	3,696	13	1,664	7,072
Transferred	132	1,077	618	-1,827	0
Cost at 31 December 2022	153,065	119,448	17,770	1,457	291,740
Impairment losses and depreciation at 1 January 2022	94,101	107,979	15,853	0	217,933
Depreciation	2,844	843	734	0	4,421
Impairment losses and depreciation at 31 December 2022	96,945	108,822	16,587	0	222,354
Carrying amount at 31 December 2022	56,120	10,626	1,183	1,457	69,386

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

12 Share capital

Analysis of the share capital:

60,800,001 A shares of DKK 1.00 nominal value each	60,800
	<u>60,800</u>

The Company's share capital has remained DKK 60,800 thousand in the past year.

13 Deferred tax

Deferred tax at 1 January	9,442	7,139
Additions relating to mergers and acquisition of enterprises	0	934
Deferred tax recognised in the income statement	156	1,369
Adjustment of deferred tax for previous years	20	0
Deferred tax at 31 December	<u>9,618</u>	<u>9,442</u>

14 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	10,913	0	10,913	10,913
	<u>10,913</u>	<u>0</u>	<u>10,913</u>	<u>10,913</u>

Financial statements 1 January - 31 December

Notes to the financial statements

15 Other provisions

The provisions are expected to be payable in:

0-1 year	500	675
> 1 year	499	675
	<u>999</u>	<u>1,350</u>

16 Contractual obligations and contingencies, etc.

The Company is jointly taxed with its parent, Polar Fox Holding I ApS, which acts as management company, and is jointly and severally liable with the affiliated companies for Danish companies and withholding taxes on dividends, interest and royalties within the joint taxation group. The known net liability of the joint taxation companies on corporation taxes due and withholding taxes on dividends, interest and royalties amounts to 0 t.DKK as at 31 December 2022. Any subsequent corrections to jointly taxation income or withholding taxes, etc. may result in the liability of the companies amounting to a larger amount. The Group as a whole is not liable to others.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2022	2021
Rent and lease liabilities	<u>2,003</u>	<u>1,626</u>

17 Collateral

The Company participate as obligor in the Group's financing facility.

The Group has a total credit facility amounting to EUR 330 millions (DKK 2,454 million) as per December 31, 2022, whereas EUR 40 millions (DKK 297,5 million) are the credit facilities to finance the operations.

The credit facilities are subject to the following collaterals and pledges:

- Irrevocably and unconditional jointly and severally guarantee for any payments, however limited with the limitation under the Danish Company Act, section 206 to 212 regarding unlawful financial assistance.
- Granted security by intercompany loans and bank accounts.
- Floating charge issued by Dantherm A/S amounting to 75 mio DKK. The total carrying amount of these assets is DKK 277 mio and can be specified as debtors with a carrying value at 31 December 2022 of DKK 33 million, inventories with a carrying value at 31 December 2022 of DKK 143 million, intangible assets with a carrying value at 31 December 2022 of DKK 32 million and tangible assets with a carrying value at 31 December 2022 of DKK 69 million.

The debt structure is subject to general conditions as well as financial covenants. The Companies comply with all financial covenants for 2022 except for a supplemental leverage test for Q3, for which the group, prior to yearend, received a full waiver. For Q1 2023 the group failed the same covenant and this has now been remediated with an Equity Cure on capital increase of EUR 8.5 million (DKK 63.2 million) as described under subsequent events. Based on the current budgets and cash flow forecasts, management expects to pass the covenant tests for the remainder of 2023.

The company has issued an unconditional jointly and severally guarantee for Dantherm UK Ltd.

Guarantee commitments consist of a guarantee provided in respect of third party commitments. The guarantee commitment is maximally tDKK 0.041.

Financial statements 1 January - 31 December

Notes to the financial statements

18 Related parties

Dantherm A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Parent company Dantherm Group A/S		Participating interest Participating interest

Significant influence

<u>Related party</u>	<u>Domicile</u>	<u>Basis for significant influence</u>
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Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Polar Fox Holding I ApS	Skive, Denmark	CVR no. 42 60 83 35
Dantherm Group A/S	Skive, Denmark	CVR no 30 53 79 39

Related party transactions

Dantherm A/S was engaged in the below related party transactions:

<u>DKK'000</u>	<u>2022</u>	<u>2021</u>
Sale of goods to group enterprises	92,592	69,908
Purchase of services from parent company	1,934	2,000
Purchase of services from group enterprises	14,974	10,581
Interest expenses to group enterprises	3,500	217
Interest income from group enterprises	191	330
Receivables from group enterprises	35,958	32,311
Payables to group enterprises	90,775	64,096

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2022	2021
19 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	26,468	14,000
Other statutory reserves	0	2,516
Other reserves	-2,628	0
Retained earnings	657	5,388
	<u>24,497</u>	<u>21,904</u>

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Jakob Bonde Jessen

Executive Board

On behalf of: Dantherm A/S

Serial number: PID:9208-2002-2-422801954728

IP: 188.180.xxx.xxx

2023-07-03 14:46:15 UTC

NEM ID 

Bendt Laursen

Board of Directors

On behalf of: Dantherm A/S

Serial number: 5a442251-30fe-4089-9ce4-ca7ac97c194c

IP: 217.198.xxx.xxx

2023-07-03 14:51:15 UTC

Mit  

Jakob Bonde Jessen

Board of Directors

On behalf of: Dantherm A/S

Serial number: PID:9208-2002-2-422801954728

IP: 188.180.xxx.xxx

2023-07-03 14:51:49 UTC

NEM ID 

Bjarke Brøns

Chairman

On behalf of: Dantherm A/S

Serial number: 73932e2b-e796-4aae-8d93-685b946fe5cb

IP: 80.62.xxx.xxx

2023-07-03 15:29:58 UTC

Mit  

Tina Madsen Jensen

Board of Directors

On behalf of: Dantherm A/S

Serial number: 68fa970b-c134-49fc-95aa-bdb9afe637dc

IP: 178.157.xxx.xxx

2023-07-04 06:27:02 UTC

Mit  

Lone Nørgaard Eskildsen

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

Serial number: CVR:30700228-RID:66193527

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Steen Skorstengaard

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

Serial number: CVR:30700228-RID:25486262

IP: 128.0.xxx.xxx

2023-07-04 13:07:05 UTC



Thomas Korfix Gjøel-Trønning

Chairman

On behalf of: Dantherm A/S

Serial number: aa497ec6-bc65-499f-9ff1-4c14bebbcf9

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