Nissens®

DELIVERING THE DIFFERENCE

AX V Nissens III ApS

Ormhøjgårdvej 9, 8700 Horsens

CVR no. 38 64 73 50

Annual report

17 May 2017 - 30 April 2018

The Annual Report was presented and approved at the Annual General Meeting of the company on 2/7 2018

Lars Cordt
Chairman

Contents

Statement by Management on the Annual Report

Today, the Board of Directors and the Executive Board have discussed and approved the Annual report of AX V Nissens III ApS for the financial year 2017/18 covering the period from the company's establishment on 17 May 2017 to 30 April 2018.

The Annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act

It is our opinion that the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 30 April 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 17 May 2017 – 30 April 2018

In our opinion, the Management's commentary includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, the results for the year, cash flow and financial position as well as a description of the significant risks and uncertainty factors that the Parent Company and the Group face.

We recommend that the annual report be approved at the Annual General Meeting.

Horsens, 4 October 2018
Executive Board:

Jesper Frydensberg Rasmussen
CEO

Board of Directors:

Lars Cordt Chairman	Asbjørn Mosgaard Hyldgaard	Peter Nyegaard

Independent auditor's report

To the shareholders of AX V Nissens III ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of AX V Nissens III ApS for the financial year 17 May 2017 - 30 April 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 17 May 2017 - 30 April 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

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 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 our procedures, 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.

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Odense, 4 October 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Brian Skovhus Jakobsen
State Authorised
Public Accountant
MNE no.: mne27701

Management's review

Company details

Name	AX V Nissens III ApS
Address, postal code, city	Ormhøjgårdvej 9, 8700 Horsens, Denmark
CVR.no.	38 64 73 50
Registered office	Horsens
Financial year	1 May -30 April
1. Financial year	17 May 2017 – 30 April 2018
Board of Directors	Lars Cordt / chairman Asbjørn Mosgaard Hyldgaard Peter Nyegaard
Executive board	Jesper Frydensberg Rasmussen
Parent company	Axcel V K/S, cvr. nr. 38 55 61 34
Auditors	Ernst & Young Godkendt Revisionsanpartsselskab Kolding Åpark 1. 3. sal, 6000 Kolding, Danmark
Bankers	Nordea Danmark, filial af Nordea Bank AB (publ)
Annual shareholders meeting	The Annual Shareholders meeting on 4 October 2018, at Ormhøjgårdvej 9, 8700 Horsens

Management's review

Financial highlights for the Group

In DKK millions, except for per share data	17 May 2017 – 30 April 2018
Key figures	
Revenue	1,319.9
EBITDA before special items	122.5
Operating profit before special items	35.2
Operating profit after special items	4.7
Net finance costs	-97.3
Result before tax	-92.6
Result for the year	-96.0
Non-current assets	2,035.9
Current assets	868.8
Total assets	2,904.7
Equity	881,9
Non-current liabilities	1,661.1
Current liabilities	361.8
Cash flows from operating activities	40.6
Cash flow from investing activities	-2,124.3
Cash flow from investments in fixed assets	24.0
Cash flows from financing activities	2,173.6
Total cash flows	88.9
Financial ratios	
EBITDA before special items margin	9.3%
Operating margin before special items	2.7%
Operating margin after special items	0.4%
Current ratio	240.1%
Equity ratio	30.4%
Return on equity	-7.2%
Earnings per share (in DKK)	-134.3
Dividend distributed per share (in DKK)	0.0
Average number of full-time employees	1,333

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios".

Definition of Financial ratios

EBITDA before special items margin:	*EBITDA before special items margin / Revenue *100*
Operating margin before special items:	*Operating margin before special items / Revenue *100*
Operating margin after special items:	*Operating margin after special items / Revenue *100*
Current ratio:	*Current assets / Current liabilities*100*
Equity ratio:	*Equity / Total assets * 100*
Return on equity:	*Net profit/loss for the year / Average equity in the year* 100* *(Opening equity is based on equity after total contribution)*
Earnings per share (in DKK):	*Net profit/loss for the year / Average number of shares*
Dividend distributed per share (in DKK):	*Dividend / Number of share at distribution*

Management's review

Business review

The Nissens Group develops, manufactures and markets cooling systems for the international automotive aftermarket and customized cooling systems for the renewable energy and special vehicles segments. The Nissens Group is considered a market-leading brand in the automotive aftermarket for thermal solutions. In addition, the Group is a leading global company in cooling systems for on- and offshore wind turbines and a leading niche manufacturer of cooling solutions for off-road applications. The Nissens Group is known for having a strong brand, a wide product range, consistently high service levels, product quality, engineering capabilities and for high-quality customisation and innovation as well.

The Nissens Group consists of two business units: Nissens Automotive, selling to wholesalers and distributers in the aftermarket, and Nissens Cooling Solutions, covering development and sales to two segments; the wind energy industry and the industrial segment, targeting respectively global wind turbine OEMs and global heavy-duty equipment OEMs.

The Nissens Group is headquartered in Horsens, Denmark, with most of the production being undertaken at two production facilities in Slovakia, three production facilities in Denmark and one production site in China. The Nissens Group consists of 22 Subsidiaries across three continents with activities within sales, production and distribution. As of 30 April 2018, the Nissens Group employs 1,333 FTEs, of which 692 are located in Slovakia, 448 are located in Denmark, 115 are located in China and 78 are employed in other countries.

History and recent developments

Nissens was established in 1921 by Mr. Julius Nissen and opened its first international offices in Finland and Sweden in 1977. In 2005 the Nissens Group established its first factory in Slovakia, and another factory was established in 2010 in Tianjin, China. Since 2013, the Nissens Group has established an assembly setup in North Carolina, USA, and it has also expanded its buildings in Slovakia.

In June 2017, AX V Nissens ApS acquired the entire share capital of K. Nissen International A/S from Advanced Cooling A/S.

Automotive Business Unit

The Automotive business unit is specialized in the production and supplying of products within engine cooling and climate solutions. As an independent aftermarket leading company of most essential thermal system components, the Nissens Group has a broad product portfolio coverage covering above 95% of the European car park including, *inter alia*, radiators, condensers, compressors and intercoolers. The product range of the Nissens Group covers products from the fast moving to the more special parts of the European, Asian and American vehicle brands.

Cooling Solutions Business Unit

The Cooling Solutions Business Unit is specialized in the development and production of customized cooling solutions for a number of application areas. The Cooling Solutions Business Unit fully manufactures products for its own end customers. The wind segment delivers cooling systems and modules

Management's review

Business review (continued)

to the wind industry, whereas the industry segment is focused on heavy-duty cooling solutions for special machinery such as construction equipment, mining machinery and agricultural machines.

Products

The Group offers a wide range of products within its two business units. Within the Automotive business unit, the Group offers products within two main categories: climate and engine cooling. Condensers, compressors, blowers, receivers, dryers, evaporators, heathers and fans are products offered within the climate category, and radiators, intercoolers, oil coolers and fan clutches are products offered within the engine cooling product category.

The main product categories offered within the Cooling Solutions business unit are wind turbine mechanical and electrical drive train cooling, converter & inconverter cooling, transformer cooling and climate control as well as system and module assembly for the wind industry for easy integration and final assembly by the wind industry OEMs.

Production and operations

The Nissens Group maintains six manufacturing facilities: three in Denmark, two production facilities in Slovakia and one production site in China.

Research & development

Research and development is essential in order to ensure future development and growth, and therefore the Nissens Group continues to spend considerable resources in R&D activities. The R&D activities and the test facilities drives a range of product applications for future launch and will support the ongoing product development activities.

Knowledge resources

At Nissens, we want all employees to be able to live up to the constantly changing demands relating to our working processes. As a result, we attach great importance to the training and education of our employees in order for each of them to be able at all times to deliver a good effort and a flawless product. The training takes place in both internal and external courses, and with this approach, we have gained a profound know-how of all the processes related to the processing of aluminium and the development of applications for thermal solutions.

Account of the gender composition of Management

Nissens has a policy for diversity and equality. The supervisory board is thus monitoring the gender and cultural mix across management levels.

It is our policy that regardless of gender, race, and religion, all employees must be treated equally in order to ensure that everyone has equal opportunities for employment. We want to increase the representation of women in the Group management team supporting the CEO, and we therefore strive to have at least one of each gender among the final candidates. The share of women in the Group management team supporting the CEO is 17%.

Business review (continued)

It was our aim that a minimum 20% of the supervisory board is represented by women compared to the current representation of 0%. The target has not been reached in 2017/18 due to lack of experienced female board members with specific industrial sector knowledge. It is the target that at least one woman is represented in the Board of Directors by 2021.

Financial review

AX V Nissens III ApS

The parent company was established on 17 May 2017 with the purpose of indirectly owning shares in AX V Nissens ApS. AX V Nissens ApS was established with the purpose of acquiring the shares in K. Nissen International A/S. This transaction was conducted 30 June 2017 from which date K. Nissen International A/S became a 100% owned subsidiary of the company.

The consolidated financial statement for the company consists of the parent company figures for the reporting year and the consolidated figures for the subsidiary K. Nissen International A/S for the year 1 July 2017 – 30 April 2018. Please note that this only constitutes 10 months of the financial year for K. Nissen International A/S, thus leaving out two months of the high season.

In addition, the consolidated financial statements for the company includes the impact from purchase price allocation (PPA) and conversion difference between the accounting policies, IFRS applied by the company, and the Danish GAAP accounting policies applied by K. Nissen International A/S.

The consolidated financial statements for the company for the financial year 17 May 2017 – 30 April 2018 show a net loss before tax of 92.6 MDKK, which is significantly impacted by special items of 30.6 MDKK and the impact from the purchase price allocation of 20.5 MDKK relating to expensing of fair value adjustment relating to finished goods and the order book. The special items consist mainly of acquisition costs and costs related to the implementation of IFRS. The conversion of the profit and loss account from Danish GAAP into IFRS has not identified any major gaps between the accounting policies applied in the two accounting frameworks. The difference primarily relates to the notes and to disclosures.

The consolidated balance sheet for the company includes intangible assets of 1,670 MDKK of which 1,665 MDKK are intangible assets relating to the acquisition of K. Nissen International A/S. Amortisation of intangible assets related to the acquisition of K. Nissen International A/S has had a negative impact on the profit and loss accounts of 56 MDKK. Goodwill of 937 MDKK has been allocated with 61% to the Automotive business unit and 39% to the Cooling Solution business unit. Due to the situation in the Wind market, an impairment test of goodwill allocated to the Cooling Solution business unit has been made. Cf. note 14 the impairment test did not identify any need for impairment write down.

With an equity of 882 MDKK, the Group has an equity ratio of 30.4%. The cash flow statement shows a positive cash flow of 89 MDKK for the year. The investment in subsidiaries of 2,097 MDKK has been financed through a bond-loan and PIK loan of 1,354 MDKK and share capital of 715 MDKK. Cash flow from operations amounts to 41 MDKK.

The financial results of the Automotive Business unit and the Industrial segment are in line with expectations and management regards the results of both as satisfactory. The wind Industry is undergoing a period of strategic change challenging the performance of the Nissens Group's Wind segment.

Management's review

Financial review (continued)

Except for the impact from the Wind segment and the special items in relation to the acquisition of K. Nissen International A/S, the Management regards the result of AX V Nissens III ApS for the year 17 May 2017 – 30 April 2018 as satisfactory.

Outlook

The Nissens Group expects an improved result in the financial year 2018/2019 compared to 2017/2018 with growth in Revenue to above 1,700 and an EBITDA above 200 MDKK.

K. Nissen International A/S

K. Nissen International A/S, the acquired company, realized according to Danish GAAP in the 12 months from 1 May 2017 to 30 April 2018 a consolidated Group Revenue of 1,676 MDKK (1,604 MDKK in 2016/17), EBITDA of 197 MDKK (207 MDKK in 2016/17), Profit before tax of 121 MDKK (177 MDKK in 2016/17) and a Profit for the year of 93 MDKK (136 MDKK in 2016/17). Cash flow from operating activities amounts to 110 MDKK (206 MDKK). Profit before tax for 2017/18 is negative effected by 43.6 MDKK from settlement of interest swap. Previous years unrealised fair value adjustment have been recognized as direct equity entries.

Events after the reporting period

After the balance sheet date, no events have occurred that may have influence on the assessment of the financial statement for the year 17 May 2017 – 30 April 2018.

Corporate Social Responsibility

Business model & Nissens' approach to Sustainability

Being a global production company, we believe that our responsibility is to reduce our environmental and climate footprint, and to support the health and safety of our employees. In 2018/19 we plan to become signatories to the UN Global Compact.

Human Rights
Nissens is committed to supporting and respecting the internationally proclaimed human rights.

Area	Risk	Action in 2017/2018	Results 2017/2018
Supply chain management	Adverse human rights, negative environmental impact, and corruption issues in supply chain.	We continue to specify our expectations to our suppliers in our Code of Conduct.	A selection of our suppliers have received our Code of Conduct.
Data privacy	Not handling personal and sensitive personal data and information compliant.	We have initiated the work of implementing adequate processes for the handling of personal and sensitive personal data and information. This work will continue in 2018/19.	All managerial staff in Denmark has received our Data Privacy Policy and procedures. Our target for 2018/19 is that all of our managers must have signed the Data Privacy Policy and other employees must have knowledge of the Data Privacy Policy.

Social & Labor Conditions
Our employees are our most important asset, and we are committed to supporting a safe and healthy work environment, where we reduce the risk of work-related accidents and injuries.

Area	Risk	Action in 2017/2018	Results 2017/2018
Employee development & satisfaction	High employee turnover	To ensure better onboarding of new employees at our main production site, we have introduced a training program for all new employees.	improvement of retention rate and improved the work environment at the main production site
Employee safety, health and well-being	Employees getting injured at work Risk of contributing negatively to illness, stress etc.	We have further formalized our approach to health and safety focus by defining a new policy and setting up new measurements of e.g. the development of injury rates.	In 2017/18, we had an incident rate of average 10 days as per 200,000 working hours in Denmark for blue collars. short-term sickness absence rates for both blue-collar and white-collar employees measured across Denmark, Slovakia and China were: Denmark: 2,42%, Slovakia: 2,68%, China: 0,97%
Diversity in other managerial positions	Risk of discriminating based on gender, race, religion, ethnicity when hiring new employees	During recruitment processes, we strive to have at least one of each gender represented at the last stage of the recruitment process, if the field of candidates allows for this.	In 2017/18, 16.7 % of Group management were female
Gender distribution at BoD and Management	Our board of directors currently consists of 7 members, of which 7 are male, and 0 are female. Nissens has a policy for diversity and equality. It is our policy that regardless of gender, race, and religion, all employees must be treated equally, in order to ensure that everyone has equal opportunities for employment. We want to increase the representation of women in the Group management team supporting the CEO and the Board of Directors, and we therefore strive to have at least one of each gender among the final candidates.		

Corporate Social Responsibility

Climate

We strive to minimize the risk of having an unnecessarily high impact on the climate through the optimization of our energy consumption and a reduction of our CO2 emissions. This is guided by our environmental and energy policies, which apply to all of Nissens' locations and define our work within environment and climate in our production sites.

Area	Risk	Action in 2017/2018	Results 2017/2018
Energy consumption	Unnecessary high energy consumption	In 2017/18 we have continued our work with optimizing production processes to reduce our energy consumption.	Continued reduction in electricity consumption in our brazing furnaces per kg of brazed Aluminium
CO2 emissions – scope 1	Unnecessary high climate impact through production	In 2017/18 we have continued our work with optimizing production processes to reduce our scope 1 CO2 emissions.	Continued reduction of gas used per m³/kg of brazed Aluminium.
CO2 emissions – scope 2	Unnecessary high climate impact through operations	In 207/18 we have continued our work with optimizing energy usage across production processes and buildings.	Continued CO2 emission reductions from improvements in production processes and implementation of LED lighting in our Slovakian factory

Environment

At Nissens, we strive to minimize the environmental footprint of our production through a continuous focus on resource optimization throughout our production facilities. Our environmental management system is certified according to ISO 14001 standards, and we have been working in a structured manner with the area for many years.

Area	Risk	Action in 2017/2018	Results 2017/2018
Waste	Excessive waste through production	We continuously work with optimizing our process waste. I.e. we have invested in a press for aluminium-chips at some of the CNC machines to reduce use of cooling lubricants	We managed to achieve considerable reduction of cooling lubricants

Anti-corruption

At Nissens, we are committed to upholding a high degree of business ethics in all the markets in which we operate, and we work against corruption in all of its forms. Our expectations regarding anti-corruption are specified in our Code of Conduct, which all of our employees must comply with.

Area	Risk	Action in 2017/2018	Results 2017/2018
Corruption	Employees engaging in corrupt acts	Our code of conduct is handed out to our employees during the onboarding process. In 2017/18 we have been working actively on implementing our whistleblower policy, which is expected to be fully implemented in 2018/19.	We have not identified any breaches with our code of conduct in the reporting year.

Special risks

Market risks:

Customer and market related risks are assessed as limited, considering the large spread of both customers and markets.

The Group is, however, reliant on effective international trade relations between nations.

Currency risks:

The majority of the Group's activities implies currency risks in connection with the purchase and sales of goods and services in foreign currencies. These currency risks are monitored and covered within the limitations of the financial policy approved by the board of directors.

Credit risks:

Nissens' activities imply a credit risk in connection with sales to customers in a number of countries throughout the world. We take measures to cover these outstanding debts in the best possible way – for instance by taking out credit insurances.

Main Elements of the Group's Internal Control and Risk Management Systems in Connection with Financial Reporting

Financial Reporting Process

The Board of Directors and the Executive Board have the overall responsibility for the Group's control and risk management including financial reporting and compliance with relevant legislation and regulations.

Control Environment

The Board of Directors and the Executive Board determine and approve the overall policies, procedures and controls in key areas of the accounting process, including business procedures and internal controls.

The Board of Directors and the Executive Board receive monthly reports with detailed financial follow-up.

The Board meets at least five times annually.

Audit Committee

The Audit Committee function is carried out by the entire Board of Directors.

Audit

A state-authorized audit company is selected to carry out the audit at the discretion of the Board. The auditor shall submit a long-form audit to the entire Board of Directors, and in addition, immediately after the finding of any fact that the Board should relate to. The Board of Directors and the Executive Management will assess the auditor's independence, competencies, etc.

Code of Corporate Governance

The DVCA guidelines for Corporate Governance is planned to be implemented in the financial year 2018/19.

Board of Directors

Lars Cordt

Partner, Axcel Management A/S, Chairman, AX V I Nissens III ApS, Chairman, AX Mita Invest ApS, Chairman, AX V INVE3 Holding III ApS, Deputy Chairman, Mita-Teknik A/S, Deputy Chairman, Mita-Teknik Invest 1 A.

Asbjørn Mosgaard Hyldgaard

Asbjørn Mosgaard Hyldgaard is a member of the board in BALL INVEST ApS and associated companies BALL ApS, BALL HOLDING ApS and AX BALL INVEST ApS, AXBL INVCO ApS, AX V GUBI Holding III ApS and the associated companies AX V GUBI Holding II (deputy chairperson) ApS, AX V GUBI Holding I ApS (deputy chairperson), GUBI Group ApS (deputy chairperson) and GUBI A/S (deputy chairperson), and member of the board of AX V INV4 Holding III ApS.

Asbjørn Mosgaard Hyldgaard is legal owner of MNGT4 AH ApS.

Peter Nyegaard

Peter Nyegaard is member of the board in ØENS MURERFIRMA A/S, FIH A/S and the associated company FIH Holding A/S (chairperson), AXBL INVCO ApS (chairperson), AX IV EG HOLDING ApS, DANMARKS SKIBSKREDIT A/S (deputy chairperson), AX BALL INVEST ApS (chairperson), MNGT2 ApS, AX MITA INVEST ApS, AX IV EG INV 1 ApS, AX V INV4 Holding III ApS, AX IV CON ApS, FRONTMATEC HOLDING III ApS (founder) and the associated companies FRONTMATEC HOLDING II ApS and FRONTMATEC HOLDING I ApS, AX IV HoldCo P/S, Yggdrasill ApS, MOUNTAIN Top Holding III ApS and associated companies MOUNTAIN Top Holding II ApS and MOUNTAIN Top Holding I ApS.

Peter Nyegaard is a Member of management in JNP AX-III INV ApS and Yggdrasill ApS.

Peter Nyegarrd is Legal- and beneficial owner of Yggdrasill ApS.

Executive Management

Jesper Frydensberg Rasmussen

Member of the board in Frontmatec Holding III ApS and associated companies, Ax V INV1 Holding III OY and associated companies, Ax V INV2 Holding III AB and associated companies, AX V ISADORA Holding III AB and associated companies and Loopia AS.
Member of management in JNP AX-III INV ApS, AXBL INVCO ApS, AX IV EG HOLDING ApS, AX BALL INVEST ApS, MNGT2 ApS, JEBA INVEST ApS, AX MITA INVEST ApS, AX IV EG INV 1 ApS, AX IV CON ApS, AX V Nissens III ApS and associated companies, Mountain Top Holding III ApS and associated companies, AX V GUBI Holding III ApS og AX V INV4 Holding III ApS.

Consolidated financial statements

Income statement

For the year 17 May 2017 - 30 April 2018

Note	DKK'000	2017/2018
3	Revenue	1,319,866
	Cost of raw materials and consumables	-692,968
	Other operating income	7,892
	Other external costs	-202,841
4	Staff costs	-309,470
	EBITDA before special items	**122,479**
6	Depreciation and amortisation	-87,247
	Operating profit before special items	**35,232**
7	Special items	-30,565
	Operating profit after special items	**4,667**
11	Finance income	2.445
11	Finance costs	-99,741
	Result before tax	**-92,629**
12	Tax	-3,332
	Result for the year	**-95,961**
	Attributed to:	
	Majority interests of AX V Nissens III ApS	-71,692
	Minority interests	-24,269
		-95,961

Consolidated financial statements

Statement of other comprehensive income

For the year 17 May 2017 - 30 April 2018

Note	DKK'000	2017/2018
	Result for the year	**-95,961**
	Other comprehensive income	
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	
	Exchange differences on translation of foreign operations	1,570
	Unrealized gain on interest rate swap	-1,611
		-41
12	Income tax effect	83
	Other comprehensive income/(loss) for the year, net of tax	**42**
	Total comprehensive income/(loss)	**-95,919**
	Attributed to:	
	Majority interests of AX V Nissens III ApS	-71,661
	Minority interests	-24,258
		-95,919

Consolidated financial statements

Balance sheet

Note	DKK'000	30 April 2018
	ASSETS	
	Non-current assets	
13	Intangible assets	1,669,867
15	Property, plant and equipment	359,777
10	Investments in associates	18
12	Deferred tax assets	4,792
	Deposits	1,485
	Total non-current assets	**2,035,939**
	Current assets	
16	Inventory	441,559
17	Trade and other receivables	338,299
	Cash and cash equivalents	88,921
	Total current assets	**868,779**
	TOTAL ASSETS	**2,904,718**
	EQUITY AND LIABILITIES	
	Equity	
18	Share capital	715
	Foreign currency translation reserve	248
	Retained earnings	646,372
	Majority interests of AX V Nissens III ApS	647,336
	Minority interests	234,540
	Total equity	**881,876**
	Non-current liabilities	
20	Borrowings	1,464,103
12	Deferred tax liabilities	191,754
19	Provisions	5,214
	Total non-current liabilities	**1,661,071**
	Current liabilities	
21	Trade and other payables	337,369
12	Income tax payable	19,403
19	Provisions	4,999
	Total current liabilities	**361,771**
	Total liabilities	**2,022,842**
	TOTAL EQUITY AND LIABILITIES	**2,904,718**

Consolidated financial statements

Cash flow statement

For the year 17 May 2017 - 30 April 2018

Note	DKK'000	30 April 2018
	Operating activities	
	Result before tax for the year	-92,629
6	Depreciation and amortisation	87,247
	Net foreign exchange differences	817
	Gain/loss on disposal of property, plant and equipment	74
	Movements in provisions	-653
11	Finance income	-2,443
11	Finance expenses	99,791
5	Share-based payment expense	5,445
22	Changes in working capital	-19,668
		77,981
12	Income tax paid/received	-37,347
	Net cash flows from operating activities	**40,634**
	Investing activities	
13	Purchase of intangible assets	-2,138
	Development expenditures capitalized	-1,090
15	Purchase of property, plant and equipment	-23,999
15	Proceeds from sale of property, plant and equipment	254
	Change in deposits	217
23	Investments in subsidiaries	-2,097,571
	Net cash flows used in investing activities	**-2,124,327**
	Financing activities	
	Shareholders contribution	972,300
20	Proceeds from borrowings	1,354,586
20	Repayment of borrowings	-102,693
11	Net interest paid	-51,579
	Net cash flows from financing activities	**2,172,614**
	Cash flow for the year	**88,921**
	Cash and cash equivalents at 30 April	**88,921**

The Group has unused credit facilities amounting to 124 MDKK.

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Statement of changes in equity

For the year 17 May 2017 - 30 April 2018

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
Equity 17 May 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income 30 April 2018							
Result for the year	0	0	0	-71,692	-71,692	-24,269	-95,961
Other comprehensive income							
Unrealized loss on interest rate swap	0	0	0	-1,182	-1,182	-429	-1,611
Exchange differences on translation of foreign operations	0	0	248	904	1,152	418	1,570
Tax on other comprehensive income	0	0	0	61	61	22	83
Total other comprehensive income	**0**	**0**	**248**	**-217**	**31**	**11**	**42**
Total comprehensive income for the year	**0**	**0**	**248**	**-71,909**	**-71,661**	**-24,258**	**-95,919**
Transactions with owners							
Capital injection	50	0	0	0	50	0	50
Increase share capital	665	714,285	0	0	714,950	257,350	972,300
Transfer	0	-714,285	0	714,285	0	0	0
Equity-settled share-based payments	0	0	0	3,997	3,997	1,448	5,445
Total transactions with owners	715	0	0	718,282	718,997	258,798	977,795
Equity 30 April 2018	**715**	**0**	**248**	**646,372**	**647,336**	**234,540**	**881,876**

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Overview of notes for the consolidated financial statements

Consolidated financial statements

Notes

1 Accounting policies

AX V Nissens III ApS is a private limited company registered in Denmark. The financial statements section of the Annual Report for the year 17 May 2017 - 30 April 2018 comprises both the consolidated financial statements of AX V Nissens III ApS and its subsidiaries (the Group) and the separate parent company financial statements. The Company was established 17 May 2017, and hence, this is the first year for which financial statements have been prepared. As such, no comparative information exists for the Group and the Company. The subsidiary K. Nissen International A/S has been included in the income statement for the year 1 July 2017 – 30 April 2018, as the subsidiary was acquired 30 June 2017.

The consolidated financial statements for AX V Nissens III ApS for the year 17 May 2017 - 30 April 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statement Act.

The Board of Directors and the Executive Board have on 4 October 2018 discussed and approved the Annual report for AX V Nissens III ApS for the year 17 May 2017 - 30 April 2018.

Basis of preparation

The consolidated financial statements and the separate financial statement have been presented in Danish kroner, rounded to the nearest DKK thousand.

Consolidated financial statements

The consolidated financial statements comprise AX V Nissens III ApS (the parent) and the subsidiaries controlled by the parent. The Group controls an entity if the Group directly or indirectly owns more than 50% of the voting rights, or when the Group in one way or another has the ability to have a controlling influence. Companies wherein the Group directly or indirectly holds between 20% and 50% of the voting rights and has significant but not controlling influence are seen as associates. Please refer to the overview of the Nissens Group in note 9.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains on intra-group transactions are eliminated. Unrealized gains on transactions with associates are eliminated in proportion to the Group's interest in the entity.

Business combinations and goodwill

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognized in the consolidated profit or loss until the date of disposal and settlement date.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets, including goodwill at the date of disposal and costs of disposal.

The purchase method is applied to acquisitions of new businesses over which AX V Nissens III ApS obtains control. The acquired businesses' identifiable assets and liabilities are measured at fair value at the acquisition date. In connection with the acquisition, provision is made for the costs associated

Notes

1 Accounting policies (continued)

with the decided and published restructurings in the acquired business. Deferred tax related to the fair value adjustments that have been identified are recognized.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred (a bargain purchase), then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Gains and losses at disposal of subsidiaries

Gains and losses at disposal or settlement of a subsidiary are calculated as the difference between the selling price or the disposal value and the carrying amount of the net assets, respectively, at the disposal or settlement date, including goodwill and the expected costs of sale or disposal.

Foreign currency translation

On initial recognition, foreign currency transactions are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognized in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the date of the statement of financial position. The difference between the exchange rates at the end of the year and at the date at which the receivable or payable arose or was recognized in the latest annual report is recognized in profit or loss as financial income or financial expenses.

Foreign subsidiaries are seen as independent units. The profit or loss is translated at an average exchange rate for the month, and the statement of financial position are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of such entities at closing rates and on translation of profit or loss at average exchange rates to the closing rates are recognized in other comprehensive income.

Foreign exchange adjustments of balances with the independent foreign subsidiaries considered a part of the total net investment in foreign operations are recognized under a separate translation reserve in equity.

Revenue

Revenue from sale of goods for resale and finished goods is recognized in the income statements provided that risks and rewards have been transferred to the buyer and that the income can be reliably measured and is expected to be received. In general, this is considered to occur at the time of physical delivery. The only exception to this is bill and hold arrangements, cf. below.

The buyer has, in some cases, a right to return. The Group recognizes revenue for this at the time of the physical delivery to the buyer to the extent that it can be reliably measured how much of the delivery, after the balance sheet date, cannot be returned.

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

1 **Accounting policies (continued)**

Bill and hold arrangements

In some cases, the customers request that the delivery be postponed. In addition to the usual recognition criteria, all of the following criteria are required to be met for the Group to recognise revenue upon the time of planned delivery:

a) the reason for the bill and hold arrangement must be substantive (for example, the arrangement might be requested by the customer because of a lack of physical space to store the goods);

b) The product must be identified separately as belonging to the customer (that is, it cannot be used by the Group to satisfy other orders);

c) The product must currently be ready for physical transfer to the customer; and

d) The Group cannot have the ability to use the product or to direct it to another customer.

Other external expenses

Other external expenses include expenses in regards to the company's principal activities arising during the year. This includes expenses for sales, advertisement, administration, office buildings, debit losses etc.

Staff costs

Staff costs include wages and salaries, including holiday pay and pensions, as well as other expenses for social security, etc. for the Group's employees. In the staff costs, compensation received from public authorities has been subtracted.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognized in employee benefits expense together with a corresponding increase in equity (other capital reserves) over the year in which the service, and, where applicable, the performance conditions, are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a year represents the movement in cumulative expense recognized as the beginning and end of that year.

Special items

Special items include significant income and expenses of a special nature in terms of the Group's revenue-generating operating activities that cannot be attributed directly to the Group's ordinary

Notes

1 Accounting policies (continued)

operating activities. Such income and expenses include transaction costs in a business combination.

Finance income and expenses

Finance income and expenses are recognized in the income statement for the amounts that correspond to the transactions of the current financial year. Finance income and expenses comprise interest income and expenses, exchange gains and losses on transactions denominated in foreign currencies etc., as well as surcharges and allowances under the on-account tax scheme, etc.

Income tax

Current income tax

AX V Nissens III ApS is jointly taxed with all its Danish parent companies and subsidiaries. The subsidiaries are included in the joint taxation from the date which they are included in the consolidation and until the date which they are excluded from the consolidation.

The Company's ultimate parent company, AX V Nissens III ApS, is the administrative company for the joint taxation and settles the payments of the joint taxation with the taxation authorities.

The actual corporation tax is distributed by settling joint taxation contributions between the jointly taxed companies relatively to their income. The companies with a tax deficit receive a joint tax contribution from the companies which have been able to apply the deficit for reducing their own taxable surplus.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Tax for the year, which comprises the year's current tax charge, the year's joint tax contribution and deferred tax adjustments – including the adjustment of the tax rate – is recognized in the income statement for the share which is attributable to the profit for the year, and in other comprehensive income, with the share attributable to entries recognized in other comprehensive income.

Income tax and deferred tax

Current tax payables and receivables are recognized 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 recognized on temporary differences relating to assets and liabilities without affecting either the profit/loss for the year or the taxable income.

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

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Notes

1 Accounting policies (continued)

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. Deferred tax assets are recognized 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.

Joint taxation contribution payable and receivable is recognized in the balance sheet as "Income tax receivable" or "Income tax payable".

Balance sheet

Goodwill

Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash flow generating units as defined by Management. The determination of cash generating units complies with the managerial structure and the internal control and reporting in the Group.

Other intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives are recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Rights and development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are demonstrated, and where the Group intends to complete and use the individual project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognized under research and development costs in the income statement as incurred. Rights and development projects are measured at cost less accumulated amortisation and impairment.

Cost comprises external expenses as well as internal directly related wages and salaries attributable to the development project. Other development costs are recognized in the income statement as they arise.

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Notes

1 Accounting policies (continued)

Rights and development expenses, which are recognized in the balance sheet, are initially measured at cost and subsequently at cost less accumulated amortisation and impairment losses.

Following the completion of development work, development costs are amortized on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is:

Development projects	5 years
Brand	15 years
Acquired intangible assets	10 years

Gains and losses from sale of rights and development projects is calculated as the difference between the sales prices less sales expenses and the carrying amount at the date of sale. Gains and losses are recognized in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Leasehold improvements and other fixtures and fittings 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 for a total asset is split in separate components, which are depreciated separately, if the useful life of each of the components differ.

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

Buildings	20-25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-7 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When the depreciation period or the residual value is changed, the effect on depreciation is recognized prospectively as a change in accounting estimates.

Gains and losses at sale of property, plant and equipment is calculated as the difference between the sales price less the sales expenses and the carrying amount at the date of sale. Gains or losses are recognized in the income statement as the item other operating income and other operating expenses, respectively.

Land is not depreciated.

Investments in associates

The Group's investments in associates are accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the

1 Accounting policies (continued)

associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results from operations of the associate. Any change in OCI of those investees is presented as part of the OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date's fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Impairment of non-current assets

If there is an indication of impairment, the carrying amount of intangible assets and property, plant and equipment as well as investments in associates is tested for evidence of impairment.

When there is evidence that assets may be impaired, an impairment test is performed for each of the assets/group of assets. An impairment is recognized at the recoverable amount, if this is lower than the carrying amount.

The recoverable amount is the higher of the value in use or fair value less costs of disposal.

During the period of development, development costs are tested annually for impairment.

Notes

1 Accounting policies (continued)

Inventory

Inventory is measured at cost according to the FIFO method. If the net realisable value is lower than the cost, then they are impaired to the lower value.

Cost of goods for resale as well as raw materials and consumables includes the purchase price plus the delivery cost, as well as indirect production expenses in terms of leaflets, packaging for goods for resale. Expenses in terms of external storage fees are added as well.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effectuate the sale, and taking into account marketability, obsolescence and developments in the expected selling price.

Trade receivables

Trade receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method, less impairment. Any losses arising from write-down are recognized in the income statement as other external costs.

Prepayments, assets

Prepayments recognized under "Current assets" comprise expenses incurred concerning subsequent financial periods.

Equity

Dividend

Proposed dividends for the year are recognized as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividends expected to be distributed is disclosed as a separate item under equity.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired business' identifiable assets, liabilities and contingent liabilities.

Other provisions

Provisions are recognized 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 and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Notes

1 Accounting policies (continued)

Warranty provisions
Provisions for warranty-related costs are recognized when the product is sold or a service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

In Automotive, the standard terms is a 12-month warranty period. In Cooling Solution, warranty conditions are in general negotiated on a customer level.

Trade and other payables

The Group's financial liabilities include trade and other payables. Trade payables are non-interest bearing and are settled on normal market terms. Other payables are non-interest bearing.

Liabilities

Financial liabilities are recognized at the date of borrowing at fair value less directly attributable transaction costs paid. On subsequent recognition, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan. Non-financial liabilities are measured at net realisable value.

Derivatives

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of forward currency contracts are taken directly to profit or loss (financial income and expense) as hedge accounting has not been applied for the period. Any gains or losses arising from changes in the fair value of interest rate swaps are recognized directly in other comprehensive income as hedge accounting has been applied.

Fair value

Fair value measurements are based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1 Value in an active market for similar assets/liabilities

Level 2: Value based on recognized valuation methods on the basis of observable market information

Level 3: Value based on recognized valuation methods and reasonable estimates (non-observable market information).

Notes

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year’s changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognized up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, paid interest on interest-bearing debts, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank overdrafts.

Consolidated financial statements

Notes

2 Significant accounting judgements, estimates and assumptions

Share-based payments

Estimating fair value for share-based payment transactions requires a determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires a determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The fair values of awards granted were determined using the Black-Scholes Model that takes into account factors specific to the share incentive plans, such as the vesting period.

The inputs used for the valuation model include, among others, the exercise price of the award, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate.

Detailed information related to share-based payment is included in note 5.

Purchase price allocation

In June 2017, the Company acquired K. Nissen International A/S by purchasing 100% of the outstanding shares. K. Nissen International's assets, liabilities and contingent liabilities have been recognized under the purchase method in the consolidated financial statements of AX V Nissens III ApS. The key assets of K. Nissen International A/S are goodwill, other intangible assets, property, plant and equipment, inventories and trade receivables. Especially with regard to the other intangible assets acquired, there are no efficient markets to be used to determine fair value. Management has therefore made an estimate in connection with the calculation of the fair value of the acquired assets and liabilities at the date of acquisition and has allocated the purchase price on that basis, see note 23. The fair value calculation is subject to uncertainty. The unallocated part of the purchase price has been recognized as goodwill related to new customers, new technology, market development and work-force.

Impairment tests for goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in Note 14. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Inventories

The net realisable value of inventories is calculated as selling price less costs of completion and costs necessary to make the sale. The Group and Management have a strong focus on inventory turnover and are continuously working with procedures to reduce risk of obsolescence. The Group has implemented fixed procedures to calculate obsolescence on stock.

Consolidated financial statements

Notes

2 Significant accounting judgements, estimates and assumptions (continued)

Receivables

Estimates are used in determining the level of receivables that cannot be collected according to Management. When evaluating the adequacy of the allowance for doubtful receivables, Management analyses trade receivables and examines changes in customer creditworthiness, reports from credit insurance companies, customer payment patterns and current economic trends.

3 Segment information

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments which are as follows:

- Nissens Automotive
- Nissens Cooling Solutions

No operating segments have been aggregated to form the above reportable operating segments.

The Management of AX V Nissens III ApS monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Financial year ended 30 April 2018	**Automotive**	**Cooling Solution**	**Total segments**	**Unallocated**	**Consolidated**
	MDKK	**MDKK**	**MDKK**	**MDKK**	**MDKK**
Revenue					
External customers	661.7	658.2	1,319.8	0	1,319.9
Operating profit after special items	**23.6**	**-18.8**	**4.8**	**0**	**4.8**
Total assets	1,644.7	1,166.3	2,811.0	83.1	2,894,1
Total liabilities	-325.6	-215.5	-541.1	-1,171.9	-1,713.0
	1,319.1	950.8	2,269.9	-1,088.8	1,181.1

There has not been allocated any equity, borrowings, cash, deferred tax and tax payables to the two operating segments.

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Notes

3 Segment information (continued)

Geographic information

DKK'000	17 May 2017 – 30 April 2018
Revenue from external customers	
Denmark	213,674
Germany	199,359
Other	906,833
Total	1,319,866

The revenue information above is based on the location of the customers. Denmark and Germany are the only countries with a sale of more than 10% of total revenue.

There is only one customer who has a sale of more than 10% of the total revenue. Revenue from this customer is in the range 10%-20% of the total revenue.

DKK'000	30 April 2018
Non-current operating assets	
Denmark	1,914,371
Slovakia	102,616
China	10,591
Other	2,066
Total	2,029,644

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

4 Staff costs

DKK'000	17 May 2017 – 30 April 2018
Wages and salaries	287,860
Pensions	2,989
Employee benefits/other remunerations	14,060
Share-based payments	5,445
Of which are development costs and own manufactured assets	-884
Total employee benefit expense	309,470
Average number of full-time employee	1,333

Notes

4 Staff costs (continued)

Remuneration to the board of directors for the year ended 30 April 2018.

DKK'000	Board of directors
Wages and salaries	198
Pensions	0
Share-based payments	795
	993

Remuneration to board of directors is paid-out from AX V Nissens ApS.

5 Share-based payments

In the financial year other executive employees were granted warrants to purchase 8,799,450 shares in AX V Nissens II ApS at a given exercise price. The warrants under the 3 programs will vest on 30 June 2021 or at an earlier date if the activities of the Group are disposed of in an Exit situation. The warrant programs are contingent on continued employment in the Group.

The fair value of the granted warrants is estimated using the Black-Scholes model. The value is calculated applying the following assumptions:

Estimated volatility (based on a selected peer-group)	30%
Risk free interest rate	-0.43%
Vesting period	3-4 years
Market value per share	DKK 10

Every warrant grants the right to buy one share in AX V Nissens II ApS at a nominal value of DKK 0.01 at a price of DKK 10 + 8% p.a.

Specification of outstanding share options

	Other executive employees
Granted	8,799,450
Outstanding at 30 April 2018	8,799,450

No warrants are exercised as at 30 April 2018.

Consolidated financial statements

Notes

5 Share-based payments (continued)

At 30 April 2018, the expense in regard to share-based payments recognized in the income statement amounts to 5,445 DKK'000.

The fair value per warrant at grant dates was estimated to be DKK 1.11 - 1.19.

6 Amortisation and depreciation

DKK'000	17 May 2017 – 30 April 2018
Amortisation, intangible assets	58,329
Depreciation, property, plant and equipment	28,918
	87,247

7 Special items

DKK'000	17 May 2017 – 30 April 2018
Transaction costs directly related to acquisition of K. Nissen International A/S.	29,230
Cost related to implementation of IFRS	1,335
	30,565

8 Fees paid to auditors appointed at the annual general meeting

DKK'000	17 May 2017 – 30 April 2018
Statutory audit	1,456
Other assurance services	840
Tax and VAT advisory services	165
Other services	29
	2,490

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9 Investments in subsidiaries

Name	Legal form	Registered office	Ownership 30 April 2018
Subsidiaries			
AX V Nissens II ApS	ApS	Horsens, Denmark	73,4%
AX V Nissens I ApS	ApS	Horsens, Denmark	100%
AX V Nissens ApS	ApS	Horsens, Denmark	100%
K. Nissen International A/S	A/S	Horsens, Denmark	100%
Subsidiaries of K. Nissen International A/S			
Nissens A/S	A/S	Horsens, Denmark	100%
Nissens UK Ltd	Ltd	England	100%
Nissen France EURL	EURL	France	100%
Radiadores Nissen S.A.	S.A	Spain	100%
Nissens Sverige A.B.	A.B	Sweden	100%
Nissens Schweiz A.G.	A.G	Switzerland	100%
Nissens Portugal LDA	Lda.	Portugal	100%
Chlodnice Nissens Polska Sp.zo.o.	Sp. Zo.o	Poland	100%
Nissens Belgium S.A.	S.A	Belgium	100%
Nissens Hungaria Jarmuhuto Kft	Ktf.	Hungary	100%
Nissens Italia S.R.L.	S.r.l	Italy	100%
Nissens Finland OY	OY	Finland	100%
Nissens North America Inc	Inc,	USA	100%
Nissens Slovakia S.R.O.	S.r.o	Slovakia	100%
Nissens Ukraine Ltd	Ltd.	Ukraine	100%
Nissens Cooling Solutions Inc	Inc	USA	100%
Nissens Cooling Systems (Tianjin) Co Ltd	Ltd.	China	100%
Nissens Deutschland GmbH	GmbU	Germany	100%
Nissens Slovakia North S.R.O.	S.r.o	Slovakia	100%
Nissens (Shanghai) Auto Parts Trading Ltd.	Ltd.	China	100%

10 Investments in associates

	30 April 2018
Nissens Japan	18
	18

The Group has a 20% interest in Nissens Japan, which is involved in the Automotive aftermarket in Japan. Nissens Japan is a private entity that is not listed on any public exchange. The Group's interest in Nissens Japan is accounted for using the equity method in the consolidated financial statements.

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11 Net finance costs

Finance income **DKK'000**	**17 May 2017 – 30 April 2018**
Interests – bank deposits etc.	67
Foreign exchange gains	2,378
Total finance income	2,445
Interest on financial assets measured at amortized cost	67

Finance costs **DKK'000**	**17 May 2017 – 30 April 2018**
Interests – borrowings	88,572
Interests – other	2,816
Foreign exchange losses	3,095
Amortisation establishment costs borrowings	5,206
Other finance costs	52
Total finance costs	99,741
Interest on financial liabilities measured at amortized cost	91,388

12 Income tax

Income statement

DKK'000	**17 May 2017 – 30 April 2018**
Tax for the current year can be specified as follows:	
Tax of the result of the year	3,332
Tax on other comprehensive income	-83
	3,249

DKK'000	**17 May 2017 – 30 April 2018**
Tax for the current year can be specified as follows:	
Current income tax charge	21,008
Change in provision for deferred tax	-17,676
	3,332

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12 Income tax (continued)

Tax on profit for the year can be explained as follows:

	17 May 2017 – 30 April 2018
Accounting profit before income tax	
Calculated 22 % tax on loss for the year	-20,378
Difference in the tax rate in foreign subsidiaries relative to 22%	1,820
Tax effect of:	
Non-deductible acquisition costs	6,431
Interest limitation according to § 11 B in the Danish Corporate Tax Law	14,241
Other non-deductible expenses	1,218
	3,332
Effective tax (%)	-3.6%

Tax on other comprehensive income

	17 May 2017 – 30 April 2018		
DKK'000	**Before tax**	**Tax**	**After tax**
Fair value adjustment of interest rate swap	-1,611	354	-1,257
Exchange differences on translation of foreign operations	1,570	-271	1,299
	-41	83	42

Deferred tax

DKK'000	**30 April 2018**
Deferred tax 17 May 2017	0
Deferred tax on acquisition balance	204,638
Deferred tax for the year recognized in profit for the year	-17,676
Deferred tax 30 April 2018	186,962
Reflected in the statement of financial position as follows:	
Deferred tax assets	4.792
Deferred tax liabilities	191.754
Deferred tax 30 April 2018, net	186,962

Notes

12 Income tax (continued)

DKK'000	30 April 2018
Deferred tax relates to:	
Intangible assets	161,278
Property, plant and equipment	34,335
Trade and other receivables	980
Inventory	-3,810
Borrowings	-1,996
Provisions and other liabilities	-3,125
Tax losses	-700
	186,962

Tax losses of 700 DKK'000 recognized as deferred tax relates to tax loss to be carried forward from Nissens Cooling System (Tianjin) Co Ltd. The tax losses are expected to be used in the current financial year.

In addition to the tax loss recognized in the balance sheet, the Group has total unrecognized tax loss of 870 DKK'000 which, due to the uncertainty of the future utilization has not been recognized in balance sheet. The tax losses can be carried forward as follow:

DKK'000	30 April 2018
Financial year 2018/19	230
Unlimited	640
Unrecognized tax loss to be carried forward 30 April 2018	870

The Group has 2 subsidiaries in China for which future dividend payments will be charged a withholding tax in the range of 5 – 10%. The potential withholding tax amounts to 1,139 – 2,279 DKK'000.
The withholding tax has not been recognized in the balance sheet as there are no current plans for dividends payments from the subsidiaries in China.

Income tax payable

DKK'000	30 April 2018
Income tax payable 17 May 2017	0
Income tax from acquisition balance	35,742
Current tax for the year	21,008
Corporation tax paid during the year	-37,347
Income tax payable 30 April 2018	19,403

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13 Intangible assets

DKK'000	Goodwill	Brand	Acquired intangible assets	Rights	Develop-ment in progress	Total
Cost 17 May 2017	0	0	0	0	0	0
Additions from acquisition	936,577	331,721	452,969	3,701	0	1,724,968
Addition	0	0	0	2,138	1,090	3,228
Cost 30 April 2018	936,577	331,721	452,969	5,839	1,090	1,728,196
Amortisation and impair-ment 17 May 2017	0	0	0	0	0	0
Amortisation	0	18,429	37,754	2,146	0	58,329
Amortisation and impair-ment 30 April 2018	0	18,429	37,754	2,146	0	58,329
Carrying amount 30 April 2018	936,577	313,292	415,215	3,693	1,090	1,669,867

Acquired intangible assets consists primarily of customers and technology/know-how with carrying amounts of 242.8 MDKK and 172.4 MDKK respectively and with remaining lives of 9 years.

Total costs related to R&D activities amount to 26.0 MDKK for the year 1 July – 30 April 2018 of which 1.1 MDKK have been capitalized as development in progress.

14 Impairment test

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill from the acquisition of K. Nissen International A/S is by the management monitored at segment level and therefore allocated to the two segments - Automotive and Cooling Solutions.

All individual assets or cash-generating units are tested for impairment in circumstances in which indicators of impairment are identified and therefore, the carrying amount may not be recoverable.

The carrying amount of goodwill is related to the two segments as follows:

Notes

14 Impairment test (continued)

DKK'000	Goodwill	Share
Automotive	572,309	61%
Cooling Solution	364,268	39%
Total	936,577	100%

Goodwill is tested for impairment once a year and more often in the case of impairment indicators. As of 30 April 2018, there has not been made any impairment test of goodwill allocated to Automotive as there has not been such impairment indicators during the year. For goodwill allocated to the Cooling Solution segment, an impairment test has been carried out as the price reductions announced by the Wind Industry in the period 1 July – 30 April 2018 is expected to have a future impact on the segment's financial performance.

The recoverable amount is based on value in use, which is calculated by means of expected net cashflows on the basis of forecasts for 2018/19 – 2022/23 approved by the Executive Board.

The forecast for 2018/19 - 2022/23 is based on the expected market developments including growth in wind market and expected price levels. The discounts rates applied are in line with the discount rates applied on the purchase price allocation as of 30 June 2017. No impairment has been recognized as the impairment test indicates a headroom in the range of 5 MDKK –10 MDKK between calculated value used and the carrying amount of net assets in the Cooling Solution segment.

Amongst other things, the Automotive sales volume is driven by development in the car park in markets where Nissens is present. Cooling Solutions sales volume is driven by things such as the performance of the global Wind industry and the general macro-economic trends.

The key assumptions underlying the calculation of recoverable amounts and the tolerable sensitivities hereon are:

	Automotive	Cooling Solution	
	Used	Used	Sensitivity
Growth rates 2018/19 – 2022/23	8.0%	9.5%	0,3%
Growth rate in terminal period	2.0%	2.0%	0,1%
Discount rate (WACC)	8,9%	10.0%	0,1%

Going forward the discount rates applied are expected to be in the range of 7% - 10%.

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15 Property, plant and equipment

DKK'000	Construc-tion in progress	Land and buildings	Plant and machinery	Other fix-tures and fittings	Total
Cost 17 May 2017	0	0	0	0	0
Additions from acquisition	5,301	273,978	80,607	4,977	364,863
Currency translation	0	164	36	74	274
Additions	1,124	8,846	6,369	7,660	23,999
Transferred	-3,490	0	3,490	0	0
Disposals	0	-19	-285	-137	-441
Cost 30 April 2018	2,935	282,969	90,217	12,574	388,695
Depreciation and impairment 17 May 2017	0	0	0	0	0
Depreciation	0	12,524	9,073	7,321	28,918
Impairment	0	0	0	0	0
Depreciation and impairment 30 April 2018	0	12,524	9,073	7,321	28,918
Carrying amount 30 April 2018	2,935	270,445	81,144	5,253	359,777
Of which are finance lease assets	0	0	0	0	0

16 Inventory

DKK'000	30 April 2018
Raw materials and consumables	88,933
Work in progress	105,253
Finished goods	247,373
	441,559

There has not been identified any needs to increase write-down of goods to net realization value since the acquisitions balance as of 30 June 2017.

17 Trade and other receivables

DKK'000	30 April 2018
Receivables from sales	299,507
Market value of interest FX contracts	1,010
Other receivables	32,826
Prepayments	4,956
	338,299

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17 Trade and other receivables (continued)

Ageing of trade receivables are specified as following

DKK'000	30 April 2017
Not due	275,408
Trade receivable overdue by 0 – 30 days	21,776
Trade receivable overdue by 31 - 90 days	2,323
	299,507

Provision for bad debts are specified as following

DKK'000	30 April 2018
17 May 2017	0
Addition in year	483
Utilised	0
	483

18 Equity

Capital management

On a regular basis, the Executive Board assesses whether the Group has an adequate capital structure, just as the board of Directors regularly evaluates whether the Group's capital structure is in line with the best interests of the Group and its stakeholders.

The current capital structure was implemented to support the acquisition of K. Nissen International A/S in June 2017, and the Management's assessment is that the current capital structure is sufficient to support the Group's strategy plans. According to the current policy, the Group does not distribute dividend.

	Issued shares	
	Number	Nominal value
DKK'000	30 April 2018	30 April 2018
17 May 2017	50,000	50,000
Additions	665,000	665,000
30 April 2018 – fully paid	715,000	715,000

The share capital consists of 29,000,000 A-shares, 42,075,000 B-shares and 425,000 C-shares all with a nominal value of 0,01 DKK each. The share classes have separate rights in terms of dividend distribution.

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19 Provisions

DKK'000	Warranties and returns	Other
At 17 May 2017	0	0
Provision from acquisition balance	5,652	5,214
Arising during the year	4,747	0
Utilised	-5.400	0
At 30 April 2018	4.999	5,214
Current	4,999	0
Non-current	0	5,214

Provision

Provisions comprise anticipated expenses relating to warranty commitments, pending disputes etc.

20 Borrowings

Long-term debt liabilities is due as follows:

DKK'000	30 April 2018
0-1 years	0
2-3 years	0
4-5 years	965,663
>5 years	498,440
	1,464,103

Debt liabilities included in the balance sheet include borrowing expenses, amortized over the maturity of the loan by 31.4 MDKK. Total borrowing expenses capitalized during the financial year amounts to 35.9 MDKK.

DKK'000	Average interest	Currency	Interest period	Balance
Mortgage	1.7%	DKK	3 month	162,700
PIK loan	11.5%	DKK	3 month	359,400
Bond loan	5.0%	EUR	3 month	941,977

Notes

21 Trade and other payables

DKK'000	30 April 2018
Trade payables	213,291
VAT payables	12,181
Holiday pay payable and other employee related costs	62,157
Market value of interest rate swap	1,611
Other payable expenses	48,074
	337,314

Reconciliation of movements in cash flows to changes in financing liabilities:

DKK'000				Non-cash changes		
	17 May 2017	Acquisition	Cash flows	Foreign exchange movement	Fair value changes and amortisation	30 April 2018
Bond loan	0	0	934,899	1,768	5,310	941,977
Mortgage debts	0	166,266	-2,693	0	-873	162,700
PIK Loan	0	0	319,687	0	39,739	359,426
Total liabilities from financing activities	**0**	**166,266**	**1,251,893**	**1,768**	**44,174**	**1,464,103**

22 Change in working capital

DKK'000	30 April 2018
Change in inventory	-53,345
Change in receivables	80,796
Change in trade payables, etc.	-47,154
	19,703

23 Business combinations

Acquisition of K. Nissen International A/S

On 30 June 2017, AX V Nissens ApS acquired 100% of the shares of K. Nissen International A/S, an unlisted company based in Denmark. The Nissens Group develops, manufactures and markets quality cooling systems for the automotive spare parts business and customized thermal solutions for the wind industry as well as for a number of manufacturers of special vehicles.

The Group has incurred transaction costs of approximately DKK 29 MDKK in connection with the acquisition for legal, financial and commercial advisors. The costs have been recognized as special items, cf. note 7.

Nissens has been included in the consolidated financial statements from the date of acquisition, 1 July 2017.

Assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of K. Nissen International A/S as at the date of acquisition were:

DKK'000	Fair value at acquisition
Assets	
Intangible assets cf. note 13	1,724,968
Plant, Property and Equipment cf. note 15	364,863
Financial assets	1,755
Inventory	388,215
Receivables from trade etc.	418,054
Cash	64,020
	2,961,875
Liabilities	
Provisions incl. deferred tax	-215,454
Mortgage	-166,266
Trade payables etc.	-382,822
Tax payable	-35,742
	-800,284
Total cost price	**2,161,591**
Cash	-64,020
Total cost price, net	**2,097,571**

Acquired receivables include trade receivables of a fair value of 418.1 MDKK. The contractually receivable gross amount is 421.8 MDKK and hence 3.7 MDKK has been assessed as irrecoverable at the date of acquisition. Goodwill relates to e.g. new customers, new technology, market development and work-force.

The total cost price has been settled in cash.

Notes

24 Pledges, collateral, contingencies and commitments

Danish Group entities are jointly taxed with AX V Nissens III ApS, which acts as a management company, and is jointly and severally liable with several other jointly taxed Group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends. The liabilities have been estimated at DKK 10.7 MDKK at 30 April 2018.

Until 30 June 2017 K. Nissen International A/S and Nissens A/S was jointly taxed with ANTB Holding ApS. Tax liabilities from the period until 30 June 2017 has been estimated to 6.7 MDKK.

The Group is party to a minor number of pending disputes. The outcome of these cases is not expected to have any material impact on the financial position of the Group, neither individually nor in the aggregate.

Commitments

The Group has entered into operating leases related to cars, gas plant and computers, with lease terms between 0 and 4 years. Detailed information related to lease agreements is in note 26.

Collateral

Land and buildings with a carrying amount of 196.8 MDKK have been pledged as security for mortgage debt of 165.0 MDKK.

Shares in K. Nissen International A/S, carrying amount 587 MDKK and shares in the following subsidiaries of K. Nissen International A/S, Nissens Slovakia S.r.o, carrying amount 68 MDKK, Nissens Slovakia North S.r.o, carrying amount 1 MDKK, Nissens North America Inc. carrying amount 16 MDKK Nissens A/S , carrying amount 415 MDKK and the subsidiary of Nissens A/S, Nissens UK ltd, carrying amount 6 MDKK have been pledged as security for bond debts of 130 MEUR.

25 Financial risk and financial instruments

Risk management policy

The Group's principal financial liabilities, other than trade payables, are mortgage and bond-loans. The main purpose of these financial liabilities is to finance the Group's operations and acquisitions of assets. The Group's principal financial assets include account receivables. The Group also enters into derivative transactions. Financial instruments applied by the Group include forward contracts on exchange rate exposures and interest hedging.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees on policies for managing each of these risks, which are described below.

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25 Financial risk and financial instruments (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risks such as equity price risk and commodity price risk. The Group apply the following derivative financial instruments to mitigate market risks, interest rate swaps and forward contracts.

Currency risk

The majority of Nissens' activities implies currency risks in connection with purchase and sales of goods and services in foreign currencies. The largest exposure for purchase are CNY, EUR and USD whereas largest invoicing currencies are EUR, PLN, USD and GBP. Currency risks are handled within the limitations of the policy approved by the Board of Directors. The policy recommends the use of layered hedging, but it does not set a minimum share of the expected future cash-flow which should be secured by financial instruments.

All changes in financial instruments are recognized as financial income or financial expenses in the income statement.

At the balance sheet date, the Group has the following exposures towards net-monetary positions on current receivables and total liabilities.

	Change in rate	P/L effect (MDKK)
EUR - bond loan	+0,1%	-1.0
EUR – current receivables and current liabilities	+0,1%	-0,1
PLN	+5,00%	1.0
GBP	+5,00%	0,5
USD	+5,00%	1,3
CNY	+5,00%	-2.5

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's mortgage and bond-loan. The interest applied to the loans are variable on 3-month terms.

An increase in the interest rate by 1 percentage in comparison to the interest rate at the balance sheet date would, all other things being equal, affect the Group's profit or loss by -1.8MDKK and equity after tax by DKK -1.4 MDKK.

Pricing risk

The Group is affected by the volatility of primary aluminium prices. The outlook for aluminium prices are continuously monitored and decisions on securing expected consumption is based in accordance with policies hereon. The annual direct consumption of aluminium is approx. 6,000 ton. A change in LME of 1% will affect the Group's profit or loss by 0.8 MDKK.

Notes

25 Financial risk and financial instruments (continued)

Liquidity risk

The purpose of the Group's cash management procedures is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal and is able to honour its obligations when due. The Group's liquidity reserves consist of credit balance and fixed overdraft facilities.

Loan facilities

Besides net cash of DKK 89 MDKK, the Group has undrawn credit facilities of 124 MDKK at 30 April 2018.

In addition to the credit facilities the Group has the following loans:

Maturity analysis

DKK'000	Contractual cash flow	< 1 year	1 - 3 years	3 to 5 years	>5 years
Bond loan (130 MEUR)	1,174,337	48,426	96,853	1,029,058	0
Mortgage loan	211,020	2,700	6,780	25,473	176,067
PIK loan	782,893	0	0	0	782,893
Trade payables	213,291	213,291	0	0	0
30 April 2018	2,381,541	264,417	103,633	1,054,531	958,960

The contractual cash flows are based on the non-discounted cash flows including down-payments and calculated interests based on current interest rates.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables and from its financing activities, including deposits with banks and financial institutions (to the extent the balance is in surplus of the Group), foreign exchange transactions and other financial instruments. The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of the customers and trading partners. In addition, credit risks on counterparties other than banks are minimized through the use of prepayments and credit insurance. From a historical perspective, losses on receivables are at a low level.

The maximum credit risk related to trade receivables equals the carrying amount of the trade receivables.

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25 Financial risk and financial instruments (continued)

Financial instruments

To minimize the interest expose on the bond loan, the Group has entered into a cap on the interest rate on the bond loan. The interest cap of 5.0% is a 4-year agreement with maturity date 29 September 2021 and covers the full interest position on the 130 MEUR bond loan.

The fair value adjustment has been recognized in "other comprehensive income".

Categories of financial instruments

DKK'000	Carrying amount 30 April 2018	Fair value 30 April 2018
Financial liabilities at fair value–derivative instruments		
Trade receivables, cash and cash equivalents	375,776	375,776
Borrowings and trade payables	-1,677,394	-1,677,394
Derivative financial instruments, net	-601	-601
	-1,302,219	-1,302,219

Fair value hierarchy of financial instruments measured at fair value

30 April 2018

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Total
Forward contracts		-1,010	-1,010
Interest swap	0	1,611	1,611
Financial liabilities, net	0	601	601

Methods and assumptions for calculating fair value

The determined fair value of derivative financial instruments is based on observable market data such as yield curves or forward rates.

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26 Leases

Operational leases

The Group leases premises, cars, forklifts and gas plant under operating leases. The leasing period is typically between one and five years with the possibility of extending the contracts.

Non-cancellable operating leases are as follows:

DKK'000	30 April 2018
0-1 years	12,731
1-5 years	11,807
> 5 years	1,489
	26,027

At 30 April 2018 there has been recognized 14,882 DKK'000 in the income statement in regard to operating leases.

27 Related party disclosures

AX V Nissens III ApS' related parties include the following:

Name	Registered office	Basis for controlling influence	Indirect share of votes
Axcel V K/S	Copenhagen	Participating interest	54,18%

AX V Nissens II ApS holds a loan of 44,880 MDKK'000 with AX V Nissens ApS. Interest is charged at market terms. Except from this, there has not been any significant transactions between companies in the Group and above related parties in the year.

Transactions between Group entities including sales, purchase and credit facilities are made at market terms and have been eliminated in the consolidated report.

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28 Events after the reporting period

After the balance sheet date, no events have occurred that may have influence on the assessment of the financial statement for the year 17 May 2017 – 30 April 2018.

29 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2017/18 consolidated financial statements. The most significant of these are listed in the following, however, only IFRS 16 Leases is expected to have a significant impact on the consolidated financial statements when implemented. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard on the required effective date and will not restate comparative information. Management has made an analysis of the impact of IFRS 9 and it is the expectation that the implementation will only have limited impact on the Group's financial statements as the Group historical has had a very low loss ratio on bad debts, which is the most material financial asset.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

Management has made an analysis of the impact of IFRS 15 and it is the expectation that the only potential change will be to account for certain warranties as a separate performance obligation if such warranty periods are considered to exceed marked terms. The impact is assessed as immaterial, but further analysis has to be conducted to finally conclude before implementation.

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29 Standards issued but not yet effective (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016, and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements. As the majority of the Group's leasing contracts are long-term leasing agreement on production equipment, cars and properties the leasing obligations cf. note 26 are expected to be recognised in the balance sheet. The amount recognized in the balance sheet might be higher than the obligation, cf. note 26, depending on the method applied for recognising leasing contracts on properties.

Parent financial statements

Income statement

For the year 17 May 2017 - 30 April 2018

Note	DKK'000	17 May 2017 – 30 April 2018
	Other external costs	-75
	Operating loss	-75
5	Net finance costs	-4,629
	Result before tax	-4,704
6	Tax	311
	Result for the year	-4,393

Parent financial statements

Statement of other comprehensive income

For the year ended 30 April 2018

Note	DKK'000	17 May 2017 – 30 April 2018
	Result for the year	**-4,393**
	Other comprehensive income	
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	
	Other comprehensive income	0
	Other comprehensive income for the year, net of tax	**0**
	Total comprehensive income	**-4,393**

Parent financial statements

Balance sheet

Note	DKK'000	30 April 2018
	ASSETS	
	Non-current assets	
7	Investments in subsidiaries and associates	710,100
	Deferred tax	0
	Total non-current assets	**710,100**
	Current assets	
	Income tax receivable	311
	Receivables from Group companies	0
	Cash and cash equivalents	271
	Total current assets	**582**
	TOTAL ASSETS	**710,682**
	EQUITY AND LIABILITIES	
	Equity	
8	Share capital	715
	Retained earnings	709,892
	Total equity	**710,607**
	Non-current liabilities	
9	Borrowings	0
	Total non-current liabilities	**0**
	Current liabilities	
	Trade and other payables	75
	Total current liabilities	**75**
	Total liabilities	**75**
	TOTAL EQUITY AND LIABILITIES	**710,682**

Parent financial statements

Cash flow statement

For the year 17 May 2017 - 30 April 2018

Note	DKK'000	2017
	Operating activities	
	Result before tax	-4,704
4	Finance expenses	4,629
9	Changes in working capital	75
		0
5	Income tax paid/received	0
	Net cash flows from operating activities	**0**
	Investing activities	
6	Investments in subsidiaries	-710,100
	Net cash flows used in investing activities	**-710,100**
	Financing activities	
	Capital injection and capital increases	715,000
	Interest paid	-4,629
	Net cash flows from financing activities	**710,371**
	Cash flow for the year	271
	Net increase in cash and cash equivalent	0
	Cash and cash equivalents at 30 April 2018	**271**

Parent financial statements

Statement of changes in equity

For the year ended 30 April 2018

DKK'000	Share capital	Share pre-mium	Retained earnings	Total
Equity 17 May 2017	0	0	0	0
Total comprehensive income 30 April 2018				
Result for the year	0	0	-4,393	-4,393
Other comprehensive income				
Fair value adjustment	0	0	0	0
Tax on other comprehensive income	0	0	0	0
Total other comprehensive income	0	0	0	0
Total comprehensive income for the year	0	0	-4,393	-4,393
Transactions with owners				
Capital injection	50	0	0	50
Capital increase	665	714,285	0	714,950
Transfer	0	-714,285	714,285	0
Total transactions with owners	715	0	714,285	715,000
Equity 30 April 2018	**715**	**0**	**709,892**	**710,607**

Parent financial statements

Overview of notes for the consolidated financial statements

Parent financial statements

Notes

1 Accounting policies

For the accounting policies, please refer to the consolidated financial statement's accounting policies on page 14.

Investments in subsidiaries

Dividends on investments in subsidiaries are recognized in the income statement of the Parent Company in the financial year in which the dividend is declared.

Investments in subsidiaries are measured at lower of cost and recoverable amount.

2 Significant accounting judgements, estimates and assumptions

For the significant accounting judgements, estimates and assumptions, please refer to the consolidated financial statement's accounting policies in note 2.

3 Fees paid to auditors appointed at the annual general meeting

DKK'000	17 May 2017 – 30 April 2018
Statutory audit	75
	75

4 Net finance costs

DKK'000	17 May 2017 – 30 April 2018
Interests – borrowings, net	4,629
Other financial costs	0
Total finance expenses	4,629

Parent financial statements

Notes

5 Income tax

Income statement

DKK'000	17 May 2017 – 30 April 2018
Current income tax	
Tax for the current year can be specified as follows:	
Tax of the result of the year	-311
Tax on other comprehensive income	0
	-311

DKK'000	17 May 2017 – 30 April 2018
Current income tax	
Tax for the current year can be specified as follows:	
Current income tax charge	-311
Change in provision for deferred tax	0
	-311

Tax on profit for the year can be explained as follows:

	17 May 2017 – 30 April 2018
Accounting profit before income tax	
Calculated 22 % tax on profit for the year	-1,035
Tax effect of:	
Interest limitation according to § 11 B in the Danish Corporate Tax Law etc	724
Other non-deductible expenses	0
	-311
Effective tax (%)	6.6%

Income tax receivable

	30 April 2018
Income tax payable 17 May 2017	0
Current tax for the year	311
Income tax receivable 30 April 2018	**311**

Notes

6 Investments in subsidiaries

DKK'000	30 April 2018
Cost 17 May 2017	0
Additions	710,100
Cost 30 April	710,100
Carrying amount 30 April 2018	710,100

Name	Legal form	Registered office	Ownership 30 April 2018	Equity DKK'000	Loss DKK'000
Subsidiaries					
AX V Nissens II ApS	A/S	Horsens, Denmark	73,4%	931,029	-36,421

7 Equity

The share capital consists of 29,000,000 A- shares, 42,075,000 B-shares and 425,000 C-shares all with nominal value of 0,01 DKK each. The share classes have separate rights in terms of dividend distribution.

8 Pledges, collateral, contingencies and commitments.

For information on the pledges, collateral contingencies and commitments, please refer to note 24 in the consolidated financial statements.

9 Related party disclosures

Information on related parties, cf. note 27 in the consolidated financial statements.

10 Events after the reporting period

For information on events after the reporting period, please refer to note 28 in the consolidated financial statements.

11 Standards issued, but not yet effective

For the note on standards issued, but not yet effective, please refer to note 29 in the consolidated financial statements.