

# Nissens®



DELIVERING THE DIFFERENCE

## **Nissens Cooling Solutions A/S**

Ormhøjgårdvej 9, 8700 Horsens

CVR no. 40 21 21 16

Annual report

1 May 2018 - 30 April 2019

The Annual Report was presented and approved at the Annual General Meeting of the company on     /     2019

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Alan Nissen  
Chairman

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## Statement by management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nissens Cooling Solutions A/S for the financial year 1 May 2018 - 30 April 2019.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 April 2019 and of the results of the company's operations for the financial year 1 May 2018 - 30 April 2019.

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

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

Horsens, 28 June 2019

Executive Board:

.....  
Mikkel Krogslund Andersen  
CEO

.....  
Hans Erik Obling

.....  
Knud Valdemar Mørk  
Krægpøth

Board of Directors:

.....  
Alan Nissen  
Chairman

.....  
Carl Jakob Backs

.....  
Mikkel Krogslund Andersen

## **Independent auditor's report**

### **To the shareholders of Nissens Cooling Solutions A/S**

#### **Opinion**

We have audited the financial statements of Nissens Cooling Solutions A/S for the financial year 1 May 2018 - 30 April 2019, which comprise income statement, balance sheet, statement of changes in equity and notes including accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 April 2019 and of the results of the company's operations for the financial year 1 May 2018 - 30 April 2019 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

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

#### ***Independence***

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

#### **Management's responsibilities for the financial statements**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

## **Independent auditor's report**

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

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

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

### **Statement on Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

## **Independent auditor's report**

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 management's review.

Kolding, 28 June 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

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Brian Skovhus Jakobsen  
State Authorised Public Accountant  
mne27701

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Morten Østergaard Koch  
State Authorised Public Accountant  
mne35420

## Management's review

### Company details

Name	Nissens Cooling Solutions A/S
Address, postal code, city	Ormhøjgårdvej 9, 8700 Horsens, Denmark
CVR.no.	40 21 21 16
Registered office	Horsens
Financial year	1 May -30 April
Board of Directors	Alan Nissen / Chairman Carl Jakob Backs Mikkel Kroglund Andersen
Executive board	Mikkel Kroglund Andersen Hans Erik Obling Knud Valdemar Mørk Krægpøth
Auditors skab	Ernst & Young Godkendt Revisionsanpartsselskab Kolding Åpark 1. 3. sal, 6000 Kolding, Danmark
Bankers	Nordea Nykredit

## Management's review

### Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

In DKK millions,	2018/2019	*2017/2018	*2016/2017	*2015/2016	*2014/2015
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#### Key figures

Revenue	998,252	1,634,361	1,555,331	1,332,359	1,088,088
Profit/loss before financial income and expenses	29,645	111,327	137,288	86,944	65,390
Net financials	9,701	(37,912)	(2,019)	(7,075)	(757)
Profit/loss for the year	989,923	58,254	106,885	63,229	50,066
Balance sheet total	544,230	831,363	869,457	842,363	767,946
Investment in property, plant and equipment	14,395	22,234	33,883	12,090	4,605
Equity	255,223	415,073	373,176	289,216	247,415
Average number of employees	285	403	362	349	327

#### Financial ratios

Gross margin	20.2%	21.7 %	23.1 %	21.9 %	23.8 %
EBIT margin	2.9%	6.8 %	8.8 %	6.5 %	6.0 %
Return on assets	4.3%	13.1 %	16.0 %	10.8 %	8.8 %
Current ratio	229.7%	242.9 %	189.8 %	161.4 %	160.8 %
Solvency ratio	47.0%	49.9 %	42.9 %	34.3 %	32.2 %
Return on equity	295.4%	14.8 %	32.3 %	23.6 %	20.2 %

\*Financial highlights from 2014/2015 to 2017/2018 are not adjusted for assets transferred to the group company Nissens Automotive A/S in 2018/2019.

Financial ratio are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios". For terms and definitions, please see the accounting policies.



## **Management's review**

### **Business activities**

Nissens Cooling Solutions A/S (former Nissens A/S) manufactures quality cooling systems for the automotive spare parts business and develops, manufactures and markets customized thermal solutions for the wind industry as well as for a number of manufacturers of special vehicles.

Nissens strives to make a noticeable difference to our customers. Delivering the difference means that Nissens' products and services must be the optimal solution to the customers' need.

### **Recent development and changes**

Certain Automotive Division assets was transferred to Nissens Automotive A/S on 1/5-2018 by contribution in-kind. Subsequently Nissens Cooling Solutions A/S has been transferred to NCS International A/S.

### **Business and Financial review**

The Company's income statement for the year ended 30 April 2019 shows a profit before tax of DKK 990 million and the balance sheet at 30 April 2019 shows equity of DKK 255 million.

The net revenue for the fiscal year 2018/2019 amounts to DKK 998 million, which is a decrease of DKK 636 million or 39% compared to last fiscal year. The decline in net revenue is explained by automotive activities being transferred to Nissens Automotive A/S. The net income for the year is DKK 999 million compared to net income of DKK 58 million last year. The increase in Net Income is mainly explained by gain from sale of subsidiaries of DKK 883 million.

In Cooling Solutions the financial year has been characterized by high Net Sales growth, however with challenged earnings, where we unfortunately have had to include provision for losses on a Wind customer currently going through insolvency.

Considerable changes in the Wind Industry supply chain, in service requirements and continued price pressure are conditions we expect that will remain in the upcoming years.

The management regards the result of the financial year 2018/19 as satisfactory given the challenging situation in the wind industry.

### **Knowledge resources**

At Nissens, we wish that all employees are 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 in this way we have gained a profound know-how of all the processes concerning processing of aluminium and development of applications within thermal solutions.

## **Special risks apart from generally occurring risks in industry**

### **Currency risks**

The majority of Nissens' activities implies currency risks in connection with the purchase and sales of goods and services in foreign currencies. These currency risks are covered, when it is found appropriate and within the limitations of the 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 insurance.

### **Statutory report on corporate social responsibility**

The company has not drawn up any CSR report, as the parent has done so for the entire group. The report is reflected in the annual report for AX V Nissens ApS.

### **Statutory report on the underrepresented gender**

Nissens has a policy for diversity and equality. The supervisory board is thus monitoring the gender and cultural combination in as well the supervisory board as in other management levels.

It is our policy that regardless gender, race and religion, all employees must be treated equally, in order 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%.

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 2017/2018 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.

### **Significant events occurring after end of reporting period**

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Excluding the impact from sales of assets in 2018/2019 Nissens expects improved revenue and net income in 2019/2020 compared to 2018/2019.

## Financial statements

### Income statement

For the period 1 May 2018 - 30 April 2019

Note	DKK'000	2018/2019	2017/2018
2	Revenue	998,252	1,634,361
	Change in inventories of finished goods and work in progress	2,859	21,701
	Cost of sales	-722,893	-1,162,046
	Other operating income	15,019	12,906
	Other external costs	-91,095	-151,588
	<b>Gross margin</b>	<b>202,143</b>	<b>355,334</b>
3	Staff costs	-163,563	-227,944
	Depreciation, amortization and impairment of intangible fixed assets and property, plant and equipment	-8,934	-16,063
	<b>Profit/loss before financial income and expenses</b>	<b>29,645</b>	<b>111,327</b>
	Income from investments in group entities	76,223	1,120
	Income from sale of entities	883,053	0
4	Financial income	15,834	10,130
5	Finance expenses	-6,133	-48,042
	<b>Profit/loss before tax</b>	<b>998,622</b>	<b>74,535</b>
6	Tax on profit/loss for the year	-8,699	-16,281
	<b>Net profit/loss for the year</b>	<b>989,923</b>	<b>58,254</b>
	<b>Proposed distribution of profit</b>		
	Proposed dividend for the year	25,000	50,000
	Extra ordinary dividend for the year	1,100,000	0
	Reserve for net revaluation under the equity method	-4,956	1,120
	Reserve for development projects	1,188	851
	Retained earnings	-131,309	6,283
		<b>989,923</b>	<b>58,254</b>

## Financial statements

### Balance sheet at 30 April 2019

Note	DKK'000	2018/19	2017/18
	<b>Assets</b>		
	Development projects	2,614	1,091
	Acquired intangible fixed assets	0	3,410
	Intangible assets in progress	0	155
7	<b>Total intangible fixed assets</b>	<b>2,614</b>	<b>4,656</b>
	Land and buildings	33,311	80,994
	Plant and machinery	26,150	32,741
	Other fixtures and fittings, tools and equipment	116	1,913
	Property, plant and equipment in progress	8,240	2,461
8	<b>Total tangible fixed assets</b>	<b>67,817</b>	<b>118,109</b>
9	Investments in group entities	0	5,957
10	Receivables from group entities	6,325	121,782
10	Other receivables	0	650
	<b>Fixed asset investments</b>	<b>6,325</b>	<b>128,389</b>
	<b>Total fixed assets</b>	<b>76,756</b>	<b>251,154</b>
	Raw materials and consumables	17,996	15,815
	Work in progress	50,326	50,933
	Finished goods and goods for resale	9,827	192,138
	Prepayments for goods	4,329	13,602
	<b>Stocks</b>	<b>82,478</b>	<b>272,488</b>
	Trade receivables	156,641	188,667
	Receivables from group entities	216,540	85,542
	Other receivables	804	13,357
11	Prepayments	53	5,420
	<b>Receivables</b>	<b>374,038</b>	<b>292,986</b>
	Securities and investments	0	40
	<b>Current asset investments</b>	<b>0</b>	<b>40</b>
	Cash	10,958	14,695
	<b>Total current assets</b>	<b>467,474</b>	<b>580,209</b>
	<b>Total assets</b>	<b>544,230</b>	<b>831,363</b>

## Financial statements

### Balance sheet at 30 April 2019

Note	DKK'000	2018/19	2017/18
	<b>Equity and liabilities</b>		
	<b>Equity</b>		
	Share capital	1,000	1,000
	Reserve for net revaluation under the equity method	0	4,729
	Reserve for development projects	2,039	851
	Retained earnings	227,985	358,493
	Proposed dividend	25,000	50,000
12	<b>Total equity</b>	<b>255,223</b>	<b>415,073</b>
	<b>Provisions</b>		
13	Provision for deferred tax	2,874	4,517
14	Other provisions	1,247	10,213
	<b>Total provisions</b>	<b>4,121</b>	<b>14,730</b>
	Mortgage debt	81,399	162,699
15	<b>Long-term debt</b>	<b>81,399</b>	<b>162,699</b>
15	Short-term portion of long-term liabilities	0	0
	Trade payables	55,935	92,558
	Prepayments	45,086	0
	Payables to group entities	63,372	39,505
	Corporation tax	9,373	23,939
	Other payables	29,721	82,859
	<b>Short-term debt</b>	<b>203,487</b>	<b>238,861</b>
	<b>Total liabilities</b>	<b>284,886</b>	<b>401,560</b>
	<b>Total equity and liabilities</b>	<b>544,230</b>	<b>831,363</b>
16	Hedging		
17	Contingent assets, liabilities and other financial obligations		
18	Charges and securities		
19	Related parties and ownership		
20	Fee to auditors appointed at the general meeting		

## Financial statements

### Statement of changes in equity

DKK'000	Share capital	Reserve for net re-valuation under the equity method	Reserve for development projects	Retained earnings	Proposed dividend for the year	Total
<b>Equity 1 May 2018</b>	1,000	4,729	851	358,493	50,000	415,073
Ordinary dividend paid	0	0	0	0	-50,000	-50,000
Extra ordinary dividend paid	0	0	0	0	-1,100,000	-1,100,000
Exchange adjustment, foreign	0	227	0	0	0	227
Net profit/loss for the year	0	-4,956	1,188	-131,309	1,125,000	989,923
<b>Equity at 30 April 2019</b>	<b>1,000</b>	<b>0</b>	<b>2,039</b>	<b>227,184</b>	<b>25,000</b>	<b>255,223</b>

DKK'000	Share capital	Reserve for net re-valuation under the equity method	Reserve for development projects	Retained earnings	Proposed dividend for the year	Total
<b>Equity 1 May 2017</b>	1,000	3,821	0	318,355	50,000	373,176
Ordinary dividend paid	0	0	0	0	-50,000	-50,000
Exchange adjustment, foreign	0	-212	0	0	0	-212
Fair value adjustment of hedging instruments	0	0	0	43,414	0	43,414
Net profit/loss for the year	0	1,120	851	6,283	50,000	58,254
Changes in equity of tax	0	0	0	-9,559	0	-9,559
<b>Equity at 30 April 2018</b>	<b>1,000</b>	<b>4,729</b>	<b>851</b>	<b>358,493</b>	<b>50,000</b>	<b>415,073</b>

## Financial statements

### Notes

#### 1 Accounting policies

The annual report of Nissens Cooling Solutions A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2018/19 is presented in DKK'000.

Pursuant to section §112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The financial statements for Nissens Cooling Solutions A/S and its group entities are part of the consolidated financial statements for K. Nissen International A/S.

#### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

#### Income statement

##### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

## **Financial statements**

### **Notes**

#### **1 Accounting policies (continued)**

##### **Revenue**

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition. Income from the sale of finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

##### **Costs of sales**

Cost of sales includes the cost of goods used in generating the year's revenue.

##### **Other operating income**

Other operating income comprises items of a secondary nature relative to the company's core activities, including gain on sale of fixed assets.

##### **Other external expenses**

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

##### **Staff costs**

Staff costs include wages and salaries, including compensated absence and pensions as well as other social security contributions, etc. made to the company's employees. The item is net of refunds made by public authorities.

##### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation, impairment and profit/loss from dispatch of intangible fixed assets and property, plant and equipment.

##### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, financing costs from factoring agreements, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

##### **Profit/loss from investments in group entities**

The item includes the company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.



## Financial statements

### Notes

#### 1 Accounting policies (continued)

##### Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

##### Balance sheet

###### Intangible fixed assets

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

Intangible fixed assets are measured at cost less accumulated amortisation and impairment losses.

###### Tangible fixed assets

Items of land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

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

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Acquired intangible assets	2-5 years
Development projects	5 years
Buildings	20-25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-5 years

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as amortisation/depreciation and impairment of intangible fixed assets and property, plant and equipment.

## Financial statements

### Notes

#### 1 Accounting policies (continued)

##### Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Nissens Cooling Solutions A/S is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method, cf. the description of the statement of goodwill above.

##### Impairment of fixed assets

The carrying amount of intangible fixed assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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

Land is not depreciated.

##### Stocks

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and indirect cost of production.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

## Financial statements

### Notes

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

##### Prepayments

Prepayments, recognised in current assets, comprise costs incurred concerning subsequent financial years.

##### Securities and investments

Investments not admitted to trading on an active market are measured at fair value.

##### Cash

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

##### Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

##### Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

##### Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions etc. Provisions are recognised when as a result of a past event the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

## Financial statements

### Notes

#### 1 Accounting policies (continued)

##### Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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 adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

##### Liabilities

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

Other liabilities are measured at net realisable value.

##### Foreign currency translation

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

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

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

##### Omission of a cash flow statement

With reference to §86, subsection 4 of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flow is part of the consolidated cash flow statement for the parent company.

## Financial statements

### Notes

#### 1 Accounting policies (continued)

##### Financial highlights

Definitions of financial ratios

Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$
Current ratio	$\frac{\text{Current assets total} \times 100}{\text{Short-term liabilities}}$

## Financial statements

### Notes

#### 2 Segment information

##### Activities - primary segment

After the transfer of assets to Nissens Automotive A/S as of 1 May 2018, the company has one operating segment only and therefore solely provides information on geographical segments.

##### Geographic - secondary segment

Revenue from external customer

**DKK'000**

Denmark	234,151
Germany	291,214
Other	472,888
	<u>998,252</u>

#### 3 Staff costs

	<u>1 May 2018 – 30 April 2019</u>	<u>1 May 2017 – 30 April 2018</u>
<b>DKK'000</b>		
Wages and salaries	155,209	217,183
Pensions	6,233	8,247
Other social security costs	2,121	2,514
<b>Total employee benefit expense</b>	<u>163,563</u>	<u>227,944</u>
Average number of full time employee	<u>285</u>	<u>403</u>

#### 4 Financial income

	<u>1 May 2018 – 30 April 2019</u>	<u>1 May 2017 – 30 April 2018</u>
<b>DKK'000</b>		
Interest income, group entities	10,835	9,664
Other financial income	210	466
Foreign exchange rate gains	4,789	0
	<u>15,834</u>	<u>10,130</u>

#### 5 Financial expenses

	<u>1 May 2018 – 30 April 2019</u>	<u>1 May 2017 – 30 April 2018</u>
<b>DKK'000</b>		
Interest expenses, group entities	3,252	114
Other finance expenses	2,881	47,928
	<u>6,133</u>	<u>48,042</u>

## Financial statements

### Notes

#### 6 Tax on profit/loss for the year

<b>DKK'000</b>	<b>1 May 2018 – 30 April 2019</b>	<b>1 May 2017 – 30 April 2018</b>
Estimated tax charge for the year	9,373	23,939
Deferred tax for the year	-838	-7,658
Adjustment of tax concerning previous years	164	0
	<u>8,699</u>	<u>16,281</u>

#### 7 Intangible fixed assets

<b>DKK'000</b>	<b>Development projects</b>	<b>Acquired in- tangible fixed assets</b>	<b>Intangible assets in progress</b>	<b>Total</b>
Cost at 1 May 2018	1,091	12,460	155	13,706
Additions for the year	1,578	0	0	1,578
Transfer of assets to Nissens Au- tomotive A/S	0	-4,736	0	-4,736
Disposals for the year	0	-7,879	0	-7,879
Transfers for the year	0	155	-155	0
Cost 30 April 2019	<u>2,669</u>	<u>0</u>	<u>0</u>	<u>2,669</u>
Impairment losses and amorti- sation at 1 May 2018	0	9,050	0	9,050
Amortisation for the year	55	0	0	55
Transfer of assets to Nissens Au- tomotive A/S	0	-3,382	0	-3,382
Impairment and depreciation of sold assets for the year	0	-5,668	0	-5,668
Impairment losses and amorti- sation at 30 April 2019	<u>55</u>	<u>0</u>	<u>0</u>	<u>55</u>
<b>Carrying amount 30 April 2019</b>	<u><u>2,614</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>2,614</u></u>

Development projects comprise of development cost for new technology and products. New technology and products are expected to strengthen the company's market position.

## Financial statements

### Notes

#### 8 Tangible fixed assets

DKK'000	Land and buildings	Plant and machin- ery	Other fix- tures and fittings, tools and equipment	Property, plant and equip- ment in progress	Total
Cost 1 May 2018	219,029	256,495	29,680	2,461	507,665
Additions for the year	371	4,535	2,054	7,435	14,395
Transfer of assets to Nissens Auto- motive A/S	-86,935	-42,307	-14,963	-110	-144,315
Disposals for the year	-546	-67,510	-9,774	0	-77,830
Transfers for the year	0	1,546	0	-1,546	0
Cost 30 April 2019	131,919	152,759	6,997	8,240	299,915
Impairment losses and deprecia- tion at 1 May 2018	138,035	223,754	27,767	0	389,556
Depreciation for the year	2,484	6,353	42	0	8,879
Transfer of assets to Nissens Auto- motive A/S	-41,629	-36,235	-14,736	0	-92,601
Impairment and depreciation of sold assets for the year	-282	-67,263	-6,192	0	-73,736
Impairment losses and deprecia- tions at 30 April 2019	98,608	126,609	6,881	0	232,098
<b>Carrying amount 30 April 2019</b>	<b>33,311</b>	<b>26,150</b>	<b>116</b>	<b>8,240</b>	<b>67,817</b>

#### 9 Investments in group entities

DKK'000	2018/19	2017/18
Cost at 1 May 2018	1,228	1,228
Additions during the year	146,162	0
Disposal during the year	-147,390	0
Cost at 30 April 2019	0	1,228
Revaluations at 1 May 2018	4,729	3,821
Exchange rate adjustments	227	-212
Share of profit/loss for the year	76,223	1,120
Disposal during the year	-81,179	0
Revaluations at 30 April 2019	0	4,729
<b>Carrying amount at 30 April 2019</b>	<b>0</b>	<b>5,957</b>

Investments in subsidiaries are sold during the year.



## Financial statements

### Notes

#### 10 Fixed asset investments

<b>DKK'000</b>	<b>Receivables from group entities</b>	<b>Other receivables</b>
Cost at 1 May 2018	121,782	650
Exchange adjustment	732	0
Additions for the year	7,201	0
Disposals for the year	-123,390	-650
Cost at 30 April 2019	6,325	0
<b>Carrying amount at 30 April 2019</b>	<b>6,325</b>	<b>0</b>

#### 11 Prepayments

Prepayments recognised under assets comprise prepaid expenses regarding subsequent financial reporting years.

#### 12 Equity

The share capital consists of:

	<b>Nominal value</b>
1 shares of DKK 100.0 thousand nominal value each	100
52 shares of DKK 10.0 thousand nominal value each	520
5 shares of DKK 5.0 thousand nominal value each	25
1 share of DKK 4.0 thousand nominal value each	4
4 shares of DKK 3.4 thousand nominal value each	14
5 shares of DKK 2.6 thousand nominal value each	13
5 shares of DKK 2.3 thousand nominal value each	11
4 shares of DKK 1.7 thousand nominal value each	7
306 shares of DKK 1.0 thousand nominal value each	306
	<b>1,000</b>

There have been no changes in the share capital during the last 5 years.

## Financial statements

### Notes

#### 13 Provisions for deferred tax

DKK'000	2018/19	2017/18
Provision for deferred tax at 1 May	4,517	2,714
Provision in year	-838	1,803
Transfer of liabilities to Nissens Automotive A/S	-805	0
<b>Provision for deferred tax at 30 April</b>	<b>2,874</b>	<b>4,517</b>
Intangible assets	575	990
Property, plant and equipment	1,501	4,138
Inventories	736	803
Intercompany profit on inventories	0	0
Amortization	0	-2,395
Other taxable temporary differences	62	980
Tax loss carry-forward	0	1
	<b>2,874</b>	<b>4,517</b>

#### 14 Other provisions

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

DKK'000	2018/19	2017/18
Balance at beginning of year at 1 May 2018	10,213	10,789
Provision in year	356	-576
Transfer of liabilities to Nissens Automotive A/S	-9,322	0
<b>Balance at 30 April 2019</b>	<b>1,247</b>	<b>10,213</b>

#### 15 Long-term debt

DKK'000	Debt at 1 May 2018	Debt transferred to Nissens Automotive A/S	Debt at 30 April 2019	Payment within 1 year	Payment between 1 - 5 years	Debt after 5 years
Mortgage debt	162,699	81,300	81,399	0	13,230	68,169
	<b>162,699</b>	<b>81,300</b>	<b>81,399</b>	<b>0</b>	<b>13,230</b>	<b>68,169</b>

#### 16 Hedging

The company has entered into currency hedging agreements covering purchase in foreign currency. The fair value of hedging agreements as of 30 April 2019 amounts to DKK 148 thousand and will expire within eight months after the balance sheet date.

## Financial statements

### Notes

#### 17 Contingent assets, liabilities and other financial obligations

##### Contingent liabilities to the parent company and group entities

##### Recourse and non-recourse guarantee commitments

The company is jointly taxed with its parent company, AX V Nissens III ApS (management company), and is jointly and severally liable with the other jointly taxed entities for the payment of income taxes as well as withholding taxes on interest, royalties and dividends.

##### Other contingent liabilities

The company 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 company, neither individually nor in the aggregate.

Rent liabilities and payments under operating leases concerning cars, gas, plant and computer equipment amount to DKK 2,108 thousand (DKK 7,078 thousand in 2018/19).

The remaining terms are 0-3 years.

#### 18 Charges and securities

As security for mortgage debt totaling DKK 81,399 thousand, the company has granted charges on land and buildings, carried at DKK 27,352 thousand at 30 April 2019.

#### 19 Related parties and ownership

##### Controlling interest

NCS International A/S, Horsens, Denmark

K. Nissen International A/S, Horsens, Denmark

AX V Nissens ApS, Horsens, Denmark

AX V Nissens I ApS, Horsens, Denmark

AX V Nissens II ApS, Horsens, Denmark

AX V Nissens III ApS, Horsens, Denmark

##### Transactions

All intercompany transactions have been carried out through normal market terms.

##### Consolidated financial statements

The Company is included in the group annual report of

Ultimate:

AX V Nissens III ApS, CVR no. 38 64 73 50

Immediate:

K. Nissen International A/S, Horsens, CVR no. 70 60 69 17

## **Financial statements**

### **Notes**

#### **20 Fee to auditors appointed at the general meeting**

Audit fees are not disclosed with reference to §96, subsection 3 of the Danish Financial Statements Act. The fee is specified for the group in the consolidated financial statements for the parent company.