

Nissens®



DELIVERING THE DIFFERENCE

Nissens A/S

Ormhøjgårdvej 9, 8700 Horsens

CVR no. 40 21 21 16

Annual report 2016/17

Approved at the annual general meeting of shareholders on 28 June 2017

Chairman:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Nissens A/S for the financial year 1 May 2016 - 30 April 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 April 2017 and of the results of the Company's operations for the financial year 1 May 2016 - 30 April 2017.

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 2017

Executive Board:




Mikkel Kroglund Andersen

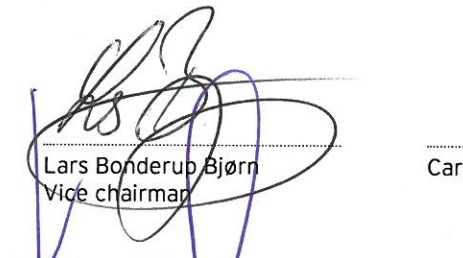
Board of Directors:




Alan Nissen
Chairman



Søren Jørgensen
Employee representative



Lars Bonderup Bjørn
Vice chairman



Kasper Nissen
Employee representative



Carsten Bjerg

Independent auditor's report

To the shareholders of Nissens A/S

Opinion

We have audited the financial statements of Nissens A/S for the financial year 1 May 2016 - 30 April 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 April 2017 and of the results of the Company's operations for the financial year 1 May 2016 - 30 April 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 taken on the basis of the financial statements.

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

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's review

Management is responsible for the Management's review.

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

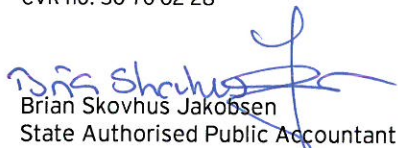
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on 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 Statement Act. We did not identify any material misstatement of the Management's review.

Kolding, 28 June 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Brian Skovhus Jakobsen
State Authorised Public Accountant


Morten Østergaard Koch
State Authorised Public Accountant

Management's review

Company details

| | |
|----------------------------|--|
| Name | Nissens A/S |
| Address, Postal code, City | Ormhøjgårdvej 9, 8700 Horsens |
| CVR no. | 40 21 21 16 |
| Registered office | Horsens |
| Financial year | 1 May 2016 - 30 April 2017 |
| Board of Directors | Alan Nissen, Chairman Lars Bonderup Bjørn, Vice chairman Carsten Bjerg Søren Jørgensen, Employee representative Kasper Nissen, Employee representative |
| Executive Board | Mikkel Kroglund Andersen |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. sal, 6000 Kolding, Denmark |
| Bankers | Sydbank |

Management's review

Financial highlights

| DKK'000 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 |
|---|----------------|----------------|----------------|----------------|----------------|
| Key figures | | | | | |
| Revenue | 1,555,331 | 1,332,359 | 1,088,088 | 892,218 | 785,388 |
| Profit before net financials | 137,288 | 86,944 | 65,390 | 61,632 | 33,306 |
| Net financials | -2,019 | -7,075 | -757 | -4,847 | -6,518 |
| Profit/loss for the year | 106,885 | 63,229 | 50,066 | 43,857 | 20,779 |
| Balance sheet | | | | | |
| Total assets | 869,457 | 842,363 | 767,946 | 711,048 | 703,316 |
| Investment in property, plant and equipment | 33,883 | 12,090 | 4,605 | 33,554 | 8,382 |
| Equity | 373,176 | 289,216 | 247,415 | 248,180 | 261,068 |
| Financial ratios | | | | | |
| Operating margin | 8.8% | 6.5% | 6.0% | 6.9% | 4.2% |
| Gross margin | 23.1% | 21.9% | 23.8% | 28.1% | 27.4% |
| Return on assets | 16.0% | 10.8% | 8.8% | 8.7% | 4.7% |
| Current ratio | 189.8% | 161.4% | 160.8% | 173.4% | 184.3% |
| Solvency ratio | 42.9% | 34.3% | 32.2% | 34.9% | 37.1% |
| Return on equity | 32.3% | 23.6% | 20.2% | 17.2% | 8.0% |
| Average number of employees | | | | | |
| | 362 | 349 | 327 | 329 | 344 |

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Business review

Nissens 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.

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 customer's need.

The activities are organized in two divisions, the Automotive Division and the Cooling Solutions Division.

Financial review

The net revenue for the fiscal year 2016/17 amounts to DKK 1,555 million, which is an increase of DKK 223 million or 17% compared to last fiscal year. The net income for the year is DKK 107 million compared to net income of DKK 63 million last year.

The management regards the result of the year as satisfactory.

It was expected that the 2016/17 result would be realized at a higher level than 2015/16 due to acknowledgement of the fact that growth would be realized.

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 aluminum and development of applications within thermal solutions.

Special risks

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

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 insurances.

Statutory CSR report

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 K. Nissen International A/S.

Events after the balance sheet date

In May 2017, Axcel signed an agreement to purchase the majority of the shares in K. Nissen International A/S.

After the balance sheet date, no other events have occurred that may have influence on the assessment of the annual report.

Outlook

Nissens expects to improve revenue and net income in 2017/18 compared to 2016/17.

Financial statements for the period 1 May 2016 - 30 April 2017

Income statement

| Note | DKK'000 | 2016/17 | 2015/16 |
|------|---|------------|-----------|
| | Revenue | 1,555,331 | 1,332,359 |
| | Cost of sales | -1,051,859 | -976,272 |
| | Change in inventories of finished goods and work in progress | -9,059 | 36,036 |
| | Other operating income | 10,460 | 8,592 |
| | External expenses | -146,093 | -109,059 |
| | Gross margin | 358,780 | 291,656 |
| 2 | Staff costs | -206,738 | -191,587 |
| | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -14,754 | -13,125 |
| | Profit before net financials | 137,288 | 86,944 |
| | Income from investments in group entities | 1,094 | 956 |
| 3 | Financial income | 5,885 | 4,519 |
| 4 | Financial expenses | -7,904 | -11,594 |
| | Profit before tax | 136,363 | 80,825 |
| 5 | Tax for the year | -29,478 | -17,596 |
| | Profit for the year | 106,885 | 63,229 |

Financial statements for the period 1 May 2016 - 30 April 2017

Balance sheet

| Note | DKK'000 | 2016/17 | 2015/16 |
|------|--|----------------|----------------|
| | ASSETS | | |
| | Fixed assets | | |
| 6 | Intangible assets | | |
| | Acquired intangible assets | 4,286 | 2,957 |
| | Development projects in progress | 275 | 233 |
| | | <u>4,561</u> | <u>3,190</u> |
| 7 | Property, plant and equipment | | |
| | Land and buildings | 77,664 | 66,997 |
| | Plant and machinery | 28,489 | 16,822 |
| | Other fixtures and fittings, tools and equipment | 1,179 | 2,531 |
| | Property, plant and equipment in progress | 1,667 | 2,695 |
| | | <u>108,999</u> | <u>89,045</u> |
| 8 | Investments | | |
| | Investments in group entities, net asset value | 5,049 | 4,280 |
| | Receivables from group entities | 116,584 | 121,834 |
| | Other receivables | 862 | 212 |
| | | <u>122,495</u> | <u>126,326</u> |
| | Total fixed assets | <u>236,055</u> | <u>218,561</u> |
| | Non-fixed assets | | |
| | Inventories | | |
| | Raw materials and consumables | 12,377 | 10,739 |
| | Work in progress | 41,889 | 47,017 |
| | Finished goods and goods for resale | 170,828 | 175,597 |
| | Prepayments for goods | 8,653 | 7,813 |
| | | <u>233,747</u> | <u>241,166</u> |
| | Receivables | | |
| | Trade receivables | 197,011 | 175,107 |
| | Receivables from group entities | 93,945 | 151,580 |
| | Other receivables | 13,711 | 15,690 |
| 9 | Prepayments | 6,372 | 3,554 |
| | | <u>311,039</u> | <u>345,931</u> |
| | Securities and investments | <u>37</u> | <u>34</u> |
| | Cash | <u>88,579</u> | <u>36,671</u> |
| | Total non-fixed assets | <u>633,402</u> | <u>623,802</u> |
| | TOTAL ASSETS | <u>869,457</u> | <u>842,363</u> |

Financial statements for the period 1 May 2016 - 30 April 2017

Balance sheet

| Note | DKK'000 | 2016/17 | 2015/16 |
|------|--|----------------|----------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 10 | Share capital | 1,000 | 1,000 |
| | Net revaluation reserve according to the equity method | 3,821 | 3,052 |
| | Retained earnings | 318,355 | 260,164 |
| | Dividend proposed for the year | 50,000 | 25,000 |
| | Total equity | 373,176 | 289,216 |
| | Provisions | | |
| 12 | Deferred tax | 2,714 | 3,412 |
| | Other provisions | 10,789 | 4,490 |
| 13 | Total provisions | 13,503 | 7,902 |
| | Liabilities | | |
| 11 | Non-current liabilities other than provisions | | |
| | Mortgage debt | 149,083 | 158,845 |
| | | 149,083 | 158,845 |
| | Current liabilities | | |
| 11 | Current portion of long-term liabilities | 10,600 | 10,455 |
| | Other credit institutions | 0 | 74,473 |
| | Trade payables | 91,120 | 65,348 |
| | Payables to group entities | 80,486 | 102,555 |
| | Income taxes payable | 28,038 | 19,165 |
| 14 | Other payables | 123,451 | 114,404 |
| | | 333,695 | 386,400 |
| | Total liabilities other than provisions | 482,778 | 545,245 |
| | TOTAL EQUITY AND LIABILITIES | 869,457 | 842,363 |

- 1 Accounting policies
- 15 Contractual obligations and contingencies, etc.
- 16 Collateral
- 17 Related parties
- 18 Fee to the auditors appointed by the Company in general meeting

Financial statements for the period 1 May 2016 - 30 April 2017

Statement of changes in equity

| DKK'000 | Share capital | Net revaluation reserve according to the equity method | Retained earnings | Dividend proposed for the year | Total |
|---|---------------|--|-------------------|--------------------------------|----------------|
| Equity at 1 May 2015 | 1,000 | 2,413 | 219,002 | 25,000 | 247,415 |
| 19 Transfer, see | | | | | |
| "Appropriation of profit" | 0 | 956 | 37,274 | 25,000 | 63,230 |
| Exchange rate adjustment | 0 | -317 | 0 | 0 | -317 |
| Adjustment of hedging instruments at fair value | 0 | 0 | 4,985 | 0 | 4,985 |
| Tax on items recognised directly in equity | 0 | 0 | -1,097 | 0 | -1,097 |
| Dividend distributed | 0 | 0 | 0 | -25,000 | -25,000 |
| Equity at 1 May 2016 | 1,000 | 3,052 | 260,164 | 25,000 | 289,216 |
| 19 Transfer, see | | | | | |
| "Appropriation of profit" | 0 | 1,094 | 55,791 | 50,000 | 106,885 |
| Exchange rate adjustment | 0 | -325 | 0 | 0 | -325 |
| Adjustment of hedging instruments at fair value | 0 | 0 | 3,077 | 0 | 3,077 |
| Tax on items recognised directly in equity | 0 | 0 | -677 | 0 | -677 |
| Dividend distributed | 0 | 0 | 0 | -25,000 | -25,000 |
| Equity at 30 April 2017 | 1,000 | 3,821 | 318,355 | 50,000 | 373,176 |

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies

The annual report of Nissens A/S for 2016/17 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements for Nissens A/S and its group entities are part of the consolidated financial statements for K. Nissen International A/S.

Changes in accounting policies

Effective 1 May 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act.

Going forward it is required to make annual reassessments of the scrap value of fixed assets. The Company has no significant scrap values on fixed assets, except for land. The change will be implemented according to section 4 of the Danish Financial Statements Act and will have impact going forward. Consequently the equity remains unaffected and prior year figures have not been corrected.

In addition the amendment act has implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

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

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flow is part of the consolidated cash flow statement for the Parent company, K. Nissen International A/S.

Reporting currency

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

Foreign currency translation

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

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

Foreign group entities

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.

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies (continued)

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.

Income statement

Revenue

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.

Other operating income

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

Cost of sales

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

External expenses

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

Staff costs

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

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation

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

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

| | |
|--|-------------|
| Acquired intangible assets | 3 years |
| Buildings | 20-25 years |
| Plant and machinery | 5-10 years |
| Other fixtures and fittings, tools and equipment | 2-5 years |

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.

Land is not depreciated.

Income from investments in subsidiaries

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 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.

Tax

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

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

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

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

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

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

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The cost of self constructed assets includes the cost of direct materials and labour, etc. directly used in the production process and a portion of the relating production overheads.

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

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired and sold investments are recognised in the financial statements from the time of acquisition or until the time of sale, respectively.

The purchase method of accounting is applied to corporate takeovers as described under 'Business combinations'.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies (continued)

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

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

Production overheads comprise the indirect cost of material and labour as well as maintenance and amortisation/depreciation of intangible assets and property, plant and equipment used in the production process.

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 has been impaired, an impairment loss is recognised on an individual basis.

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

Prepayments

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

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.

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies (continued)

Equity

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.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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.

Income taxes

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

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

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

Other liabilities are measured at net realisable value.

Segment information

The breakdown of revenue in business segments and geographical segments is, pursuant to section 96(1) of the Danish Financial Statements Act, not stated, as the information about this may cause material damage to the Company.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

| | |
|--------------------|--|
| Operating margin | $\frac{\text{Profit before net financials} \times 100}{\text{Revenue}}$ |
| Gross margin ratio | $\frac{\text{Gross margin} \times 100}{\text{Revenue}}$ |
| Return on assets | $\frac{\text{Profit before net financials} \times 100}{\text{Average assets}}$ |
| Current ratio | $\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$ |
| Solvency ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$ |
| Return on equity | $\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$ |

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

| | <u>2016/17</u> | <u>2015/16</u> |
|---------------------------------------|----------------|----------------|
| DKK'000 | | |
| 2 Staff costs | | |
| Wages/salaries | 196,049 | 181,533 |
| Pensions | 7,814 | 7,646 |
| Other social security costs | 2,875 | 2,408 |
| | <u>206,738</u> | <u>191,587</u> |
| | | |
| Average number of full-time employees | <u>362</u> | <u>349</u> |
| | | |
| DKK'000 | <u>2016/17</u> | <u>2015/16</u> |
| 3 Financial income | | |
| Interest receivable, group entities | 3,617 | 3,384 |
| Other financial income | 2,268 | 1,135 |
| | <u>5,885</u> | <u>4,519</u> |
| | | |
| 4 Financial expenses | | |
| Interest expenses, group entities | 116 | 95 |
| Other financial expenses | 7,788 | 11,499 |
| | <u>7,904</u> | <u>11,594</u> |
| | | |
| 5 Tax for the year | | |
| Estimated tax charge for the year | 30,488 | 19,010 |
| Deferred tax adjustments in the year | -686 | -1,414 |
| Tax adjustments, prior years | -324 | 0 |
| | <u>29,478</u> | <u>17,596</u> |

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

6 Intangible assets

| DKK'000 | Acquired intangible assets | Development projects in progress | Total |
|--|-------------------------------|--|--------|
| Cost at 1 May 2016 | 7,671 | 233 | 7,904 |
| Additions in the year | 2,494 | 275 | 2,769 |
| Transfer from other accounts | 233 | -233 | 0 |
| Cost at 30 April 2017 | 10,398 | 275 | 10,673 |
| Impairment losses and amortisation at 1 May 2016 | 4,714 | 0 | 4,714 |
| Amortisation/depreciation in the year | 1,398 | 0 | 1,398 |
| Impairment losses and amortisation at 30 April 2017 | 6,112 | 0 | 6,112 |
| Carrying amount at 30 April 2017 | 4,286 | 275 | 4,561 |

Development projects in progress primarily consist of acquired software.

7 Property, plant and equipment

| DKK'000 | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Property, plant and equipment in progress | Total |
|---|-----------------------|------------------------|---|---|---------|
| Cost at 1 May 2016 | 193,440 | 233,283 | 29,099 | 2,695 | 458,517 |
| Additions in the year | 16,850 | 14,739 | 628 | 1,666 | 33,883 |
| Disposals in the year | 0 | -5,538 | -1,308 | 0 | -6,846 |
| Transfer from other accounts | 0 | 2,694 | 0 | -2,694 | 0 |
| Cost at 30 April 2017 | 210,290 | 245,178 | 28,419 | 1,667 | 485,554 |
| Impairment losses and depreciation at 1 May 2016 | 126,443 | 216,461 | 26,568 | 0 | 369,472 |
| Amortisation/depreciation in the year | 6,183 | 5,695 | 1,479 | 0 | 13,357 |
| Reversal of amortisation/depreciation and impairment of disposals | 0 | -5,467 | -807 | 0 | -6,274 |
| Impairment losses and depreciation at 30 April 2017 | 132,626 | 216,689 | 27,240 | 0 | 376,555 |
| Carrying amount at 30 April 2017 | 77,664 | 28,489 | 1,179 | 1,667 | 108,999 |

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

8 Investments

| DKK'000 | Investments in group entities, net asset value | Receivables from group entities | Other receivables | Total |
|------------------------------------|--|---------------------------------|-------------------|---------|
| Cost at 1 May 2016 | 1,228 | 121,834 | 212 | 123,274 |
| Exchange rate adjustment | 0 | -5 | 0 | -5 |
| Additions in the year | 0 | 217 | 650 | 867 |
| Disposals in the year | 0 | -5,462 | 0 | -5,462 |
| Cost at 30 April 2017 | 1,228 | 116,584 | 862 | 118,674 |
| Value adjustments at 1 May 2016 | 3,052 | 0 | 0 | 3,052 |
| Exchange rate adjustment | -325 | 0 | 0 | -325 |
| Share of the profit for the year | 1,094 | 0 | 0 | 1,094 |
| Value adjustments at 30 April 2017 | 3,821 | 0 | 0 | 3,821 |
| Carrying amount at 30 April 2017 | 5,049 | 116,584 | 862 | 122,495 |

| Name | Legal form | Domicile | Interest | Equity DKK'000 | Profit/loss DKK'000 |
|---------------------|------------|----------|----------|----------------|---------------------|
| Subsidiaries | | | | | |
| Nissens UK | Ltd. | England | 100.00 % | 5,049 | 1,094 |

9 Prepayments

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

| DKK'000 | 2016/17 | 2015/16 |
|---|---------|---------|
| 10 Share capital | | |
| Analysis of the share capital: | | |
| 1 shares of DKK 100,000.00 nominal value each | 100 | 100 |
| 52 shares of DKK 10,000.00 nominal value each | 520 | 520 |
| 5 shares of DKK 5,000.00 nominal value each | 25 | 25 |
| 1 shares of DKK 4,000.00 nominal value each | 4 | 4 |
| 4 shares of DKK 3,400.00 nominal value each | 13 | 13 |
| 5 shares of DKK 2,600.00 nominal value each | 13 | 13 |
| 5 shares of DKK 2,300.00 nominal value each | 12 | 12 |
| 4 shares of DKK 1,700.00 nominal value each | 7 | 7 |
| 306 shares of DKK 1,000.00 nominal value each | 306 | 306 |
| | 1,000 | 1,000 |

The Company's share capital has remained DKK 1,000 thousand over the past 5 years.

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

11 Non-current liabilities other than provisions

| DKK'000 | Total debt at 30/4 2017 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
|---------------|----------------------------|-------------------------|----------------------|-----------------------------------|
| Mortgage debt | 159,683 | 10,600 | 149,083 | 106,576 |
| | <u>159,683</u> | <u>10,600</u> | <u>149,083</u> | <u>106,576</u> |

| DKK'000 | 2016/17 | 2015/16 |
|---|--------------|--------------|
| 12 Deferred tax | | |
| Deferred tax at 1 May | 3,412 | 3,729 |
| Tax for the year recognised in income statement | -686 | -1,414 |
| Tax on items recognised directly in equity | -12 | 1,097 |
| Deferred tax at 30 April | <u>2,714</u> | <u>3,412</u> |

Deferred tax primarily relates to fixed assets and provisions.

13 Provisions

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

| DKK'000 | 2016/17 | 2015/16 |
|----------------------------------|----------------|----------------|
| 14 Other payables | | |
| Derivative financial instruments | 43,298 | 46,375 |
| Other accrued expenses | 80,153 | 68,029 |
| | <u>123,451</u> | <u>114,404</u> |

The Company has entered into an interest swap regarding adjustable interest-bearing mortgage debt of nom. DKK 100,000 thousand at fixed interest rate. The unrealized gain of the year including the tax effect is taken to equity.

The Company has entered into currency hedging agreements covering purchase in foreign currency. The fair value of hedging agreements as of 30 April 2017 amounts to DKK 52 thousand and will expire within one month after the balance sheet date.

15 Contractual obligations and contingencies, etc.

Other contingent liabilities

Liabilities related to Group Companies:

The Company is jointly taxed with its parent, ANTB Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

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.

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

Other financial obligations

Other rent and lease liabilities:

| DKK'000 | 2016/17 | 2015/16 |
|----------------------------|--------------|--------------|
| Rent and lease liabilities | <u>7,373</u> | <u>4,763</u> |

Rent liabilities and payments under operating leases concerning cars, gas plant and computer equipment.

The remaining terms are 0 - 5 years.

16 Collateral

Land and buildings and cash, with a carrying amount of DKK 88,736 thousand, have been pledged as security for mortgage debt DKK 159,684 thousand and related interest swap agreement DKK 43,245 thousand.

17 Related parties

Nissens A/S' related parties comprise the following:

Parties exercising control

| Related party | Domicile | Basis for control |
|-----------------------------|------------------|------------------------|
| K. Nissen International A/S | Horsens, Denmark | Participating interest |
| Alan Nissen | Horsens, Denmark | Participating interest |

Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|-----------------------------|------------------|--|
| K. Nissen International A/S | Horsens, Denmark | www.cvr.dk |
| ANTB Holding ApS | Horsens, Denmark | www.cvr.dk |

Related party transactions

Disclosure according til Section 98 of the Danish Financial Statements Act amounts to DKK 6,790 thousand (2015/16: DKK 4,513 thousand).

Group enterprise transactions not carried through on normal market terms

There are no group enterprise transactions that have not been carried through on normal market terms.

Financial statements for the period 1 May 2016 - 30 April 2017

Notes to the financial statements

18 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified for the Group in the consolidated financial statements for K. Nissen International A/S.

| DKK'000 | <u>2016/17</u> | <u>2015/16</u> |
|--|----------------|----------------|
| 19 Appropriation of profit | | |
| Recommended appropriation of profit | | |
| Proposed dividend recognised under equity | 50,000 | 25,000 |
| Net revaluation reserve according to the equity method | 1,094 | 956 |
| Retained earnings | <u>55,791</u> | <u>37,273</u> |
| | <u>106,885</u> | <u>63,229</u> |