Nissens Cooling Solutions A/S

Ormhøjgårdvej 11, 8700 Horsens

CVR no. 40 21 21 16

Annual Report

1 January 2022 – 31 December 2022

The Annual Report was presented and approved at the Annual General Meeting of the Company on 27 April 2023

Stefan Jon Thorsteinsson
Chairman of Annual General Meeting

Contents

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 January 2022 - 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022.

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, 27 April 2023
Executive Board:

Lars Steen Rasmussen
CEO

Board of Directors:

Carl Jakob Backs Chairman	Lars Steen Rasmussen	Anders Allesø

Independent auditor's report

To the shareholder of Nissens Cooling Solutions A/S

Opinion

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 requirements and the IESBA Code.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 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 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 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.

Independent auditor's report

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.

Odense, 27 April 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Smedegaard Hvid State Authorised Public Accountant mne31450	Henrik Carstensen State Authorised Public Accountant mne47765

Management’s review

Company details

Name	Nissens Cooling Solutions A/S
Address, postal code, city	Ormhøjgårdvej 11, 8700 Horsens, Denmark
CVR.no.	40 21 21 16
Registered office	Horsens
Financial year	1 January - 31 December
Board of Directors	Carl Jakob Backs / Chairman Lars Steen Rasmussen Anders Allesø
Executive board	Lars Steen Rasmussen
Auditors	EY Godkendt Revisionspartnerselskab

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 thousand	2022	*2021	2020/2021	2019/2020	2018/2019
Key figures					
Revenue	1,123,311	638,032	1,032,676	937,806	998,252
Profit/loss before financial income and expenses	-173,549	-60,268	-3,369	-27,430	29,645
Net financials	-1,070	5,847	-3,426	-78	9,701
Profit/loss for the year	-135,700	-42,328	-4,306	-21,432	989,923
Balance sheet total	419,550	451,106	610,816	537,219	544,230
Investment in property, plant and equipment	28,698	9,757	10,184	3,970	14,395
Equity	26,457	162,157	204,485	208,791	255,223
Average number of employees	227	232	266	293	285
Financial ratios					
Gross margin	-2.0%	5.4%	14.1%	14.2%	20.2%
EBIT margin	-15.5%	-9.4%	-0.3%	-2.9%	2.9%
Return on assets	-39.9%	-11.4%	-0.8%	-5.1%	4.3%
Current ratio	114.0%	191.2%	177.2%	190.5%	229.7%
Solvency ratio	6.3%	35.9%	33.5%	38.9%	47.0%
Return on equity	-143.9%	-23.1%	-2.1%	-10.3%	295.4%

*The financial period 2021 consist of 8 months and is therefore not directly comparable with other financial years. For further comments on change of the financial year, please see the accounting policies.

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 is specialized in the development and production of customized cooling solutions for a number of application areas. The Cooling Solutions business unit fully manufactures products for its own end customers in two sub-segments; Wind and Industrial applications.

The wind business delivers cooling systems and modules to the wind industry, whereas the industry business is focused on cooling solutions for special vehicles and industrial applications such as construction equipment, mining machinery, agricultural machines and special equipment.

Business and Financial review

The Company's income statement for the year ended 31 December 2022 shows a loss before tax of DKK 175 million and the balance sheet at 31 December 2022 shows equity of DKK 26 million.

The net revenue for the for the financial year amounts to DKK 1,123 million. The net income for the year is DKK -136 million compared to net income of DKK -42 million last year (8 months), due to a number of reasons: Externally the company is impacted by the geopolitical instability affecting order timing and supply chains, energy crisis and high inflation. Internally the company is impacted by transformation of the operations footprint and one time quality costs on newly introduced product platforms to the Wind Industry.

Market conditions in the wind industry continue to be challenging. Introduction of new product platforms from the global wind turbine manufacturers and the geopolitical instability impacts timing of orders. The industrial business segments see continuously increasing market activity following Covid-19.

Operationally the company is impacted by inflationary pressure on materials, energy and freight rates.

Material costs and energy have seen unprecedented fluctuations in 2022. There are present indications of stabilisation, but it is not fully clear what the impact will be. To the extent possible, fluctuations in material prices will continue to be reflected in future commercial agreements.

The financial year is impacted by one-time costs related to transformation of and optimization of the operations footprint as well as quality costs related to newly introduced wind product platforms.

Management considers the results of Nissens Cooling Solutions A/S as unsatisfactory.

Knowledge resources

At Nissens Cooling Solutions A/S, we wish for all employees to be able to live up to the constantly changing demands relating to the working processes. As a result, Nissens Cooling Solutions A/S attaches great importance to the training and education of the employees in order for each of them to be able to deliver high performance as well as flawless products and services. The training takes place in both internal and external courses, and with this approach, a profound know-how of the processes related to the processing of aluminium and the development of applications for thermal solutions is gained.

Management's review

Statutory report on corporate social responsibility

In pursuance of Section 99a (6) of the Danish Financial Statements Act, the Company has omitted information on the statutory report as part of the parent company NCS International Holding ApS report on corporate social responsibility. The report can be found on the company's website: https://nissenscoolingsolutions.dk/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fCSR%2fCSR+2022.pdf

Data ethics

In pursuance of Section 99d (3) of the Danish Financial Statements Act, the Company has omitted information on data ethics. The parent has done so for the entire group. The report is reflected in the annual report for NCS International Holding ApS, CVR no. 42 23 88 72.

Statutory report on the underrepresented gender

The Company has a policy for diversity and equality. The Supervisory Board is thus monitoring the gender and cultural mix across management levels.

It is the Companys' policy that regardless of gender, race, and religion, all employees must be treated equally in order to ensure that everyone has equal opportunities for employment.

The Board of Directors currently consists of three members, of which three are male, and zero are female. The target of female representation in the Board of Directors was not achieved as no changes were made to the Board of Directors in the current financial year. It is the target that at least one woman is represented in the Board of Directors by 2025.

The Nissens Cooling Solutions' Group wants to increase the representation of women in the group management team supporting the CEO and therefore strives to have at least one of each gender among the final candidates in search processes. The share of women in the group management team supporting the CEO is 17%.

Outlook

The global business environment for the groups products sold to the Wind industry is expected to continue to be volatile in the short term driven by the global supply chain challenges, inflation and the geopolitical circumstances. While we expect these effects to impact negatively in the short-term, it is also expected that the situation will stabilize and that higher demand will have positive impacts in the medium to long-term.

In FY 2023, the Company expects an increase in revenue to a range between 1,050 MDKK and 1,200 MDKK.

In FY 2023, the Company expects an improved EBITDA.

Events after the balance sheet date

After the balance sheet date, no events have occurred that may have significant influence on the assessment of the financial statement for the year 1 January 2022 – 31 December 2022.

Special risks apart from generally occurring risks in industry

Market risks

Customer and market-related risks are short-term present but is long-term assessed as limited as the perspectives of the industries the company operates in are prosperous.

The geopolitical conflict following Russia's aggression on Ukraine is considered a risk factor.

The Company is overall reliant on effective international trade relations between nations.

Currency risks

The majority of the Company's activities implies currency risks in connection with the purchase and sale of goods and services in foreign currencies. Except towards EUR the company's net exposures are limited. Currency risks are monitored and covered within the limitations of the financial policy approved by the Board of Directors.

Credit risks

The Company's activities imply a credit risk in connection with sales to customers throughout the world. We take measures to cover these outstanding debts in the best possible way, for instance by taking out credit insurances.

Inflation of Material prices, freight rates and energy cost related risks

Continued inflationary pressure on material prices, freight costs, energy costs and other cost elements may impact margins on the short to medium term until the effects can be mitigated.

Geopolitical risks

The Company does not have any direct sales to or purchasing from the impacted countries, Russia, Ukraine and Belarus.

The Company is exposed to inflationary risks as well as supply chain-related risks as a result of the situation.

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Income statement

For the period 1 January - 31 December

Note	DKK'000	2022 (12 months)	2021 (8 months)
2	Revenue	1,123,311	638,032
	Change in inventories of finished goods and work in progress	7,173	193
	Cost of sales	-1,074,104	-561,173
	Other operating income	30,450	36,054
	Other external costs	-109,078	-78,686
	Gross margin	**-22,248**	**34,420**
3	Staff costs	-129,593	-84,199
	Depreciation, amortization and impairment of intangible fixed assets and property, plant and equipment	-21,708	-10,489
	Loss before financial income and expenses	**-173,549**	**-60,268**
4	Financial income	2,192	7,838
5	Finance expenses	-3,262	-1,991
	Loss before tax	**-174,619**	**-54,421**
6	Tax on profit/loss for the year	38,919	12,093
	Net loss for the year	**-135,700**	**-42,328**

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Balance sheet

As at 31 December

Note	DKK'000	2022	2021
	Assets		
	Development projects	8,791	17,354
	Acquired intangible assets	1,699	5,364
	Development projects in progress	14,200	3,269
7	**Total intangible fixed assets**	**24,690**	**25,987**
	Land and buildings	23,529	11,290
	Plant and machinery	27,574	23,884
	Other fixtures and fittings, tools and equipment	1,583	3,322
	Property, plant and equipment in progress	4,794	9,105
8	**Total tangible fixed assets**	**57,480**	**47,601**
12	Deferred tax asset	17,332	0
	Fixed asset investments	**17,332**	**0**
	Total fixed assets	**99,502**	**73,588**
	Raw materials and consumables	10,114	5,949
	Work in progress	62,609	56,901
	Finished goods and goods for resale	11,971	7,477
	Prepayments for goods	670	0
	Inventories	**85,364**	**70,327**
	Trade receivables	154,234	106,254
	Receivables from group entities	28,169	159,907
	Other receivables	3,567	6,976
	Corporation tax	25,260	13,389
9	Prepayments	3,278	1,803
	Receivables	**214,508**	**288,329**
	Cash	20,176	18,862
	Total current assets	**320,048**	**377,518**
	Total assets	**419,550**	**451,106**

Financial statements

Balance sheet

As at 31 December

Note	DKK'000	2022	2021
	Equity and liabilities		
	Equity		
10	Share capital	1,000	1,000
	Reserve for development projects	16,260	16,086
11	Retained earnings	9,197	145,071
	Total equity	**26,457**	**162,157**
	Provisions		
12	Provision for deferred tax	0	4,915
13	Other provisions	18,897	13,735
	Total provisions	**18,897**	**18,650**
	Mortgage debt	78,560	51,085
	Other payables	14,978	21,755
14	**Long-term debt**	**93,538**	**72,840**
14	Short-term portion of long-term liabilities	7,014	13,550
	Trade payables	80,548	63,382
	Prepayment from customers	2,240	0
	Payables to group entities	160,700	98,147
	Other payables	28,732	22,064
	Deferred income	1,424	316
	Short-term debt	**280,658**	**197,459**
	Total liabilities	**393,093**	**288,949**
	Total equity and liabilities	**419,550**	**451,106**

15 Hedging
16 Contingent assets, liabilities and other financial obligations
17 Charges and securities
18 Related parties and ownership
19 Fee to auditors appointed at the general meeting

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Statement of changes in equity

DKK'000	Share capital	Reserve for development projects	Retained earnings	Total
Equity 1 January 2022	1,000	16,086	145,071	162,157
Net loss for the year	0	174	-135,874	-135,700
Equity at 31 December 2022	**1,000**	**16,260**	**9,197**	**26,457**

DKK'000	Share capital	Reserve for development projects	Retained earnings	Total
Equity 1 May 2021	1,000	15,563	187,922	204,485
Net loss for the year	0	523	-42,851	-42,328
Equity at 31 December 2021	**1,000**	**16,086**	**145,071**	**162,157**

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Overview of notes for the financial statements

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1 **Accounting policies**

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

The annual report is presented in DKK'000.

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

Non-comparability

As the Company has entered into a new group structure, the Company's financial year has been changed to the Group's financial period, which means that the comparative figures only cover a period of 8 month whereas this financial years figures covers 12 months.

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.

Leases

The Group has chosen IAS 17 as interpretation for classification and recognition of leases. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

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

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

Financial statements

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1 Accounting policies (continued)

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

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

Income statement

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.

Financial statements

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1 Accounting policies (continued)

Amortisation, depreciation and impairment losses

The item comprises depreciation of 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	2-5 years
Development projects	2-5 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.

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 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.

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1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible assets comprise software licences and other acquired rights and development projects.

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

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

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

Property, plant and equipment

Property, plant and equipment comprise land and buildings, leasehold improvements, production equipment, machinery and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write-downs.

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.

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.

Notes

1 Accounting policies (continued)

Inventories

Inventories 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.

Receivables

The Company has chosen IAS 39 as interpretation for impairment of financial 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.

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

Notes

1 Accounting policies (continued)

Equity

Reserve for development costs

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

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.

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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial statements

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1 Accounting policies (continued)

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 highlights

Definitions of financial ratios

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

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2 Revenue

Geographical information

DKK'000	2022 (12 months)	2021 (8 months)
Revenue from external customers		
Denmark	247,830	107,665
Rest of Europe	785,212	350,773
Rest of the world	90,269	179,594
	1,123,311	**638,032**

3 Staff costs

DKK'000	2022 (12 months)	2021 (8 months)
Wages and salaries	122,975	79,166
Pensions	4,728	3,274
Other social security costs	1,890	1,759
Total employee benefit expense	**129,593**	**84,199**
Average number of full time employee	227	232

Management fee paid related to the Company's management amounts to DKK 3,233 thousand.

4 Financial income

DKK'000	2022 (12 months)	2021 (8 months)
Interest income, group entities	153	4,234
Other financial income	309	12
Foreign exchange rate gains	1,730	3,592
	2,192	**7,838**

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5 Financial expenses

DKK'000	2022 (12 months)	2021 (8 months)
Interest expenses, group entities	0	36
Other finance expenses	1,881	1,955
Fair value adjustments (losses) on forward contracts	1,381	0
Foreign exchange rate loss	0	0
	3,262	**1,991**

6 Tax on profit/loss for the year

DKK'000	2022 (12 months)	2021 (8 months)
Estimated tax charge for the year	-21,928	-11,955
Adjustments in respect of current income tax of previous year	5,256	38
Deferred tax for the year	-16,885	-176
Adjustments in respect of deferred income tax of previous year	-5,362	0
	-38,919	**-12,093**

7 Intangible fixed assets

DKK'000	Acquired intangible assets	Development projects and patents	Development projects in progress	Total
Cost 1 January 2022	5,653	24,685	3,269	33,607
Additions for the year	0	0	9,839	9,839
Transfers for the year	-1,392	300	1,092	0
Cost 31 December 2022	4,261	24,985	14,200	43,446
Amortisation and impairment at 1 January 2022	289	7,331	0	7,620
Depreciation for the year	2,273	8,863	0	11,136
Amortisation and impairment at 31 December 2022	2,562	16,194	0	18,756
Carrying amount 31 December 2022	**1,699**	**8,791**	**14,200**	**24,690**

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

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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 January 2022	80,156	108,236	7,750	9,105	205,247
Additions for the year	13,221	10,747	623	4,107	28,698
Disposals for the year	0	-6,336	-1,166	-2,338	-9,840
Transfers for the year	0	6,080	0	-6,080	0
Cost 31 December 2022	93,377	118,727	7,207	4,794	224,105
Depreciations and impairments at 1 January 2022	68,866	84,352	4,428	0	157,646
Depreciation for the year	982	7,859	1,731	0	10,572
Disposals	0	-1,058	-535	0	-1,593
Depreciations and impairments at 31 December 2022	69,848	91,153	5,624	0	166,625
Carrying amount 31 December 2022	**23,529**	**27,574**	**1,583**	**4,794**	**57,480**

9 Prepayments

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

10 Equity

The share capital consists of:

	Nominal value
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
	1,000

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

Notes

11 Proposed distribution of profit

DKK'000	2022	2021
Reserve for development projects	174	523
Retained earnings	-135,874	-42,851
	-135,700	**-42,328**

12 Deferred tax

DKK'000	2022	2021
Provision for deferred tax at 1 January/1 May	4,915	5,091
Tax related to the income statement	-22,247	-176
Tax on shareholders' equity items	0	0
Deferred tax at 31 December	**-17,332**	**4,915**
Intangible assets	5,432	5,717
Property, plant and equipment	635	1,073
Inventories	423	599
Trade and other receivables	599	347
Provisions and other liabilities	-4,048	-2,781
Tax loss	-20,373	0
	-17,332	**4,915**

There is a total unrecognised deferred tax asset related to tax losses of sales of property of 1,453 DKK'000 which, due to the uncertainty of the future utilization, has not been recognised in the balance sheet.

13 Other provisions

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

DKK'000	2022	2021
Balance at beginning of year at 1 January/1 May	13,735	11,375
Reversed in the year	-2,023	0
Provision in the year	13,398	12,287
Utilized in the year	-6,213	-9,927
Balance at 31 December	**18,897**	**13,735**

14 Long-term debt

DKK'000	Debt at 1 January 2022	Debt at 31 December 2022	Payment within 1 year	Payment between 1 – 5 years	Debt after 5 years
Mortgage debt	53,975	78,560	0	5,715	72,846
Other payables	32,415	21,992	7,014	0	14,978
	86,390	**100,552**	**7,014**	**5,715**	**87,824**

Notes

15 Hedging

The company has entered into LME hedging agreements covering purchase of LME. The hedging agreements will expire within twelve months after the balance sheet date.

DKK'000	Derivative financial instruments
Fair value at year end	1,381
Unrealised fair value adjustments for the year, recognised in the income statement	1,381
Unrealised fair value adjustments for the year, recognised in hedging reserve	0
Fair value level	2

The derivative financial instruments are categorised i level 2 in the fair value hierarchy, and no significant unobservable input is included in the valuation.

16 Contingent assets, liabilities and other financial obligations

Recourse and non-recourse guarantee commitments

The Company is jointly taxed with its new parent company, A. P. Møller Holding A/S (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.

The Company is jointly VAT registered with its parent company, NCS International A/S, and is jointly and severally liable for joint VAT registration.

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 collectively.

Rent liabilities and payments under operating leases concerning rent, cars, gas and plant amount to DKK 5,529 thousand (31 December 2021 DKK 8,206 thousand).

The remaining terms are 0-4 years.

17 Charges and securities

As security for mortgage debt totaling DKK 78,560 thousand, the Company has granted charges on land and buildings, carried at DKK 18,895 thousand at 31 December 2022 (31 December 2021 DKK 6,468 thousand).

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18 Related parties and ownership

Controlling interest

NCS International A/S, Horsens, Denmark

NCS International Holding ApS, Horsens, Denmark

APMH Invest XXI ApS, Copenhagen K, Denmark

APMH Invest A/S, Copenhagen K, Denmark

A.P. Møller Holding A/S, Copenhagen K, Denmark

A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal, Copenhagen K, Denmark

KK Wind Solutions A/S

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:

A.P. Møller Holding A/S, Copenhagen K, CVR no. 25 67 92 88

Immediate:

NCS International Holding ApS, Horsens, CVR no. 42 23 88 72

19 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.