

Nissens Cooling Solutions A/S

Vejlevej 19, 8700 Horsens

CVR no. 40 21 21 16

Annual Report

1 January 2023 – 31 December 2023

The Annual Report was presented and approved at the Annual General Meeting of the Company on 13 June 2024

Allan Gabriel Zandberg
Chairman of Annual General Meeting

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Statement by management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nissens Cooling Solutions A/S for the financial year 1 January 2023 - 31 December 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

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, 13 June 2024

Executive Board:

Mauricio Fernando
Quintana
CEO

Board of Directors:

Bjørn Reinhardt Mogensen

Chairman

Allan Gabriel Zandberg

Mauricio Fernando

Quintana

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 – 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of Nissens Cooling Solutions A/S at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Odense, 13 June 2024
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	Vejlevej 19, 8700 Horsens, Denmark
CVR.no.	40 21 21 16
Registered office	Horsens
Financial year	1 January - 31 December
Board of Directors	Bjørn Reinhardt Mogensen / Chairman Allan Gabriel Zandberg Mauricio Fernando Quintana
Executive board	Mauricio Fernando Quintana
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	2023	2022	*2021	2020/2021	2019/2020
Key figures					
Revenue	1.084.660	1,123,311	638,032	1,032,676	937,806
Profit/loss before financial income and expenses	-128,628	-173,549	-60,268	-3,369	-27,430
Net financials	-6,644	-1,070	5,847	-3,426	-78
Profit/loss for the year	-106,812	-135,700	-42,328	-4,306	-21,432
Balance sheet total	403,690	419,550	451,106	610,816	537,219
Investment in property, plant and equipment	6,094	28,698	9,757	10,184	3,970
Equity	69,645	26,457	162,157	204,485	208,791
Average number of employees	205	227	232	266	293
Financial ratios					
Gross margin	0,9%	-2.0%	5.4%	14.1%	14.2%
EBIT margin	-11,9%	-15.5%	-9.4%	-0.3%	-2.9%
Return on assets	-31,2%	-39.9%	-11.4%	-0.8%	-5.1%
Current ratio	126,7%	114.0%	191.2%	177.2%	190.5%
Solvency ratio	17,3%	6.3%	35.9%	33.5%	38.9%
Return on equity	-222,3%	-143.9%	-23.1%	-2.1%	-10.3%

*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.

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 industrial 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 2023 shows a loss before tax of DKK 135 million and the balance sheet at 31 December 2023 shows equity of DKK 70 million.

The net revenue for the for the financial year amounts to DKK 1,085 million. The net income for the year is DKK -107 million compared to net income of DKK -136 million last year. Since in the Annual Report for 2022 an increase in revenue to a range between 1,050 MDKK and 1,200 MDKK with an improved EBITDA was expected, this is as anticipated. Market conditions have stabilised during 2023 but the company is still impacted by the geopolitical instability affecting order timing and supply chains. Internally the company is impacted by transformation of the operations footprint.

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.

Material costs and energy have stabilised and decreased during 2023 compared to 2022, but are still high and with significant fluctuations. To the extent possible, fluctuations in material prices will continue to be adjusted in 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.

Financing and outlook

The Company is financed via a shared cash-pool arrangement with Group entities within the NCS International Holding ApS Group and is thus dependent on the overall financing of the Group. At 31 December the Group has a net amount of 62 MDKK available in the cash-pool arrangement.

As per end of May 2024 the Group has 35 MDKK available in the combined cash pool. Additionally, the Group's long-term loan of 625 MDKK will mature at 1 January 2025.

During 2024 the Company will spend funds to close the operation in Denmark and transfer machinery to other production sites (see note for Subsequent events). The Company and its parent KK Wind Solutions Holding A/S is in a refinancing process, and thus expects to obtain sufficient financing to continue the Company's operations and make the mentioned changes in 2024 and to repay the long-term loan at the maturity date. Management expects that the refinancing will be finalized early Q3 2024. Further financing of 80 MDKK is needed to carry out planned activities for 2024 and pay interest costs on existing interest-bearing debt. Of this, 65 MDKK is forecasted as financing need until the refinancing is in place, which will be provided by the parent.

Based on this assumption, Management has assessed the Company a going concern.

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.

Statutory report on corporate social responsibility

In pursuance of Section 99a of the Danish Financial Statements Act, the Company has prepared a separate report. The report can be found on the company's website:

https://nissenscoolingsolutions.com/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fCSR%2fCSR_2023.pdf

Statement on approach to data ethics, cf. sections 99d of the Danish Financial Statements Act

At Nissens Cooling Solutions Group we recognize the significant responsibility that comes with handling data. Our approach to data is based on the integral understanding that any responsible company regardless of legislative requirements must ensure quality in all data-related aspects, comply with principles of fair use and transparency.

In 2022, we implemented our Data Ethics Policy, and updated this in 2023, to ensure that everybody in the Nissens Cooling Solutions Group understand the importance of handling data with the utmost care and respect, and that they follow our guiding principles on data use and ethics. The policy serves as a supplement to the Data Privacy Policy, which all employees receive and sign as part of their onboarding process, to further enhance our privacy and security measures.

Our commitment to data ethics is driven by our belief that ethical data use is integral to our mission of contributing to a sustainable future.

To uphold our commitment, we have implemented several measures, including training sessions, data access controls, and ongoing monitoring of our data practices.

We report on our data ethics efforts and policy in accordance with section 99d of the Danish Financial Statements Act.

Statement on gender composition cf. section 99b of the Danish Financial Statements Act

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

The workforce of the company has a breakdown of approximately 70% males and 30% females. We recognize that the industry has evolved to include more women and we aim to increase their representation in years to come.

It is the Company's policy that regardless of gender, race, and religion, all employees must be treated equally in order to ensure that everyone has equal opportunities for employment. We value having a more even gender split, as this contributes to the diversity of thought and makes Nissens Cooling Solutions A/S a more welcoming and inclusive workplace.

Management's review

The Board of Directors consisted during 2023, of 3 members, of which 3 were male, and zero were female (0%). Chairman for the Board of Directors was replaced in October 2023. In selecting a new Chairman, we strived to have at least one of each gender represented, but no candidates from the underrepresented gender who met the necessary qualifications were identified or available for consideration for board positions. The target of female representation in the Board of Directors was not achieved.

In connection with the composition of the Board of Directors, Nissen Cooling Solutions continuedly work towards the ambition of having a more diverse gender composition and reaching the 2026 target of 33% representation of the underrepresented gender by securing representation of one female in the Board of Directors.

The Nissens Cooling Solutions' Group wants to increase the representation of women in the group management team supporting the CEO and therefore, during 2023, strived to have at least one of each gender among the final candidates in search processes. Despite the efforts related to this, no candidates from the underrepresented gender who met the necessary qualifications were identified or available for consideration for the role.

Other management consists of one member in the executive management. Since there are less than 3 members no further reporting is required cf. §99b.

Overview

	Nissens Cooling So- lutions A/S
	2023
Board of Directors¹:	
Total number of members	3
Ratio of the underrepresented gender	0%
Target figure	33%
Target year	2026
Other management²:	
Total number of members	1
Ratio of the underrepresented gender	n/a
Target figure	n/a
Target year	n/a

Outlook

The global business environment for the Group's products sold to the Wind industry and Industrial segment is expected to continue to be under pressure due to current economic environment. The changed production setup is initiated to make the company more cost competitive in the future.

In FY 2024, the Company expects to maintain revenue at a range between 1,000 MDKK and 1,100 MDKK.

In FY 2023, the Company expects an improved EBITDA through several improvement initiatives starting to have effect.

¹ Board of Directors is reported at the end of the reporting period. Information has been sourced from the Central Business Register (CVR) and any employee-elected members have been excluded from the calculation.

² Senior Management is based on headcount at the end of the reporting period. Senior Management is defined with reference to the guidance on "Targets and policy for the gender composition of management and for reporting on this" published by the Danish Business Authority and include top management and their direct reports, where these reports manage reports in the reporting legal entity.

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

NCS Group has no specific risks besides what is common to the industry and the above mentioned operating risk.

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.

The reporting currency for NCS Group is DKK. The majority of sales are in DKK, EUR, USD and CNY. The primary currencies exposing NCS Group to foreign exchange risk related to purchases include USD and CNY. As NCS Group also operates in Czech, foreign exchange exposure related to CZK also exists.

NCS Group employs hedging strategies defined in the Financial Policy to mitigate the foreign exchange exposure which mainly include the use of forward contracts for a term up to one year. The currency exposure is continuously monitored and effectiveness of hedging strategies is evaluated to minimize potential risks.

The foreign exchange risk related to other currencies is considered low.

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.

Interest rate risks

The NCS Group is exposed to an interest rate risk, as the Group's mortgage and bank financing has variable rates of interest.

The risk is monitored and hedging is applied when relevant.

Financial statements

Income statement

For the period 1 January - 31 December

Note	DKK'000	2023	2022
4	Revenue	1,084,660	1,123,311
	Change in inventories of finished goods and work in progress	-27,672	7,173
	Cost of sales	-970,200	-1,074,104
	Other operating income	24,181	30,450
	Other external costs	-101,670	-109,078
	Gross margin	9,299	-22,248
5	Staff costs	-118,410	-129,593
	Depreciation, amortization and impairment of intangible fixed assets and property, plant and equipment	-19,517	-21,708
	Loss before financial income and expenses	-128,628	-173,549
6	Financial income	34	2,192
7	Finance expenses	-6,667	-3,262
	Loss before tax	-135,261	-174,619
8	Tax on profit/loss for the year	28,449	38,919
	Net loss for the year	-106,812	-135,700

Financial statements

Balance sheet

As at 31 December

Note	DKK'000	2023	2022
	Assets		
	Development projects	2,557	8,791
	Acquired intangible assets	6,678	1,699
	Development projects in progress	15,056	14,200
9	Total intangible fixed assets	24,291	24,690
	Land and buildings	25,197	23,529
	Plant and machinery	24,759	27,574
	Other fixtures and fittings, tools and equipment	1,289	1,583
	Property, plant and equipment in progress	166	4,794
10	Total tangible fixed assets	51,411	57,480
15	Deferred tax asset	29,427	17,332
	Deposits	260	0
	Fixed asset investments	29,687	17,332
	Total fixed assets	105,389	99,502
	Raw materials and consumables	6,748	10,114
	Work in progress	41,563	62,609
	Finished goods and goods for resale	4,697	11,971
	Prepayments for goods	647	670
	Inventories	53,655	85,364
	Trade receivables	113,131	154,234
11	Receivables from group entities	85,322	28,169
	Other receivables	17,220	3,567
	Corporation tax	28,574	25,260
12	Prepayments	396	3,278
	Receivables	244,643	214,508
	Cash	3	20,176
	Total current assets	298,301	320,048
	Total assets	403,690	419,550

Financial statements

Balance sheet

As at 31 December

Note	DKK'000	2023	2022
	Equity and liabilities		
	Equity		
13	Share capital	1,000	1,000
	Reserve for development projects	15,212	16,260
	Retained earnings	53,433	9,197
	Total equity	69,645	26,457
	Provisions		
16	Other provisions	4,510	18,897
	Total provisions	4,510	18,897
	Mortgage debt	78,569	78,560
	Other payables	15,552	14,978
17	Long-term debt	94,121	93,538
16	Short-term portion of long-term liabilities	0	7,014
	Trade payables	63,945	80,548
	Prepayment from customers	0	2,240
	Payables to group entities	147,108	160,700
	Other payables	23,533	28,732
	Income tax payable	69	0
	Deferred income	759	1,424
	Short-term debt	235,414	280,658
	Total liabilities	334,045	393,093
	Total equity and liabilities	403,690	419,550
2	Financing and outlook		
3	Subsequent events		
18	Contingent assets, liabilities and other financial obligations		
19	Charges and securities		
20	Related parties and ownership		
21	Fee to auditors appointed at the general meeting		

Financial statements

Statement of changes in equity

DKK'000	Share capital	Reserve for development projects	Retained earnings	Total
Equity 1 January 2023	1,000	16,260	9,197	26,457
Cash contribution	0	0	150,000	150,000
Net loss for the year	0	-1,048	-105,764	-106,812
Equity at 31 December 2023	1,000	15,212	55,649	69,645

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

Financial statements

Overview of notes for the financial statements

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Financial statements

Notes

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.

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.

Foreign currency translation

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

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

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.

Financial statements

Notes

1 Accounting policies (continued)

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

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

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

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

Notes

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.

Financial statements

Notes

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.

Financial statements

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".

Financial statements

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

Notes

1 Accounting policies (continued)

Liabilities

The Company has chosen IAS 39 as interpretation for impairment of 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 A.P.Møller Holding A/S.

Financial highlights

Definitions of financial ratios

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

Financial statements

Notes

2 Financing and outlook

The Company is financed via a shared cash-pool arrangement with Group entities within the NCS International Holding ApS Group and is thus dependent on the overall financing of the Group. At 31 December the Group has a net amount of 62 MDKK available in the cash-pool arrangement.

As per end of May 2024 the Group has 35 MDKK available in the combined cash pool. Additionally, the Group's long-term loan of 625 MDKK will mature at 1 January 2025.

During 2024 the Company will spend funds to close the operation in Denmark and transfer machinery to other production sites (see note for Subsequent events). The Company and its parent KK Wind Solutions Holding A/S is in a refinancing process, and thus expects to obtain sufficient financing to continue the Company's operations and make the mentioned changes in 2024 and to repay the long-term loan at the maturity date. Management expects that the refinancing will be finalized early Q3 2024. Further financing of 80 MDKK is needed to carry out planned activities for 2024 and pay interest costs on existing interest-bearing debt. Of this, 65 MDKK is forecasted as financing need until the refinancing is in place, which will be provided by the parent.

Based on this assumption, Management has assessed the Company a going concern.

3 Subsequent events

On 1 January 2024, NCS International Holding ApS, was sold from APMH INVEST XXI ApS to KK Wind solutions A/S.

On February 28th it was announced to close the production site in Horsens, DK. The production will be transferred to the Group's other production facilities in China, Slovakia and Czech Republic during 2024.

4 Revenue

Geographical information

DKK'000	2023	2022
Revenue from external customers		
Denmark	143,319	247,830
Rest of Europe	841,123	785,212
Rest of the world	100,218	90,269
	1,084,660	1,123,311

5 Staff costs

DKK'000	2023	2022
Wages and salaries	111,514	122,975
Pensions	4,841	4,728
Other social security costs	2,055	1,890
Total employee benefit expense	118,410	129,593
Average number of full-time employee	205	227

Management fee paid related to the Company's management amounts to DKK 5,524 thousand.

Financial statements

6	Financial income		
	DKK'000	2023	2022
	Interest income, group entities	0	153
	Other financial income	11	309
	Interest income, other	23	0
	Foreign exchange rate gains	0	1,730
		34	2,192
7	Financial expenses		
	DKK'000	2023	2022
	Interest expenses, group entities	0	0
	Other finance expenses	4,090	1,881
	Fair value adjustments (losses) on forward contracts	0	1,381
	Foreign exchange rate loss	2,577	0
		6,667	3,262
8	Tax on profit/loss for the year		
	DKK'000	2023	2022
	Estimated tax charge for the year	-26,371	-21,928
	Adjustments in respect of current income tax of previous year	10,016	5,256
	Deferred tax for the year	-2,987	-16,885
	Adjustments in respect of deferred income tax of previous year	-9,108	-5,362
		-28,449	-38,919

Financial statements

9 Intangible fixed assets

DKK'000	Acquired intangible assets	Development projects and patents	Development projects in progress	Total
Cost 1 January 2023	4,261	24,985	14,200	43,446
Additions for the year	123	4,843	9,187	14,154
Disposals for the year	0	0	-6,104	-6,104
Transfers for the year	2,227	0	-2,227	0
Cost 31 December 2023	6,611	29,828	15,056	51,496
Amortisation and impairment at 1 January 2023	2,562	16,194	0	18,756
Depreciation for the year	1,492	6,956	0	8,448
Amortisation and impairment at 31 December 2023	4,054	23,150	0	27,204
Carrying amount 31 December 2023	2,557	6,678	15,056	24,291

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

Financial statements

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10 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 2023	93,377	118,727	7,207	4,794	224,105
Additions for the year	267	238	32	5,557	6,094
Disposals for the year	0	-2,438	-178	-913	-3,529
Transfers for the year	3,721	4,993	558	-9,272	0
Cost 31 December 2023	97,365	121,520	7,619	166	226,670
Depreciations and impairments at 1 January 2023	69,848	91,153	5,624	0	166,625
Depreciation for the year	2,320	7,865	884	0	11,069
Disposals	0	-2,257	-178	0	-2,435
Depreciations and impairments at 31 December 2023	72,168	96,761	6,330	0	175,259
Carrying amount 31 Decem- ber 2023	25,197	24,759	1,289	166	51,411

11 Receivables from group entities

The NCS International Holding ApS group has entered into an agreement for a cash pool arrangement with Nordea Bank, where NCS International A/S is the account holder and Nissens Cooling Solutions A/S is the sub-account holder along with the group's other affiliated companies. The terms and conditions of the cash pool arrangement grant Nordea Bank the right to settle withdrawals and balances among themselves, whereby only the net balance of the total cash pool accounts constitutes NCS International A/S' balance with Nordea Bank.

12 Prepayments

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

Financial statements

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13 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.

14 Proposed distribution of profit DKK'000

	2023	2022
Reserve for development projects	-1,048	174
Retained earnings	-105,764	-135,874
	-106,812	-135,700

15 Deferred tax DKK'000

	2023	2022
Provision for deferred tax at 1 January	-17,332	4,915
Tax related to the income statement	-12,095	-22,247
Tax on shareholders' equity items	0	0
Deferred tax at 31 December	-29,427	-17,332
Intangible assets	5,344	5,432
Property, plant and equipment	102	635
Inventories	340	423
Trade and other receivables	707	599
Provisions and other liabilities	-1,289	-4,048
Tax loss	-34,631	-20,373
	29,427	-17,332

Tax value and taxable loss carry-forwards are recognised based on expected utilisation within a few years from the balance sheet. 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.

Financial statements

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16 Other provisions

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

DKK'000	2023	2022
Balance at beginning of year at 1 January	18,897	13,735
Reversed in the year	-3,007	-2,023
Provision in the year	1,448	13,398
Utilized in the year	-12,828	-6,213
Balance at 31 December	4,510	18,897

Provisions expected to be utilized within a year are estimated to amount to 1,5MDKK

17 Long-term debt

DKK'000	Debt at 1 January 2023	Debt at 31 December 2023	Payment within 1 year	Payment between 1 - 5 years	Debt after 5 years
Mortgage debt	78,560	78,569	0	11,304	67,265
Other payables	21,992	15,552	0	0	15,552
	100,552	94,121	0	11,304	82,817

18 Contingent assets, liabilities and other financial obligations

Recourse and non-recourse guarantee commitments

The Company is jointly taxed with its 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 5,366 thousand (31 December 2022 DKK 5,529 thousand).

The remaining terms are 0-4 years.

Financial statements

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19 Charges and securities

As security for mortgage debt totaling DKK 78,569 thousand, the Company has granted charges on land and buildings, carried at DKK 20,966 thousand at 31 December 2023 (31 December 2022 DKK 18,895 thousand).

20 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 (January 1st 2024)

Transactions

The company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

<u>Related party</u>	<u>Amount</u>	<u>Description of transaction</u>
NCS International A/S	150MDKK	Cash contribution

Consolidated financial statements

The Company is included in the group annual report of

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

21 Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act, the company has not presented fees to statutory auditors.

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"By my signature I confirm all dates and content in this document."

Mauricio Fernando Quintana

CEO

On behalf of: NCS International Holding ApS

Serial number: maqui@kkwindsolutions.com

IP: 37.96.xxx.xxx

2024-06-17 09:01:36 UTC

Allan Gabriel Zandberg

Board of Directors

On behalf of: NCS International Holding ApS

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2024-06-18 10:10:32 UTC



Mauricio Fernando Quintana

Board of Directors

On behalf of: NCS International Holding ApS

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Søren Smedegaard Hvid

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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Henrik Carstensen

EY Godkendt Revisionspartnerselskab CVR: 30700228

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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2024-06-20 07:55:49 UTC



Bjørn Reinhardt Mogensen

Chairman

On behalf of: NCS International Holding ApS

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2024-06-20 10:45:51 UTC

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