NCS International Holding ApS

Ormhøjgårdvej 11, 8700 Horsens

CVR no. 42 23 88 72

Annual Report

22 March 2021 - 31 December 2021

The Annual Report was presented and approved at the Annual General Meeting of the Company on 29 April 2022

Stefan Jon Thorsteinsson
Chairman of Annual General Meeting

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Statement by Management on the Annual Report

Today, the Board of Directors and the Executive Board have discussed and approved the Annual Report of NCS international Holding Aps for the financial year 2021 covering the period 22 March 2021 to 31 December 2021.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position on 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 22 March 2021 – 31 December 2021.

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

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

Horsens, 29 April 2022
Executive Board:

Lars Steen Rasmussen CEO	Carl Jakob Backs CFO

Board of Directors:

Jan Thorsgaard Nielsen Chairman	Simon Krogsgaard Ibsen	Lars Gade Hansen
Morten Mosegaard Christensen	Chlinton Arendahl Nielsen	

Independent auditor's report

To the shareholders of NCS International Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of NCS International Holding ApS for the financial year 22 March – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 22 March – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion, the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2021 and of the results of the Parent Company's operations for the financial year 22 March – 31 December 2021 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Odense, 29 April 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Smedegaard Hvid State Authorised Public Accountant mne31450	Julie Boll Knudsen State Authorised Public Accountant mne44104

Management's review

Company details

Name	NCS International Holding ApS
Address, postal code, city	Ormhøjgårdvej 11, 8700 Horsens, Denmark
CVR.no	42 23 88 72
Registered office	Horsens
Financial year	1 January - 31 December
1st. financial year	22 March 2021 – 31 December 2021
Board of Directors	Jan Thorsgaard Nielsen / Chairman Simon Krogsgaard Ibsen Lars Gade Hansen Morten Mosegaard Christensen Chlinton Arendahl Nielsen
Executive board	Lars Steen Rasmussen Carl Jakob Backs
Parent Company	APMH Invest XXI ApS, CVR. no. 42 47 44 44
Auditors	EY Godkendt Revisionspartnerselskab
Bankers	Danske Bank A/S Handelsbanken, (filial af Svenska Handelsbanken AB (publ) Sverige)
Annual Shareholders' Meeting	The Annual Shareholders' Meeting on 29 April 2022, at Ormhøjgårdvej 11, 8700 Horsens

Management's review

Financial highlights for the Group

In DKK millions, except for per share data	**22 March 2021 – 31 December 2021***
Key figures	
Revenue	72.9
EBITDA	-43.1
Operating profit	-51.5
Net finance costs	-1.3
Result before tax	-52.9
Result for the year	-48.2
Non-current assets	1,174.4
Current assets	650.1
Total assets	1,824.5
Equity	733.6
Non-current liabilities	808.9
Current liabilities	281.9
Cash flows from operating activities	-36.6
Cash flow from investing activities	-6.6
Cash flow from investments in fixed assets	-1,227.9
Cash flows from financing activities	1,351.8
Total cash flows	80.6
Financial ratios	
EBITDA	-59.1%
Operating margin	-70.7%
Current ratio	230.6%
Equity ratio	40.2%
Return on equity	-6.3%
Average number of full-time employees	982

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

* NCS International A/S was acquired as per 30 November 2021.
The result for the NCS International A/S Group is only for one month for the year 2021.

Definition of financial ratios

Annual sales growth:	*Revenue current period – Revenue prior period / Revenue prior period*
EBITDA:	*EBITDA before special items margin / Revenue *100*
Operating margin:	*Operating margin / Revenue *100*
Current ratio:	*Current assets / Current liabilities*100*
Equity ratio:	*Equity / Total assets * 100*
Return on equity:	*Net profit/loss for the year / Average equity in the year* 100* *(Opening equity is based on equity after total contribution)*

Management's review

Business review

The Nissens Cooling Solutions Group develops, manufactures and markets customized cooling systems for the renewable energy and special vehicles. Nissens Cooling Solutions Group is a leading global company in cooling systems for on- and offshore wind turbines and a leading manufacturer of cooling solutions for special vehicles and industrial applications. The Nissens Cooling Solutions Group is known for a strong brand, a wide product range, consistently high service levels, good product quality, strong engineering capabilities as well as high-quality customization and innovation.

The Nissens Cooling Solutions Group, covering development and sales to two business areas; the wind energy industry and the industrial business area, targeting respectively global wind turbine OEMs and global heavy-duty equipment OEMs.

The Nissens Cooling Solutions Group is headquartered in Horsens, Denmark, with most of the production being undertaken at two production facilities in Slovakia, three production facilities in Denmark, one production facility in China and a production facility in the Czech Republic. The Nissens Cooling Solutions Group consists of 8 subsidiaries across three continents with activities within sales, production and distribution. As of 31 December 2021, the Nissens Cooling Solutions Group employed 975 FTEs, of which 606 are located in Slovakia and the Czech Republic, 234 are located in Denmark, 134 are located in China and 1 is employed in other countries.

History and recent developments

In November 2021, A.P. Møller Holding Invest A/S acquired the entire share capital of NCS International A/S from K. Nissen International A/S.

The underlying group of which Nissens Cooling Solutions was part of until the acquisition, was established in 1921 by Mr. Julius Nissen. In 2005, the Nissens Group established its first international factory in Slovakia, and another factory was established in 2010 in Tianjin, China. Since 2013, the Nissens Group has gradually expanded its manufacturing facilities across Slovakia, China, USA and the Czech Republic.

Products

The main product categories offered within Nissens Cooling Solutions are for wind turbine applications, including mechanical and electrical drive train cooling, converter & inverter cooling, transformer cooling and climate control as well as system and module assembly for the wind turbine industry for easy integration and final assembly by the wind turbine manufacturers. Furthermore, engine cooling, oil cooling and charge air cooling are solutions supplied to industrial manufacturers.

Research & development

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

Management's review

Business review (continued)

Knowledge resources

The Nissens Cooling Solutions Group wishes for all employees to be able to live up to the constantly changing demands relating to the working processes. Therefore, Nissens Cooling Solutions Group 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 as 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.

Account of the gender composition of Management

Nissens Cooling Solutions Group has a policy for diversity and equality. The Board of Directors is thus monitoring the gender and cultural mix across management levels.

It is Nissens Cooling Solutions Group'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.

The Board of Directors currently consists of five members, of which five are male, and zero are female. The target of female representation on the Board of Directors was not achieved as no women was elected for the Board of Directors. It is the target that at least one woman is represented on the Board of Directors by 2025.

The Nissens 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 21%.

Financial review

NCS International Holding ApS

The Parent Company was established on 22 March 2021 with the purpose of acquiring the shares in NCS International A/S. This transaction was conducted on 30 November 2021 from which date NCS International A/S became a 100%-owned subsidiary of the Company.

In relation to the acquisition of Nissens Cooling Solutions, A.P. Møller Holding stated: "Cooling solutions and thermal management is fundamental to renewable energy. The more effectively cooling solutions operate, the more effectively we can produce and consume renewable electricity. In A.P. Moller Holding, we are committed to investing in the transition into renewable energy, and we therefore see Nissens Cooling Solutions, a global leading supplier of customised cooling solutions, as an important addition to our portfolio."

The consolidated financial statements of the Company for the financial year 22 March 2021 – 31 December 2021 show EBITDA of-43.1 MDKK and net loss before tax of -52.9 MDKK, due to costs related to the acquisition.

Management's review

Financial review (continued)

The consolidated balance sheet for the Company includes intangible assets of 812.7 MDKK of which 786.1 MDKK relates to intangible assets from the acquisition of NCS International A/S. Amortisation of intangible assets related to the acquisition of NCS International A/S has had a negative impact on the income statement of 2.4 MDKK. Goodwill amounts to 514.1 MDKK. No impairment test was carried out in 2021 as NCS International A/S was acquired shortly before the year-end closing at 31 December 2021.

With an equity of 733.6 MDKK, the Group has an equity ratio of 40.2%. The cash flow statement shows a positive cash flow of 80.6 MDKK for the year. The cash flow is impacted by the acquisition of NCS International A/S companies.

Cash flow from operations amounts to -36.6 MDKK as a result of a loss in result before financial items and a decrease in working capital offset by non-cash items.

The cash balance at the end of the year is 80.6 MDKK and with an unused credit facility of 28.9 MDKK.

Market conditions are characterized by new product platform introductions from the global wind turbine manufacturers as well as a complicated geopolitical situation impacting order timing. The industrial business segments are characterized by regained market activity following Covid-19.

Operationally, the Company is impacted by Covid-19 driven supply chain disturbances and the current geopolitical situation leading to inflationary pressure on materials, energy and freight rates as well as impacting the supply chains and demands significantly.

Material costs have seen significant fluctuations in 2021, and the future impact and duration are at the current stage not fully clear. To the extent possible, increases in prices of materials will be reflected in future commercial agreements.

The financial year is impacted by one-time transformational costs in relation to transformation of and optimization of the operations footprint.

Management considers the results of Nissens Cooling Solutions Group as unsatisfactory.

Outlook

The global business environment for the Group's products is volatile in the short term driven by the global supply chain challenges, inflation and the geopolitical circumstances. While we expect these effects to have a negative impact in the short-term, it will lead to increased demand and positive tailwinds in the medium to long-term.
In FY2022, the Group expects revenue between 1,100 MDKK and 1,250 MDKK.

In FY 2022, the Group expects improved EBITDA.

Events after the reporting period

After the balance sheet date, no events have occurred that may have significant influence on the assessment of the financial statements for the year 22 March 2021 – 31 December 2021.

Corporate Social Responsibility

Corporate Social Responsibility Report

Nissens Corporate Social Responsibility Report can be found on the Company's website: https://nissenscoolingsolutions.com/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fCSR%2f2021+Annual+Report+CSR+section.pdf

Business model & Nissens' approach to sustainability

Being a global production company, the Nissens Cooling Solutions Group believes that it is responsible for contributing to limiting the Group's environmental and climate footprint, just as it is the Group's obligation to secure good conditions for the health and safety of its employees.

Nissens Cooling Solutions is a member of UN Global Compact. The COP Report from Nissens Cooling Solutions can be found on the Company's website.

Data ethics

Nissens Cooling Solutions Group reports on data ethics in accordance with section 99d of the Danish Financial Statements Act.

In the course of 2022, Nissens Cooling Solutions Group will implement our new policy on data ethics.

Nissens Cooling Solutions Group complies with all requirements concerning data ethics and acknowledges and respects that our use of data (both personal data and nonpersonal data) may imply risks for the users that applicable laws do not cover.

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. Our data ethics behavior must make a positive contribution to all affected stakeholders.

In Nissens Cooling Solutions Group, we process various types of data, including personal data about job applicants, employees, users of our digital services, and business relations and non-personal data about our operating assets and other operations.

We primarily use collected data for statistics, analysis and development in order to optimize the delivery of our products and services.

Our work with data ethics is anchored in the information security department. The responsibility for integrating data ethics into day-to-day operations lies with the managers of the relevant business units, which is done by establishing and implementing relevant business procedures and processes which are continuously evaluated for compliance with legislation and our guiding principles as summarized above.

Special risks

Market risks

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

Covid-19 is still considered a potential market risk for sales activities and supply chain disturbances.

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

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

Currency risks

The majority of the Group's activities implies currency risks in connection with the purchase and 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

Nissens Cooling Solutions' 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.

Inflationary pressure on prices of material, freight rates and energy cost related risks

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

Covid-19 risks

Supply chain related disturbances relating to Covid-19 have materialized and the ongoing transformation program has been delayed due to Covid-19.

These risk elements may arise again if Covid-19 re-escalates.

Geopolitical risks

The Nissens Cooling Solutions group does not have any direct sales to or purchasing from the impacted countries, Russia, Ukraine and Belarus, however customers have limited sales to the countries and suppliers are impacted by availability of materials and inflation as a result of the situation.

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

Consolidated financial statements

Income statement

For the period 22 March - 31 December

Note	DKK'000	2021
3	Revenue	72,905
	Cost of raw materials and consumables	-59,509
	Development costs and own manufactured assets	331
4	Other operating income	1,490
	Other external costs	-37,800
5	Staff costs	-20,503
	EBITDA	**-43,086**
6	Depreciation and amortisation	-8,469
	Operating profit	**-51,555**
8	Finance income	1,562
8	Finance costs	-2,896
	Result before tax	**-52,889**
9	Tax	4,640
	Result for the year	**-48,249**
	Attributed to:	
	Equity holders of NCS International Holding ApS	-48,249
		-48,249

Consolidated financial statements

Statement of other comprehensive income

For the period 22 March - 31 December

Note	DKK'000	2021
	Result for the year	**-48,249**
	Other comprehensive income	
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	
	Exchange differences on translation of foreign operations	1,903
	Items that are or may subsequently be reclassified to the income statement	1,903
	Other comprehensive result for the year, net of tax	**1,903**
	Total comprehensive result	**-46,346**
	Attributed to:	
	Equity holders of NCS International Holding ApS	-46,346
		-46,346

Consolidated financial statements

Balance sheet

Note	DKK'000	31 December 2021
	ASSETS	
	Non-current assets	
10	Intangible assets	812,736
12, 13	Property, plant and equipment	356,457
15	Investments in associates	1,432
9	Deferred tax assets	2,232
	Deposits	1,529
	Total non-current assets	**1,174,386**
	Current assets	
16	Inventory	314,398
17	Trade and other receivables	234,186
	Receivables from group companies	1,481
	Income tax receivables	19,458
	Cash and cash equivalents	80,624
	Total current assets	**650,147**
	TOTAL ASSETS	**1,824,533**
	EQUITY AND LIABILITIES	
	Equity	
21	Share capital	780
	Foreign currency translation reserve	140
	Retained earnings	732,734
	Total equity	**733,654**
	Non-current liabilities	
23	Borrowings	647,187
13	Lease liabilities	44,760
9	Deferred tax liabilities	89,339
22	Provisions	4,926
24	Other payables	21,755
20	Contract liabilities	946
	Total non-current liabilities	**808,913**
	Current liabilities	
20	Contract liabilities	770
	Borrowings	2,888
13	Lease liabilities	20,176
24	Trade and other payables	242,108
9	Income tax payable	3,934
22	Provisions	12,090
	Total current liabilities	**281,966**
	Total liabilities	**1,090,879**
	TOTAL EQUITY AND LIABILITIES	**1,824,533**

Consolidated financial statements

Cash flow statement

For the period 22 March - 31 December

Note	DKK'000	2021
	Operating activities	
	Result before tax for the year	-52,889
8	Finance income	-1,562
8	Finance expenses	2,896
23	Changes in working capital	9,327
24	Non-cash operating items	6,107
		-36,121
	Finance income, received	55
9	Income tax paid	-579
	Net cash flows from operating activities	**-36,645**
	Investing activities	
10	Purchase of intangible assets	-381
10	Development expenditures capitalized	-304
12	Purchase of property, plant and equipment	-5,927
27	Investments in subsidiaries	-1,279,619
27	Acquisition of a subsidiary, net of cash acquired	51,648
	Net cash flows used in investing activities	**-1,234,583**
	Financing activities	
19	Capital injection	775,000
	Shareholding contribution	5,000
28	Proceeds from borrowings	596,100
28	Repayment of borrowings	-20,007
	Net interest paid, borrowings	-2,312
28	Payment of principal portion of lease liabilities	-1,929
	Net cash flows from financing activities	**1,351,852**
	Cash flow for the year	**80,624**
	Cash and cash equivalents at 22 March	0
	Cash and cash equivalents at 31 December	**80,624**

The Group has unused credit facilities amounting to 28.9 MDKK.

Consolidated financial statements

Statement of changes in equity

For the period 22 March - 31 December 2021

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
Equity at 22 March 2021	**0**	**0**	**0**	**0**	**0**
Total comprehensive income 31 December 2021					
Result for the year	0		0	-48,249	-48,249
Other comprehensive income					
Exchange differences on the translation of foreign operations	0		140	1,763	1,903
Total other comprehensive income	**0**		**140**	**1,763**	**1,903**
Total comprehensive income for the year	**0**		**140**	**-46,486**	**-46,346**
Transactions with owners					
Capital injection	40	60	0	0	100
Increase of share capital	740	774,160	0	0	774,900
Shareholder contribution	0	5,000	0	0	5,000
Transfer	0	-779,220	0	779,220	0
Total transactions with owners	780	0	0	779,220	780,000
Equity at 31 December 2021	**780**	**0**	**140**	**732,734**	**733,654**

Consolidated financial statements

Overview of notes to the consolidated financial statements

Note

1 Accounting policies
2 Significant accounting judgements, estimates and assumptions
3 Revenue
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7 Fees paid to auditors appointed at the annual general meeting
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Consolidated financial statements

Notes

1 Accounting policies

NCS International Holding ApS is a private limited company registered in Denmark. The financial statements section of the Annual Report for the period 22 March 2021 - 31 December 2021 comprises both the consolidated financial statements of NCS International Holding ApS and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements of NCS International Holding ApS for the period 22 March 2021 - 31 December 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statement Act applying to reporting class C large entities.

On 29 April 2022, the Board of Directors and the Executive Board discussed and approved the Annual Report of NCS International Holding ApS for the period 22 March 2021 - 31 December 2021.

Basis of preparation

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

As a non-listed company, the Group has not implemented IFRS 8, Operating Segments, which are therefore not presented in the consolidated financial statements.

Consolidated financial statements

The consolidated financial statements comprise NCS International Holding ApS (the parent) and the subsidiaries controlled by the parent. The Group controls an entity if the Group directly or indirectly owns more than 50% of the voting rights, or when the Group in one way or another has the ability to have a controlling influence. Companies wherein the Group directly or indirectly holds between 20% and 50% of the voting rights and has significant but not controlling influence are treated as associates. Please refer to the overview of the Nissens Cooling Solutions Group in Notes 14 and 15.

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

Consolidated financial statements

Notes

1 Accounting policies (continued)

Business combinations and goodwill

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

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

The purchase method is applied to acquisitions of new businesses over which NCS International Holding ApS obtains control. The acquired businesses' identifiable assets and liabilities are measured at fair value at the acquisition date. In connection with the acquisition, provision is made for the costs associated with the decided and published restructurings in the acquired business. Deferred tax related to the fair value adjustments that have been identified is recognised.

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

Gains and losses at disposal of subsidiaries

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are 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.

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

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

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Notes

1 Accounting policies (continued)

Revenue

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

The fair value corresponds to the agreed price discounted at present value where payment terms exceed 12 months.

The variable part of the total consideration is not recognised in revenue until it is highly probable that it will not be reversed in subsequent periods.

Sale of finished goods is recognised when control over the individual identifiable performance obligation in the sales agreement is transferred to the customer. In general, this is considered to occur at the time of physical delivery. The only exception to this is bill and hold arrangements, cf. below.

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

Payment terms in the Group's sales agreements

The payment terms in the Group's sales agreements with customers are dependent partly on the underlying customer relationship and partly on the segment.

The Group's terms of payments are between 30-120 days.

The Group receives prepayments for some sales agreements. The prepayments do not necessarily reflect the work performed and do not affect the time of revenue recognition.

The Group's revenue comprises sale of standard and customised cooling systems.

The Group's sales agreements are divided into individually identifiable performance obligations, which are recognised and measured separately at fair value. If a sales agreement comprises several performance obligations, the total selling price of the sales agreement is allocated proportionately to the individual performance obligations of the agreement.

Revenue is recognised when control over the individual identifiable performance obligation is transferred to the customer.

Bill and hold arrangements

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

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

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

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

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

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Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises income that is not product-related. This includes income from sales of raw materials and consumables, government grants, sale of assets and other income of a secondary nature in relation to the main activities of the Group.

Government grant

Government grant income is recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The grant will be recognised in profit and loss under other operating income or special items, as the eligible costs are incurred.

Cost of sales

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

Other external expenses

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

Staff costs

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

Equity-settled transactions

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

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

Finance income and expenses

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

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Notes

1 Accounting policies (continued)

Income tax

Current income tax

NCS International Holding ApS is jointly taxed with all its Danish parent companies and subsidiaries. The subsidiaries are included in the joint taxation from the date at which they are included in the consolidation and until the date at which they are excluded from the consolidation.

The Company’s ultimate Parent Company, A.P. Møller Holding A/S, is the administrative company for the joint taxation and settles the payments of the joint taxation with the taxation authorities.

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

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

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

Income tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to assets and liabilities without affecting either the profit or loss for the year or the taxable income.

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

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

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

Balance sheet

Goodwill

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

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Notes

1 Accounting policies (continued)

Other intangible assets

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

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

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

Rights and development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are demonstrated, and where the Group intends to complete and use the individual project, are 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.

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

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

Development projects	2-5 years
Acquired intangible assets	7-10 years

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

Notes

1 Accounting policies (continued)

Property, plant and equipment

Leasehold improvements and other fixtures and fittings are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The cost for a total asset is split in separate components, which are depreciated separately, if the useful life of each of the components differ.

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

Buildings	20-25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-7 years
Right-of-use assets	Over the term of the lease contract

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

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

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

Land is not depreciated.

Leases

The right-of-use asset and corresponding lease liability will be recognised at the commencement date, i.e. the date the underlying asset is ready for use and when the Group obtains the right to obtain the economic benefits from the use of it. Right-of-use assets are measured at cost corresponding to the lease liability recognised.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed payments from commencement date
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- The exercise price of a purchase option if it is reasonably certain that the option is exercised
- Amount expected to be payable under residual value guarantees.

Notes

1 Accounting policies (continued)

The lease liabilities are subsequently measured at amortised cost using the effective interest method. The lease liabilities are adjusted when there is a change in future lease payments, typically due to a change in index or rate on property leases, or if there is a reassessment of whether an extension or termination option will be exercised.

When the lease liabilities are adjusted in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of the lease term and useful life of the underlying asset. When it is reasonably certain that the Group will obtain ownership of the leased asset after the lease period, the asset is depreciated over the useful life.

Depreciation is provided on a straight-line basis over the expected lease period.

The Group has chosen not to recognize low value lease assets and short-term leasing contracts in the balance sheet. Lease payments on short-term leases and low-value assets are recognised as expenses on a straight-line basis according to the lease contract.

The right-of-use assets are presented in property, plant and equipment and the lease liabilities in borrowings.

Investments in associates

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

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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

Impairment of non-current assets

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

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

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

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

Notes

1 Accounting policies (continued)

Inventory

Inventory is measured at cost according to the FIFO method. If the net realisable value is lower than the cost, impairment is made to the lower value.

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

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

Trade and other receivables

Receivables are measured at amortised cost. Write-down for bad and doubtful debts is made in accordance with the simplified expected credit loss model according to which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet based on the expected loss during the useful life of the receivable.

According to the Group's risk management, trade receivables are monitored continuously until realisation. Write-downs are calculated based on the expected loss ratio, which is estimated based on historical data adjusted for estimates over the effect of expected changes in relevant parameters such as financial development, political risks, etc., in the relevant market.

Prepayments, assets

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

Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Warranty provisions

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

Warranty conditions are in general negotiated at customer level.

Notes

1 Accounting policies (continued)

Trade and other payables

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

Contractual liabilities

Contractual liabilities include prepayments from customers and other liabilities where the Group has a future commitment to deliver goods or service items. Contractual liabilities are reduced when the related goods or service items are invoiced, either fully or partially.

Liabilities

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

Fair value

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

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

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

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

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

Notes

1 Accounting policies (continued)

Alternative performance measures

The Group presents the measure of EBITDA before special items in the income statement which has not been defined in IFRS. The Group assesses that the measure gives valuable insight for investors and management of the Group to evaluate the result. As other companies may not calculate EBITDA before special items, it may not be comparable to other companies.

Cash flow statement

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

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

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Notes

2 Significant accounting judgements, estimates and assumptions

Purchase price allocation

As of 30 November 2021, NCS International Holding ApS acquired 100% of the shares in NCS International A/S and its subsidiaries.

NCS International A/S' and its subsidiaries' assets, liabilities and contingent liabilities have been recognised based on the purchase method in the consolidated financial statements of NCS International Holding ApS. The key assets of the companies are goodwill, other intangible assets, property, plant and equipment, inventories and trade receivables. Especially with regards to other intangible assets acquired, there are no efficient markets to be used to determine fair value. Management has therefore made an estimate in connection with the calculation of the fair value of the acquired assets and liabilities at the date of acquisition and has allocated the purchase price on that basis, see note 25. The fair value calculation is subject to uncertainty. The unallocated part of the purchase price has been recognised as goodwill, customer relations and technology.

Impairment tests for goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data.

Impairment test depends on the success of the current development projects with the global wind turbine OEM's and from a macro perspective that the current global outlook on installations rates is obtained.

This is further described in note 11. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Receivables

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

Inventory

Inventories are measured at the lower of cost and net realisable value. Uncertainty estimates for the inventory relate to write-down to net realisable value.

According to the Group principal, the valuation of inventory includes assessment of provision for slow moving and/or obsolete inventory.

For a specification of inventory, see note 16.

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Notes

2 Significant accounting judgements, estimates and assumptions (continued)

Estimating the incremental borrowing rate of leases

The Group cannot readily determine the interest rate implicit in the leases, therefore, the Group uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest which the Group would have to pay to borrow on similar terms and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period for buildings as part of the lease term for leases of right-of-use assets with shorter non-cancellable period unless there are specific plans to terminate the lease. The renewal periods for leases of right-of-use assets with longer non-cancellable periods are not included as part of the lease term as these are not assessed as reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. Refer to note 13 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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3 Revenue

Geographical information

DKK'000	22 March 2021 – 31 December 2021
Revenue from external customers	
Scandinavia	11,034
Rest of Europe	33,441
....Asia	23,593
Other	4,837
Total	**72,905**

4 Other operating income

DKK'000	22 March 2021 – 31 December 2021
Other operating income	1,490
Total	**1,490**

Other operating income includes sales of raw materials and rent income.

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Notes

5 Staff costs

DKK'000	22 March 2021 – 31 December 2021
Wages and salaries	17,892
Pensions	1,241
Employee benefits/other remunerations	1,370
Total employee benefit expense	**20,503**
Average number of full-time employees	982

Remuneration to the Board of Directors and the Executive Board

As part of section 98b (3) of the Danish Financial Statements remuneration to the Executive Board is not disclosed. The remuneration to the Board of Directors is 0 DKK.

6 Amortisation and depreciation

DKK'000	22 March 2021 - 31 December 2021
Amortisation, intangible assets	3,407
Depreciation, property, plant and equipment	5,062
	8,469

7 Fees paid to auditors appointed at the annual general meeting

DKK'000	22 March – 31 December 2021
Statutory audit	225
Tax and VAT advisory services	37
	262

Notes

8 Net finance income and expenses

Finance income DKK'000	22 March 2021 – 31 December 2021
Interests – bank deposits, etc.	55
Foreign exchange gains	1,507
Total finance income	**1,562**
Interest on financial assets measured at amortized cost	55

Finance expenses DKK'000	22 March 2021 – 31 December 2021
Interests – borrowings	1,821
Interests intercompany	554
Interest on lease liabilities	413
Foreign exchange losses	98
Amortisation borrowings	5
Other finance expenses	5
Total finance expenses	**2,896**
Interest on financial liabilities measured at amortized cost	2,788

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Notes

9 Income tax

Income statement

DKK'000	22 March 2021 – 31 December 2021
Tax for the current year can be specified as follows:	
Tax on the result of the year	4,640
Tax on other comprehensive income	0
	4,640

DKK'000	22 March 2021 – 31 December 2021
Tax for the current year can be specified as follows:	
Current income tax charge	1,648
Change in provision for deferred tax	2,992
	4,640

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

	22 March 2021 – 31 December 2021
Accounting profit before income tax	
Calculated 22 % tax on profit for the year	11,635
Difference in the tax rate in foreign subsidiaries relative to 22%	-1,935
Tax effect of:	
Non-deductible acquisition costs	-5,060
Other non-deductible expenses	-1
	4,640
Effective tax (%)	8.8%

Notes

9 Income tax (continued)

Tax on other comprehensive income

DKK'000	22 March 2021 – 31 December 2021 Before tax	Tax	After tax
Exchange differences on the translation of foreign operations	-1,903	0	-1,903
Adjustment to prior year	0	0	0
	-1,903	**0**	**-1,903**

Deferred tax

DKK'000	31 December 2021
Deferred tax 22 March	0
Acquisition of subsidiary	90,103
Deferred tax for the year recognised in profit for the year	-2,992
Deferred tax currency translation	-4
Deferred tax 31 December	**87,107**
Reflected in the statement of financial position as follows:	
Deferred tax assets	2,232
Deferred tax liabilities	89,339
Deferred tax 31 December, net	**87,107**

DKK'000	31 December 2021
Deferred tax relates to:	
Intangible assets	65,554
Property, plant and equipment	21,307
Trade and other receivables	287
Inventory	3,186
Provisions and other liabilities	-3,227
	87,107

Notes

9 Income tax (continued)

In addition to the tax loss recognised in the balance sheet, the Group has total unrecognised tax losses of sales of property of 6,605 TDKK which, due to the uncertainty of the future utilization, has not been recognised in the balance sheet. The tax losses can be carried forward as follow:

DKK'000	31 December 2021
Tax loss	6,605
Unrecognised tax loss to be carried forward 31 December	**6,605**

The Group has one subsidiary in China for which future dividend payments will be subject to withholding tax in the range of 5 – 10%. The potential withholding tax amounts to 4,167 – 8,334TDKK.

The withholding tax has not been recognised in the balance sheet as there are no current plans for dividend payments from the subsidiary in China.

Income tax receivable and payable

DKK'000	31 December 2021
Income tax receivable	19,458
Income tax payable	-3,934
Income tax receivable 31 December, net	**15,524**

DKK'000	31 December 2021
Income tax receivables 22 March	0
Acquisition of subsidiary	13,297
Current tax for the year	1,648
Corporation tax paid during the year	579
Income tax receivable 31 December, net	**15,524**

Notes

10 Intangible assets

DKK'000	Goodwill	Acquired intangible assets	Development projects and patents	Development in progress	Total
Cost 22 March 2021	0	0	0	0	0
Acquisition of subsidiary	514,131	274,408	23,679	3,233	815,451
Currency translation	0	0	8	1	9
Additions	0	0	593	92	685
Cost 31 December 2021	514,131	274,408	24,280	3,326	816,145
Amortisation and impairment 22 March 2021	0	0	0	0	0
Currency translation	0	0	2	0	2
Amortisation	0	2,420	987	0	3,407
Amortisation and impairment 31 December 2021	0	2,420	989	0	3,409
Carrying amount 31 December 2021	**514,131**	**271,988**	**23,291**	**3,326**	**812,736**

Acquired intangible assets consist primarily of customers and technology with carrying amounts of 101.8 MDKK and 170.2 MDKK, respectively, and with remaining lives between 7-10 years.

Total costs related to R&D activities amount to 1.6 MDKK for the period, 30 November 2021 – 31 December 2021 of which 0.5 MDKK has been capitalized as development in progress, 0.3 MDKK has been capitalized as development projects and 0.2 MDKK has been capitalized as rights.

Notes

11 Impairment test

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

All individual assets or cash-generating units are tested for impairment when there is evidence of impairment and therefore, the carrying amount may not be recoverable.

The carrying amount of goodwill totalling 514.1 MDKK relates to Cooling Solutions.

Goodwill is tested for impairment once a year and in the case of impairment indicators. Impairment test was not carried out in 2021 as NCS International A/S and its subsidiaries were acquired at 30 November 2021, shortly before year-end closing at 31 December 2021.

Notes

12 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings	Construction in progress	Right-of-use assets	Total
Cost 22 March 2021	0	0	0	0	0	0
Acquisition of subsidiary	155,739	105,613	11,320	18,228	54,351	345,251
Currency translation	-3	181	32	125	81	416
Additions	127	260	16	5,524	10,127	16,054
Transferred	0	1,300	0	-1,300	0	0
Disposals	0	0	0	0	0	0
Cost 31 December 2021	155,863	107,354	11,368	22,577	64,559	361,721
Depreciation and impairment 22 March 2021	0	0	0	0	0	0
Currency translation	-3	196	9	0	0	202
Depreciation	1,044	1,737	309	0	1,972	5,062
Disposal	0	0	0	0	0	0
Depreciation and impairment 31 December 2021	1,041	1,933	318	0	1,972	5,264
Carrying amount 31 December 2021	**154,822**	**105,421**	**11,050**	**22,577**	**62,587**	**356,457**

Consolidated financial statements

Notes

13 Leases

Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

DKK'000	31 December 2021
Buildings	52,172
Plant and machinery	8,882
Other fixtures and fittings	1,533
	62,587

Further specification of right-of-use assets is disclosed in note 12.

Lease liabilities

DKK'000	31 December 2021
Current	20,176
Non-current	44,760
	64,936

Further information about maturity is disclosed in note 27.

Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets

DKK'000	31 December 2021
Buildings	1,667
Plant and machinery	205
Other fixtures and fittings	100
Total depreciation charge of right-of-use assets	**1,972**

Interest expense (included in finance expenses)	413
Expense related to short-term leases (included in external expense)	450
Expense related to low-value leases (included in external expense)	9
The total cash outflow for leases in the year	2,844

Estimates and assumptions related to leases are described in note 2.

13 Leases (continued)

The Group's leasing activities

The Group leases various buildings, equipment and vehicles. Rental contracts and lease agreements are typically made for fixed periods of 12 months to 6 years, but may have extension options as described below.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lease's incremental borrowing rate is used. The incremental borrowing rates used are 2% for buildings and 3.5% for plant and machinery other fixtures and fittings.

A not insignificant proportion of the Company's building leases contains options to extend the lease period between 1-3 years. To the extent Management found it reasonably certain that these lease options will be exercised, the period of the option is recognized as part of the lease. Extension options are recognized based on a specific contract-to-contract assessment. As of 31 December 2021, assets with extension options are recognized at a value of 8.6 MDKK as they are exercised with reasonable certainty. No extension options extended exceed 5 years. As of 31 December 2021, extension options which with reasonable certainty are not exercised amount to 33.1 MDKK. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised, see note 2.

The Group as lessor

Future minimum receivables under non-cancellable operating leases amounted to 8.6 MDKK as of 31 December 2021, for the period January 2022 - November 2024.

The specified minimum payments are not discounted. Operating lease and rental income recognised in the income statement amount to 0.3 MDKK in 2021. The contracts are entered into on market conditions.

Notes

14 Investments in subsidiaries

Name	Legal form	Registered office	Ownership 31 December 2021
Subsidiaries			
NCS International A/S	A/S	Horsens, Denmark	100%
Subsidiaries of NCS International A/S			
Nissens Cooling Solutions A/S	A/S	Horsens, Denmark	100%
Nissens Cooling Solutions Inc.	Inc.	USA	100%
Nissens Cooling Solutions Czech S.R.O.	S.r.o.	Czech Republic	100%
Nissens Cooling Solutions SK S.R.O.	S.r.o.	Slovakia	100%
Nissens Cooling Solutions North SK S.R.O.	S.r.o.	Slovakia	100%
Nissens Cooling Systems (Tianjin) Co Ltd	Ltd.	China	100%

15 Investments in associates

	31 December 2021
MDS Stainless ApS	1,432
	1,432

The Group has a 20% interest in MDS Stainless ApS, which is a supplier to the Group. MDS Stainless ApS is registered in Denmark and is a private entity that is not listed on any public exchange. The Group's interest in MDS Stainless ApS is accounted for using the equity method in the consolidated financial statements.

Consolidated financial statements

Notes

16 Inventory

DKK'000	31 December 2021
Raw materials and consumables	134,295
Work in progress	123,649
Finished goods	55,873
Other consumables	581
	314,398

Inventory is reported net of allowances for obsolescence, analyses of which is as follows:

DKK'000	31 December 2021
22 March	0
Additions from acquisition	10,392
Addition in year	723
Utilised	-35
31 December	**11,080**

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

17 Trade and other receivables

DKK'000	31 December 2021
Receivables from sales	190,685
Other receivables	40,515
Prepayments	2,986
31 December	**234,186**

Ageing of trade receivables is specified as following

DKK'000	31 December 2021
Not due	144,543
Trade receivable overdue by 0 – 30 days	21,560
Trade receivable overdue by 31 - 90 days	18,940
Trade receivable overdue by more than 90 days	5,642
	190,685

17 Trade and other receivables (continued)

Provision for bad debts is specified as following

DKK'000	31 December 2021
22 March	0
Additions from business acquisitions	7,294
31 December	**7,294**

The Group's terms of payments are between 30 – 120 days, depending on customer and segment.

18 Contract assets and liabilities

DKK'000	31 December 2021
Contractual assets:	
Receivables from revenue according to note 17	190,685
31 December	**190,685**

DKK'000	31 December 2021
Contractual liabilities:	1,716
31 December	**1,716**
Current	770
Non-current	946

Notes

19 Equity

Capital management

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

The current capital structure was implemented to support the acquisition of NCS International A/S in November 2021, and Management assesses that the current capital structure is sufficient to support the Group's strategy plans. According to the current policy, the Group does not distribute dividend.

	Issued shares	
	Number	Nominal value
	31 December 2021	31 December 2021
22 March	40,000	40,000
Additions	740,000	740,000
31 December 2021 – fully paid	**780,000**	**780,000**

The share capital consists of 780,000 shares with a nominal value of 1 DKK each. None of the shares carry special rights.

Reserves

Currency translation reserve

Currency translation reserves, which at 31 December 2021 was negative by 1,903 TDKK, includes the Parent Company's share of exchange rate fluctuations from converting the net assets in subsidiaries reporting in other functional currencies than DKK into DKK.

The currency translation reserve is dissolved if a subsidiary is sold.

20 Provisions

DKK'000	Warranties and claims
22 March 2021	0
Additions form business acquisition	18,377
Utilised	-1,361
31 December 2021	**17,016**
Current	12,090
Non-current	4,926

Provision

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

Consolidated financial statements

Notes

21 Borrowings

Long-term debt is due as follows:

DKK'000	31 December 2021
0-1 years	2,888
1-3 years	607,808
3-5 years	11,750
>5 years	27,629
	650,075

Debt included in the balance sheet includes borrowing expenses, amortized over the maturity of the loan by 545 TDKK. Total borrowing expenses capitalized during the financial year amount to 545 TDKK.

31 December 2021

DKK'000	Average interest	Currency	Interest Period	Balance
Mortgage	1.3%	DKK	3 months	53,975
Bank loan	1,45% + CIBOR	DKK	3 months	596,100

22 Trade and other payables

DKK'000	31 December 2021
Trade payables	189,739
VAT payables	1,004
Holiday pay payable and other employee-related costs	71,268
Other payable expenses	1,852
	263,863
Current	242,108
Non-current	21,755

Notes

23 Change in working capital

DKK'000	31 December 2021
Change in inventory	-9,221
Change in receivables	14,884
Change in trade payables, etc.	3,664
	9,327

24 Non-cash operating items

DKK'000	31 December 2021
Depreciation and amortisation	8,469
Net foreign exchange differences	-1,205
Movements in provisions and deferred income	-1,157
	6,107

25 Business combinations

Financial year 2021

Acquisition of the Nissens Cooling Solutions Group

As of 30 November 2021, NCS International Holding ApS acquired 100% of the share capital in the following seven companies NCS International A/S, Nissens Cooling Solutions A/S, Nissens Cooling Solutions SK S.R.O., Nissens Cooling Solutions North SK S.R.O, Nissens Cooling Solutions Czech S.R.O, Nissens Cooling Systems (Tianjin) Co. Ltd. and Nissens Cooling Solutions Inc.

The Nissens Cooling Solutions companies' business activities are within development and production of customized cooling solutions and industrial applications, including wind turbines and off-highway vehicles.

The total acquisition price is agreed to 1,279.6 MDKK which was paid in cash as per 30 November 2021. The total acquisition price was adjusted by 25.5 MDKK in December 2021.

The Group has incurred transaction costs of approximately 22.8 MDKK in connection with the acquisition for legal, financial and commercial advisors. The costs have been recognized as External expenses in the PL.

NCS International A/S and its subsidiaries have been included in the consolidated financial statements from the date of acquisition, 30 November 2021.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as of the acquisition date have been presented jointly for the seven companies as valuation of the Nissens Cooling Solutions companies has been made at group level and not at the single legal unit level as the Group is one cash generating unit.

Notes

25 Business combinations (continued)

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

DKK'000

Assets	**Fair value recognised on acquisition**
Intangible assets	301,319
Property, plant and equipment	345,252
Deferred tax assets	1,446
Investment in associate	1,432
Deposit	1,525
Inventory	305,178
Trade and other receivables	223,591
Income tax receivables	16,916
Cash and cash equivalents	51,648
	1,248,307
Liabilities	
Borrowings	-73,977
Provisions	-18,377
Other payables and deferred income	-15,706
Deferred tax liabilities	-91,549
Trade and other payables	-245,478
Contract liability	-3,269
Lease liability	-56,323
Income tax payable	-3,619
	-508,299
Total identifiable net assets at fair value	**740,010**
Goodwill arising from business combinations	514,131
Acquisition price	**1,254,141**
Other receivables related to acquisition price	25,478
Cash	-51,648
Net cash flow on acquisition	**1,227,971**

Acquired receivables include trade receivables of a fair value of 188.3 MDKK. The contractually receivable gross amount is 195.9 MDKK and hence 7.6 MDKK has been assessed as irrecoverable at the date of acquisition.

From the date of acquisition, Nissens Cooling Solutions entities contributed 72.7 MDKK to revenue and -13.4 MDKK to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been 1,308.9 MDKK and profit before tax from continuing operations for the Group would have been 11.3 MDKK.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The total cost price has been settled in cash.

26 Pledges, collateral, contingencies and commitments

Danish group entities are jointly taxed with A.P. Møller Holding A/S, which acts as a management company, and are jointly and severally liable with several other jointly taxed group entities for the payment of income taxes as well as withholding taxes on interest, royalties and dividends. The tax assets were estimated at 1.1 MDKK at 31 December 2021.

Until 30 November 2021, NCS International A/S and Nissens Cooling Solutions A/S were jointly taxed with AX V Nissens III ApS and are jointly and severally liable with several other jointly taxed group entities for the payment of income taxes as well as withholding taxes on interest, royalties and dividend until 30 November 2021. Tax assets from the period 1 May 2021 until 30 November 2021 are estimated to 10.1 MDKK.

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

Commitments

The Group has entered into lease agreements related to cars, plant and computers, with lease terms between 0 and 6 years. Detailed information on leases is provided in note 13.

Collateral

Land and buildings with a carrying amount of 71.8 MDKK have been pledged as security for mortgage debt of 54.5 MDKK.

Goodwill and other purchase price allocations have not been allocated to legal unit. Therefore, the listed carrying amounts for the shares pledged are based on the booked equity and do not include allocation of goodwill etc., if any.

27 Financial risk and financial instruments

Risk management policy

The Group's principal financial liabilities, other than trade payables, are mortgage and bank loans. The main purpose of these financial liabilities is to finance the Group's operations and acquisitions of assets. The Group's principal financial assets include accounts receivable. The Group currently do not enter into derivative transactions. Financial instruments, such as forward contracts on exchange rate exposures and interest hedging, are not currently applied by the Group.

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risks such as equity price risk and commodity price risk.

Notes

27 Financial risk and financial instruments (continued)

Currency risk

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

All changes in financial instruments related to foreign currency risk are recognised as financial income or financial expenses in the income statement.

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

	Change in rate	2021 P/L effect (MDKK)
EUR	+0.1%	0.1
USD	+5.00%	1.3
CNY	+5.00%	4.3
CZK	+5.00%	2.5

Currently, the Group has no currency exposure on the bank loan, as the loan is in DKK.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's mortgages and bank loans. The interest applied to the loans is variable on 3-months terms. The interest for the loan is 1.45% + CIBOR is a 3-year agreement with maturity date 30 November 2024.

An increase in the interest rate by 1 percentage in comparison to the interest rate at the balance sheet date would, all other things being equal, affect the Group's profit or loss by -6.4 MDKK and equity after tax by DKK -5.0 MDKK for a 12 month period.

Pricing risk

The Group is affected by the volatility of primarily aluminium prices. The outlook for aluminium prices is continuously monitored and decisions on securing expected consumption are made in accordance with policies thereon. The annual direct consumption of aluminium is approx. 4,500 ton. A change in the LME reference price of 1% will affect the Group's profit or loss by 0.8 MDKK for a 12 month period.

The Group is also directly and indirectly affected by the volatility of other raw material prices.

The Group is also exposed to the development in the freight and energy cost.
In the short to medium term, the development in prices on material may impact earnings until mitigations can be implemented.

Notes

27 Financial risk and financial instruments (continued)

Liquidity risk

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

Loan facilities

Besides net cash of DKK 80.6 MDKK, the Group had undrawn credit facilities of 28.9 MDKK at 31 December 2021.

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

Maturity analysis

DKK'000	Contractual cash flow	< 1 year	1 - 3 years	3 to 5 years	>5 years
Bank loan	621,296	8,643	612,653	0	0
Mortgage loan	64,811	4,192	14,212	13,989	32,418
Leasing debt	67,832	21,369	30,965	15,273	225
Trade payables	189,739	189,739	0	0	0
Non derivatives	**943,678**	**223,943**	**657,830**	**29,262**	**32,643**
Derivatives	**0**	**0**	**0**	**0**	**0**
31 December 2021	**943,678**	**223,943**	**657,830**	**29,262**	**32,643**

The bank loan will mature in November 2024.

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

Consolidated financial statements

Notes

27 Financial risk and financial instruments (continued)

Credit risk

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

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

The allowance for expected credit losses for trade receivables is calculated at individual level when there is an indication of impairment. For receivables with no indication of impairment, the expected credit losses are based on the historical credit loss. The expected loss includes the effect of Covid-19. In 2021, credit losses recognised in the income statement are less than 0.1% of total revenue.

Selected customers offer supply chain financing programs, which the Group utilized to sell certain receivables. The Groups involvement in receivables sold under these programs is limited to administration and financial costs related to delayed payments. Thus, the Group only carries an immaterial risk on these receivables. The profit and loss impact from these programs is limited to an interest payment on the payments. The balance sheet does not include any receivables or payables related to receivables sold under these programs. At the balance sheet date, the nominal value of receivables sold amounts to 90.3 MDKK. Receivables sold are due within 4 months.

Categories of financial instruments

	Carrying amount	Fair value
DKK'000	**31 December 2021**	**31 December 2021**
Financial assets at amortized cost		
Trade receivables	190,685	190,685
Receivables from group companies	1,481	1,481
Cash and cash equivalent	80,624	80,624
	272,790	**272,790**
Financial liabilities at amortized cost		
Borrowings	-650,075	-650,075
Lease obligations	-64,936	-64,936
Trade payables	-189,739	-189,739
	-904,750	**-904,750**
	-631,960	**-631,960**

Notes

28 Changes in liabilities arising from financing activities

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

2021		*Cash changes*			*Non-cash changes*		
DKK'000	**22 March**	**Cash flows**	**Additions**	**Additions from business combinations**	**Foreign exchange movement**	**Fair value changes and amortisation**	**31 December**
Bank loan	0	0	596,100	0	0	0	596,100
Mortgage debts	0	-7	0	53,977	0	5	53,975
Intercompany loan	0	-20,000	0	20,000	0	0	0
Leasing debt	0	-1,928	10,459	56,323	82	0	64,936
Total liabilities from financing activities	**0**	**-21,935**	**606,559**	**130,300**	**82**	**5**	**715,011**

Consolidated financial statements

Notes

29 Related party disclosures

Related parties include:

After 30 November 2021

Name	Registered office	Indirect ownership shares	Indirect share of votes
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal	Copenhagen	100.0%	100.0%
A.P. Møller Holding A/S	Copenhagen	100.0%	100.0%
APMH Invest A/S	Horsens	100.0%	100.0%
APMH Invest XXI ApS	Horsens	100.0%	100.0%
KK Wind Solutions A/S (part of A. P. Møller Holding A/S)	Ikast	n.a.	n.a.

Until 29 November 2021

Name	Registered office	Indirect ownership shares	Indirect share of votes
Axcel V K/S	Copenhagen	69.4%	73.0%
AFVJ Holding ApS	Horsens	25.4%	21.6%
AX V Nissens III ApS	Horsens	69.4%	69.4%
AX V Nissens II ApS	Horsens	100.0%	100.0%
AX V Nissens I ApS	Horsens	100.0%	100.0%
AX V Nissens ApS	Horsens	100.0%	100.0%
K.Nissen International A/S	Horsens	100.0%	100.0%

On 30 November 2021, A.P. Møller Holding A/S bought all shares in NCS International A/S from K. Nissen International A/S. Expect from this, there have been no significant transactions between companies in the Group and the above related parties in the year.

Transactions between group entities, including sales, purchases and credit facilities are made at market terms and have been eliminated in the consolidated financial statements.

As of 31 December 2021, NCS International Holding ApS is included in the consolidated financial statements of A.P. Møller Holding A/S, CVR. no. 25 67 92 88.

Notes

30 Events after the reporting period

After the balance sheet date, no events have occurred that may have influenced the assessment of the financial statements for the period 22 March 2021 – 31 December 2021.

31 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2021 consolidated financial statements.

- IAS 1 Presentation of Financial Statements — Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- IAS 1 Presentation of Financial Statements – Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Onerous Contracts – Cost of Fulfilling a contact – Amendments to IAS 16.
- Annual Improvements to IFRSs 2018-2020.

None of the new standards are endorsed by the EU.

The endorsed and adopted, but not yet effective standards and interpretations will be implemented as they become mandatory for NCS International Holding ApS.

None of the new standards and interpretations are expected to have a significant impact on recognition and measurement in NCS International Holding ApS.

Parent company financial statements

Income statement

For the period 22 March - 31 December

Note	DKK'000	22 March 2021 – 31 December 2021
	Other external costs	-23,362
2	Staff costs	-408
	Operating loss	**-23,770**
3	Finance income	36
3	Finance expenses	-2,272
	Result before tax	**-26,006**
4	Tax	639
	Result for the year	**-25,367**

Parent company financial statements

Balance sheet

Note	DKK'000	31 December 2021
	ASSETS	
	Non-current assets	
5	Investments in subsidiaries	1,274,141
	Total non-current assets	**1,274,141**
	Current assets	
	Receivables from group entities	49,908
	Other receivables	26,481
4	Income tax receivable	639
	Receivables	**77,028**
	Cash and cash equivalents	8,254
	Total current assets	**85,282**
	TOTAL ASSETS	**1,359,423**
	EQUITY AND LIABILITIES	
	Equity	
6	Share capital	780
	Retained earnings	753,853
	Total equity	**754,633**
	Non-current liabilities	
7	Borrowings	596,100
	Total non-current liabilities	**596,100**
	Current liabilities	
7	Short-term portion of long-term liabilities	324
	Trade payables	7,958
	Other payables	408
	Total current liabilities	**8,690**
	Total liabilities	**604,790**
	TOTAL EQUITY AND LIABILITIES	**1,359,423**

Parent company financial statements

Statement of changes in equity

For the year ended 31 December 2021

DKK'000	Share capital	Share premium	Retained earnings	Total
Equity 22 March 2021	**0**	**0**	**0**	**0**
Result for the year	0	0	-25,367	-25,367
Transactions with owners				
Share capital	40	60	0	100
Capital injection	740	774,160	0	774,900
Shareholder contribution	0	5,000	0	5,000
Transfer	0	-779,220	779,220	0
Total transactions with owners	780	0	779,220	780,000
Equity 31 December 2021	**780**	**0**	**753,853**	**754,633**

Parent company financial statements

Overview of notes to the consolidated financial statements

Note

1 Accounting policies
2 Staff costs
3 Net finance income and
4 Income tax
5 Investments in subsidiaries
6 Equity
7 Borrowings
8 Contingent assets, liabilities and other financial obligations
9 Related party disclosures

Parent company financial statements

Notes

1 Accounting policies

The annual report of NCS International Holding ApS – parent company - has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B and elective choice of certain provisions applying to reporting class C entities. It is the Company's first financial years which covers the period 22 March – 31 December 2021.

The annual report is presented in DKK thousand.

The accounting policies used in the preparation of the financial statements are as stated below.

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.

Parent company financial statements

Notes

1 Accounting policies (continued)

Income statement

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including administration.

Gross margin

In the income statement other operating income and other external expenses are presented as gross margin, disclosure according to section32 of the Danish Financial Statements Act.

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 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, exchange gains and losses of financial assets and liabilities.

Income from investments in group entities

Dividend from subsidiaries is recognized as income in the income statement when adopted at the General Meeting of the subsidiaries. However, dividends relating to earnings in the subsidiary before it was acquired by the parent company are set off against the cost of the subsidiaries.

Tax on profit/loss for the year

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

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

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

Parent company financial statements

Notes

1 Accounting policies (continued)

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost price. Where cost exceeds the recoverable amount, write down is made to this lower value.

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.

Cash

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

Dividend

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

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.

Notes

1 Accounting policies (continued)

Liabilities

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.

Omission of a cash flow statement

With reference to section 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 Group.

2 Staff costs

DKK'000	22 March 2021 – 31 December 2021
Wages and salaries	408
Total employee benefit expense	**408**
Average number of full-time employees	0

Remuneration of the Board of Directors and Executive Board

For information on remuneration of the Board of Directors and the Executive Board, please refer to note 5 to the consolidated financial statements.

Notes

3 Net finance income and expenses

Net finance income	22 March 2021 – 31 December 2022
DKK'000	
Interests - intercompany	36
Total finance income	**36**

Net finance expenses	22 March 2021 – 31 December 2022
DKK'000	
Interests – borrowings	1,250
Interests – other	465
Interests – intercompany	535
Other financial costs	22
Total finance expenses	**2,272**

4 Income tax

DKK'000	22 March 2021 – 31 December 2021
Current income tax	
Tax for the current year can be specified as follows:	
Tax on the result of the year	639
	639

Parent company financial statements

Notes

5 Investments in subsidiaries

DKK'000	31 December 2021
Cost 22 March	0
Additions during the year	1,274,141
Cost 31 December	1,274,141
Carrying amount 31 December	**1,274,141**

Name	Legal form	Registered office	Owner-ship 31 December 2021	Equity DKK'000	Profit DKK'000
Subsidiaries					
NCS International A/S	A/S	Horsens, Denmark	100%	312,986	-198

6 Equity

The share capital consists of 780,000 shares with a nominal value of 1 DKK each. None of the shares carry special rights.

7 Borrowings

Long-term debt is due as follows:

DKK'000	31 December 2021
0-1 year	324
1-3 years	596,100
3-5 years	0
>5 years	0
	596,424

8 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.

9 Related party disclosures

Controlling interest

APMH Invest XXI ApS, Copenhagen, 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

Transactions

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

Consolidated financial statements

The Company is included in the consolidated financial statements of

Ultimate:

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

Immediate:

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