

AX V Nissens ApS

Ormhøjgårdvej 9, 8700 Horsens

CVR no. 38 64 75 71

Interim financial report

First half year 2019/20

1 May - 31 October 2019

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Statement by Management on the interim report

Today, the Board of Directors and the Executive Board have discussed and approved the interim financial report of AX V Nissens Aps for the period ending 31 October 2019.

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

In our opinion, the interim report gives a true and fair view of the financial position of the Company at 31 October 2019 and of the results of the Company's operations and cash flows for the period ending 31 October 2019.

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

Horsens, 21 November 2019

Executive Board:

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Mikkel Krogslund Andersen
CEO

.....
Jakob Backs
CFO

Board of Directors:

.....
Niels Jacobsen
Chairman

.....
Lars Cordt
Vice Chairman

.....
Alan Nissen
Vice Chairman

.....
Søren Klarskov Vilby

.....
Povl Christian Lütken Frigast

.....
Marc de Jong

.....
Manfred Wolf

Management's review

Financial highlights for the Group

Key figures

In DKK millions	Q2 2019/20	*Q2 2018/19	H1 2019/2020	*H1 2018/2019	Full year *2018/2019
Revenue	473.2	505.7	1,066.3	1,066.3	1,982.8
EBITDA before special items	45.6	58.2	147.3	156.3	234.6
Operating profit before special items	15.1	31.2	86.5	102.7	127.3
Operating profit/loss after special items	15.1	30.5	86.5	102.0	124.2
Profit before tax	-1.4	11.9	53.5	65.4	56.3
Profit for the period	-4.6	11.7	31.7	48.9	28.9
Non-current assets			1,956.4	1,995.1	1,956.1
Current assets			1,139.5	995.2	1,152.8
Total assets			3,095.9	2,990.3	3,108.9
Equity			1,245.2	1,229.8	1,214.3
Non-current liabilities			1,304.2	1,300.4	1,292.6
Current liabilities			546.5	460.1	602.1
Cash flows from operating activities	60.7	89.7	157.1	173.3	170.7
Cash flow from investing activities	-16.4	-2.6	-26.3	-14.4	-28.3
Cash flows from financing activities	-16.3	-10.8	-33.4	-29.3	-39.4
Total cash flows	28.0	76.3	97.3	129.6	103.0
Financial ratios					
EBITDA before special items margin	9.6%	11.5%	13.8%	14.6%	11.8%
Operating margin before special items	3.2%	6.2%	8.1%	9.6%	6.4%
Operating margin after special items	3.2%	6.0%	8.1%	9.6%	6.3%
Current ratio			208.5%	216.3%	191.5%
Equity ratio			40.2%	37.8%	39.1%
Return on equity			2.6%	4.1%	2.4%
Average number of full-time employees			1,391	1,359	1,365

* Comparatives figures are not adjusted to the impact of implementation of IFRS 16.

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

Management commentary

The consolidated financial statements for AX V Nissens ApS for H1 2019/20 show Revenue of 1,066.3 DKKm compared to 1,066.3 DKKm in H1 2018/19. The Automotive division continues growth over last year while Cooling Solutions is impacted by lost revenue due to insolvency of a Wind segment customer and the Industrial segment not meeting expectations due to a general slow down across several Industrial customers.

EBITDA before special items reached 147.3 DKKm compared to 156.3 DKKm in H1 2018/19. IFRS 16 impacts EBITDA before special items positively by 8.1 DKKm in H1 2019/20.

The decline in the financial result over last year is explained by the Wind industry continuing to be undergoing a period of strategic change, supply chain restructuring costs as well as the impact from the slow down in the Industrial segment.

Net profit ended up at 31.7 DKKm, which is impacted by depreciations and amortization from Purchase Price Allocations (PPA) of total 38.6 DKKm.

Except for the impact of the insolvency in the Wind segment and the supply chain restructuring costs, management regards the financial results of H1 2019/20 as satisfactory.

Outlook

The Nissens Group maintains its expectations of an improved topline in the financial year 2019/20 compared to 2018/19 with growth in Revenue to above 2,000 DKKm. The earnings forecast is expected to be in line with last year showing an EBITDA of around 235 DKKm.

If the current negative global macro economic environment continues it may result in a negative EBITDA development for the financial year 2019/20 compared to 2018/19.

Consolidated interim financial statements

Income statement

Note	DKKkM	Q2 2019/20	Q2 2018/19	H1 2019/20	H1 2018/19
3	Revenue	473.2	505.7	1,066.3	1,066.3
	Cost of raw materials and consumables	-255.2	-264.9	-568.3	-552.3
	Other operating income	2.1	2.1	4.2	4.2
	Other external costs	-68.0	-83.7	-138.4	-163.3
	Staff costs	-106.5	-101.0	-216.5	-198.6
	EBITDA before special items	45.6	58.2	147.3	156.3
	Depreciation and amortisation	-30.5	-27.0	-60.8	-53.6
	Operating profit before special items	15.1	31.2	86.5	102.7
5	Special items	0.0	-0.7	0.0	-0.7
	Operating profit after special items	15.1	30.5	86.5	102.0
	Finance income	4.3	0.1	6.2	0.1
	Finance costs	-20.8	-18.9	-39.2	-36.7
	Profit before tax	-1.4	11.9	53.5	65.4
	Tax	-3.2	-0.2	-21.8	-16.5
	Profit for the period	-4.6	11.7	31.7	48.9
	Attributed to:				
	Equity holders of AX V Nissens ApS	-4.6	11.7	31.7	48.9
		-4.6	11.7	31.7	48.9

* Comparatives figures are not adjusted to the impact of implementation of IFRS 16.

Consolidated interim financial statements

Statement of other comprehensive income

Note	DKKm	Q2 2019/20	Q2 2018/19*	H1 2019/20	H1 2018/19
	Profit for the period	-4.6	11.7	31.7	48.9
	Other comprehensive income				
	<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
	Exchange differences on translation of foreign operations	-1.1	-0.4	-2.3	-1.4
	Unrealized change in fair value on interest rate swap	0.6	-1.8	0.5	-1.8
		-0.5	-2.2	-1.8	-3.2
	Income tax effect	-0.1	0.7	-0.1	0.7
	Other comprehensive income/loss for the period, net of tax	-0.6	-1.5	-1.9	-2.5
	Total comprehensive income/loss	-5.2	10.2	29.8	46.4
	Attributed to:				
	Equity holders of AX V Nissens ApS	-5.2	10.2	29.8	46.4
		-5.2	10.2	29.8	46.4

* Comparatives figures are not adjusted to the impact of implementation of IFRS 16.

Consolidated interim financial statements

Balance sheet

Note	DKKm	31 October 2019	30 April 2019*	31 October 2018*
	ASSETS			
	Non-current assets			
	Intangible assets	1,569.9	1,603.4	1,634.5
	Property, plant and equipment	380.6	344.7	354.3
	Investments in associate	0.0	0.0	0.1
	Deferred tax assets	4.0	6.2	4.7
	Deposits	1.9	1.6	1.5
	Total non-current assets	1,956.4	1,956.1	1,995.1
	Current assets			
	Inventory	488.1	534.3	385.6
	Trade and other receivables	374.8	439.2	403.7
	Cash and cash equivalents	276.6	179.3	205.9
	Total current assets	1,139.5	1,152.8	995.2
	TOTAL ASSETS	3,095.9	3,108.9	2,990.3
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	12.4	12.4	12.4
	Foreign currency translation reserve	1.9	4.2	-1.1
	Reserve for financial instruments	-4.2	-4.6	-2.4
	Retained earnings	1,235.1	1,202.3	1,218.6
	Total equity	1,245.2	1,214.3	1,229.8
	Non-current liabilities			
	Borrowings	1,116.7	1,112.8	1,109.5
	Deferred tax liabilities	165.9	174.5	183.9
	Provisions	5.2	5.2	7.0
4	Lease liabilities	16.4	0.0	0.0
	Total non-current liabilities	1,304.2	1,292.5	1,300.4
	Current liabilities			
	Contract liabilities	16.8	46.9	0.0
	Trade and other payables	394.6	456.9	370.2
	Income tax payable	54.9	31.6	40.0
	Payable to group enterprises	63.1	63.3	44.6
	Provisions	4.0	3.4	5.3
4	Lease liabilities	13.1	0.0	0.0
	Total current liabilities	546.5	602.1	460.1
	Total liabilities	1,850.7	1,894.6	1,760.5
	TOTAL EQUITY AND LIABILITIES	3,095.9	3,108.9	2,990.3

* Comparatives figures are not adjusted to the impact of implementation of IFRS 16.

Consolidated interim financial statements

Cash flow statement

Note	DKKm	H1 2019/20	Full year 2018/2019	H1 2018/19
	Operating activities			
	Profit before tax for the period	53.4	56.3	65.4
	Depreciation and amortisation	60.8	107.3	53.6
	Net foreign exchange differences	-1.9	6.0	-4.8
	Movements in provisions	0.6	-0.2	2.1
	Finance income	-0.7	-7.9	-0.1
	Finance expenses	32.7	75.8	36.7
	Share-based payment expense	1.1	3.7	2.3
	Changes in working capital	20.6	-33.2	23.5
		166.6	207.8	178.7
	Finance income, received	0.7	1.2	0.0
	Finance expenses, paid	-1.1	-2.6	0.0
	Income tax paid	-9.2	-35.7	-5.4
	Net cash flows from operating activities	157.1	170.7	173.3
	Investing activities			
	Purchase of intangible assets	-0.4	-1.9	0.0
	Development expenditures capitalised	-0.7	-1.6	-0.4
	Purchase of property, plant and equipment	-25.2	-24.9	-12.6
	Proceeds from sale of property, plant and equipment	0.0	0.2	0.0
	Change in deposits	0.0	-0.1	-0.1
	Investments in subsidiaries	0.0	0.0	-1.3
	Net cash flows used in investing activities	-26.3	-28.3	-14.4
	Financing activities			
	Repayment of lease liabilities	-5.6	0.0	0.0
	Net interest paid, borrowings	-27.8	-57.8	-29.0
	Proceeds from loan with Group companies	0.0	18.4	-0.3
	Net cash flows from financing activities	-33.4	-39.4	-29.3
	Cash flow for the period	97.3	103.0	129.6
	Cash and cash equivalents at 1 May	179.3	76.3	76.3
	Cash and cash equivalents at 31 October	276.6	179.3	205.9

The Group has unused credit facilities amounting to 125.0 DKKm.

Consolidated interim financial statements

Statement of changes in equity

DKKm	Share capital	Foreign currency translation reserve	Reserve for financial instruments	Retained earnings	Total equity
Equity 1 May 2018	12.4	0.3	-1.3	1,169.7	1,181.1
Total comprehensive income 31 October 2018					
Profit for the period				48.9	48.9
Other comprehensive income					
Unrealized loss on interest rate swap			-1.8		-1.8
Exchange differences on translation of foreign operations		-1.4			-1.4
Tax on other comprehensive income			0.7		0.7
Total other comprehensive income	0.0	-1.4	-1.1	0.0	-2.5
Total comprehensive income for the period	0.0	-1.4	-1.1	48.9	46.4
Transactions with owners					
Equity-settled share-based payments				2.3	2.3
Total transactions with owners	0.0	0.0	0.0	2.3	2.3
Equity 31 October 2018	12.4	-1.1	-2.4	1,218.6	1,229.8
DKKm	Share capital	Foreign currency translation reserve	Reserve for financial instruments	Retained earnings	Total equity
Equity 1 May 2019	12.4	4.2	-4.6	1,202.3	1,214.3
Total comprehensive income 31 October 2019					
Profit for the period				31.7	31.7
Other comprehensive income					
Unrealized loss on interest rate swap			0.5		0.5
Exchange differences on translation of foreign operations		-2.3			-2.3
Tax on other comprehensive income			-0.1		-0.1
Total other comprehensive income		-2.3	0.4	0.0	-1.9
Total comprehensive income for the period		-2.3	0.4	31.7	29.8
Transactions with owners					
Equity-settled share-based payments				1.1	1.1
Total transactions with owners				1.1	1.1
Equity 31 October 2019	12.4	1.9	-4.2	1,235.1	1,245.2

Consolidated interim financial statements

Notes

1 Accounting policies

This unaudited interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

Accounting policies applied in preparing the interim financial report are consistent with those applied in preparing AX V Nissens ApS's consolidated interim report for the period 1 May - 31 October 2019. The consolidated interim financial statements for AX V Nissens ApS for the period 1 May - 31 October 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Impact of implementation of IFRS 16, Leases

The Group has adopted IFRS 16 be implemented using the modified retrospective transition method with no restatement of comparative information. The effect of applying IFRS 16 will have a zero impact on opening equity on 1 May 2019.

Nissens has entered into lease contracts, which primarily comprise leases regarding buildings, equipment and vehicles. Nissens has elected not to capitalize lease contracts with the lease term of 12 months or less and low value contracts. The leasing period is assessed based on the period of contractual commitment. When no such period exists and the lease is not expected to be terminated, the period is assessed based on the period of the Group's current business plan, ending in 2020/21.

Lease assets is depreciated on straight-line basis based on period of contractual commitment or expected termination period. Right-of-use assets are presented as part of property, plant and equipment in the balance sheet.

For calculation of the discounted lease commitment an interest rate of 2.0 % is applied for buildings and 3.5 % is applied for equipment and vehicles. The interest rates are estimated based on expected alternative loan rates of the specific asset.

Please refer to Note 4 for further details.

The Board of Directors and the Executive Board have on 21 November 2019 discussed and approved the interim report for AX V Nissens ApS for the period ending 31 October 2019.

2 Significant accounting judgements, estimates and assumptions

In preparing the interim financial report, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of AX V Nissens ApS's assets and liabilities. All significant accounting estimates and judgements are consistent with the description in the annual report for 1 May 2018 – 30 April 2019. Refer to descriptions in the individual notes to the consolidated financial statement in the annual report page 28 - 40.

3 Seasonality of operations

Due to the seasonal nature of the product range in both the Automotive and the Cooling Solution divisions Q1 is historical the quarter of the year with the highest share of revenue.

4 IFRS 16, Leases

In H1 2019 the implementation of IFRS 16 has increased EBITDA with 8.1 DKKm, total assets with 29.1 DKKm and net interest-bearing debt with 29.5 DKKm.

DKKm	EBITDA before special items	Total assets	Net interest -bearing debt
Reported figures	147.3	3,095.9	869.6
IFRS 16 impact	8.1	29.1	29.5
Figures before IFRS 16 impact	139.2	3,066.8	840.1

DKKm	Q2 2019	H1 2019
Depreciations for right-of-use assets recognised in income statement	3.9	7.7
Interest on lease liabilities recognised in income statement	0.3	0.6

5 Special items

Special items include significant income and expenses of a special nature in terms of the Group's revenue-generating operating activities that cannot be attributed directly to the Group's ordinary operating activities. Such income and expenses includes transaction costs in a business combination.

There has been no special items in H1 2019/20.

DKK m	1 May – 31 October 2019	1 May – 31 October 2018
Transaction costs directly related to acquisition of K Nissen International A/S.	0.0	0.7
	0.0	0.7