

DISA INDUSTRIES A/S
HØJAGER 8, HØJE TAASTR., 2630 TAASTRUP
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 3 May 2023**

Dagmar Munkgård Møller

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COMPANY DETAILS

Company	DISA Industries A/S Højager 8 Høje Taastr. 2630 Taastrup
	CVR No.: 18 80 29 96 Established: 7 September 1995 Municipality: Høje-Taastrup Financial Year: 1 January - 31 December
Board of Directors	Anders Wilhjelm, chairman Ulla Hartvig Plathe Tønnesen Dagmar Munkgård Møller Cherie Greek Hylleborg, elected by employees Ansgar Georg Wassmann, elected by employees
Executive Board	Ulla Hartvig Plathe Tønnesen
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 Copenhagen S

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of DISA Industries A/S for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

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

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Taastrup, 3 May 2023

Executive Board

Ulla Hartvig Plathe Tønnesen

Board of Directors

Anders Wilhjelm
Chairman

Ulla Hartvig Plathe Tønnesen

Dagmar Munkgård Møller

Cherie Greek Hylleborg
Elected by employees

Ansgar Georg Wassmann
Elected by employees

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DISA Industries A/S

Opinion

We have audited the Financial Statements of DISA Industries A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Copenhagen S, 3 May 2023

Deloitte Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Eskild Nørregaard Jakobsen
State Authorised Public Accountant
MNE no. mne11681

FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Net revenue.....	734,611	601,255	464,315	617,485	698,538
Gross profit/loss.....	323,766	260,881	197,205	260,752	300,138
Operating profit/loss of main activities...	166,864	117,560	52,439	87,182	114,627
Financial income and expenses, net.....	6,551	6,088	1,297	8,200	10,003
Profit/loss for the year.....	136,973	96,807	42,554	74,209	95,066
Balance sheet					
Total assets.....	1,215,383	1,061,662	858,874	784,797	722,504
Equity.....	825,473	688,500	592,330	549,139	474,799
Investment in property, plant and equipment.....	-402	0	-3,734	0	0
Key ratios					
Gross margin.....	44.1	43.4	42.5	42.2	43.0
Operating margin.....	22.7	19.6	14.1	16.4	10.6
Equity ratio.....	67.9	64.9	69.0	70.0	65.7
Return on equity.....	18.1	15.1	7.5	14.5	22.2
Net margin.....	18.6	16.0	9.2	12.0	13.6

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Operating margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Equity ratio:	$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Net margin:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$

MANAGEMENT COMMENTARY

Principal activities

DISA Industries A/S manufactures and sells equipment to iron and metal foundries casting in sand.

Development in activities and financial and economic position

The profit for the year after tax was 136,973 m.DKK compared to a profit of 96,807 m.DKK in 2021.

Profit/loss for the year compared to the expected development

The revenue in 2022 of 735 m.DKK was higher than expected.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

Environmental situation

The ISO 9001 and ISO 14001 certificates including our Energy Management System were renewed in 2022.

Knowledge resources

The Company wishes to continue its efforts to strengthen its staff of highly competent employees.

Future expectations

The revenue for 2023 is expected to be on 2022 level and the result for 2023 is expected to be a little lower than 2022.

Corporate social responsibility (CSR) report

For disclosure of corporate social responsibility, please refer to the Annual Report 2022 for Norican Global A/S, which prepares consolidated financial statements for the largest and smallest group that DISA Industries A/S is included in.

Target figures and policy for the underrepresented gender

The Company's ambition is for each to represent a minimum of 25 percent of the board of directors. The Company strives towards achieving this ambition by recruitment, taking into account the industry in which DISA operates there the basis for candidates is predominantly male. Both male and female employees are encouraged to apply for internally advertised positions and to develop their competencies and careers. In all cases, we will employ the person best qualified for the job. Currently, the DISA Board of Directors consists of one male and two female members. Further the management of the Company consists of five male and three female members.

Privacy, data ethics and personal data

For disclosure of privacy, data ethics and personal data policy, please refer to the Annual Report 2022 for Noircan Global A/S, which prepares consolidated financial statements for the largest and smallest group that DISA Industries A/S is included in.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK '000	2021 DKK '000
NET REVENUE	1	734,611	601,255
Raw materials and consumables used.....		-326,151	-261,762
Other operating income.....		3,455	2,039
Other external expenses.....	2	-88,149	-80,651
GROSS PROFIT/LOSS		323,766	260,881
Staff costs.....	3	-146,000	-131,785
Depreciation, amortisation and impairment losses.....		-10,902	-11,536
OPERATING PROFIT		166,864	117,560
Other financial income.....	4	8,383	7,850
Other financial expenses.....		-1,832	-1,762
PROFIT BEFORE TAX		173,415	123,648
Tax on profit/loss for the year.....	5	-36,442	-26,841
PROFIT FOR THE YEAR	6	136,973	96,807

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK '000	2021 DKK '000
Development projects completed.....		2,147	7,253
Intangible fixed assets acquired.....		183	217
Development projects in progress and prepayments.....		15,200	15,976
Intangible assets.....	7	17,530	23,446
Production plant and machinery.....		2,501	3,914
Other plant, machinery tools and equipment.....		330	19
Leasehold improvements.....		2,872	4,041
Tangible fixed assets in progress and prepayment.....		34	0
Property, plant and equipment.....	8	5,737	7,974
Other investments.....		5,880	5,880
Receivables from Group companies.....		148,730	148,728
Rent deposit and other receivables.....		5,100	5,030
Financial non-current assets.....	9	159,710	159,638
NON-CURRENT ASSETS.....		182,977	191,058
Raw materials and consumables.....		10,140	4,205
Work in progress.....		55,702	48,530
Finished goods and goods for resale.....		82,594	68,745
Prepayments.....		3,972	1,388
Inventories.....		152,408	122,868
Trade receivables.....		63,123	50,769
Receivables from group enterprises.....	10	812,678	687,853
Other receivables.....		4,020	3,785
Prepayments.....	11	104	1,442
Receivables.....		879,925	743,849
Cash and cash equivalents.....		73	3,887
CURRENT ASSETS.....		1,032,406	870,604
ASSETS.....		1,215,383	1,061,662

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK '000	2021 DKK '000
Share capital.....	12	30,000	30,000
Reserve for development costs.....		17,587	22,132
Retained earnings.....		777,886	636,368
EQUITY.....		825,473	688,500
Provision for deferred tax.....	13	2,748	5,587
Other provisions.....	14	8,739	8,954
PROVISIONS.....		11,487	14,541
Prepayments received.....		114,870	109,395
Trade payables.....		41,198	46,224
Debt to Group companies.....		55,673	62,717
Corporation tax payable.....		66,513	39,390
Other liabilities.....		100,169	100,895
Current liabilities.....		378,423	358,621
LIABILITIES.....		378,423	358,621
EQUITY AND LIABILITIES.....		1,215,383	1,061,662
 Contingent liabilities	 15		
Charges and securities	16		
Related parties	17		
Significant events after the end of the financial year	18		
Fee to statutory auditor	2		
Group relations	19		

EQUITY

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022.....	30,000	22,132	636,368	688,500
Proposed profit allocation, see note 6.....			136,973	136,973
Other legal bindings				
Capitalized development costs.....		-4,545	4,545	0
Equity at 31 December 2022.....	30,000	17,587	777,886	825,473

NOTES

	2022 DKK '000	2021 DKK '000	Note
Net revenue			1
Segment details (geography)			
Revenue, Denmark.....	4,079	2,639	
Revenue, other countries.....	730,532	598,616	
	734,611	601,255	
With reference to Section 96 of the Danish Financial Statements Act, we do not provide information on the analysis of revenue by business area as this information may cause substantial damage to the Company.			
Fee to statutory auditor			2
Statutory audit services.....	340	320	
	340	320	
Fee details:			
Statutory audit.....	340	320	
	340	320	
Staff costs			3
Average number of employees	214	200	
Wages and salaries.....	134,932	121,761	
Pensions.....	9,237	8,410	
Social security costs.....	1,831	1,614	
	146,000	131,785	
Oplysninger om ledelsesvederlag er udeladt i henhold til undtagelsesbestemmelsen i årsregnskabsloven § 98 b, stk. 3 nr. 2.			
Other financial income			4
Group enterprises.....	7,005	6,661	
Other interest income.....	1,378	1,189	
	8,383	7,850	
Tax on profit/loss for the year			5
Calculated tax on taxable income of the year.....	39,282	27,235	
Adjustment of deferred tax.....	-2,840	-394	
	36,442	26,841	

NOTES

			Note
Proposed distribution of profit			
Retained earnings.....	136,973	96,807	6
	136,973	96,807	
Intangible assets			7
	Development projects completed	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2022.....	78,454	18,222	22,664
Additions.....	1,500	0	847
Cost at 31 December 2022.....	79,954	18,222	23,511
Amortisation at 1 January 2022.....	71,201	18,005	6,688
Impairment losses.....	0	0	1,623
Amortisation for the year.....	6,606	34	0
Amortisation at 31 December 2022.....	77,807	18,039	8,311
Carrying amount at 31 December 2022.....	2,147	183	15,200

The Company's development projects relate to the development of new types of machinery for iron and metal foundries with a special focus on using the latest technology, including significant automation of the machines. The projects are proceeding according to the plan and are expected to be completed within 1-6 years, and there is an expected market for the projects.

NOTES

			Note
Property, plant and equipment			8
	Production plant and machinery	Other plant, machinery tools and equipment	
Cost at 1 January 2022.....	59,248	17,888	
Additions.....	0	368	
Disposals.....	0	-96	
Cost at 31 December 2022.....	59,248	18,160	
Depreciation and impairment losses at 1 January 2022.....	55,334	17,869	
Reversal of depreciation of assets disposed of.....	0	-96	
Depreciation for the year.....	1,413	57	
Depreciation and impairment losses at 31 December 2022....	56,747	17,830	
Carrying amount at 31 December 2022.....	2,501	330	
	Leasehold improvements	Tangible fixed assets in progress and prepayment	
Cost at 1 January 2022.....	14,482	0	
Additions.....	0	34	
Cost at 31 December 2022.....	14,482	34	
Depreciation and impairment losses at 1 January 2022.....	10,441		
Depreciation for the year.....	1,169		
Depreciation and impairment losses at 31 December 2022....	11,610		
Carrying amount at 31 December 2022.....	2,872	34	
Financial non-current assets			9
	Other investments	Receivables from Group companies	Rent deposit and other receivables
Cost at 1 January 2022.....	5,880	148,728	5,030
Exchange adjustment at closing rate.....	0	2	0
Additions.....	0	0	70
Cost at 31 December 2022.....	5,880	148,730	5,100
Carrying amount at 31 December 2022.....	5,880	148,730	5,100

Receivables from group enterprises

10

Receivables from group enterprises comprise cash and bank overdrafts of DKK 757,877 thousand (2021: DKK 640,092 thousand) held under the cash pool arrangement with the Norican Group and receivables from group enterprises on DKK 54,800 thousand (2021: DKK 47,761 thousand).

NOTES

			Note
Prepayments			11
Prepayments relate to prepaid borrowing costs.			
	2022	2021	
	DKK '000	DKK '000	
Share capital			12
Allocation of share capital:			
Ordinary Shares, 30,000 unit in the denomination of 1,000 DKK.	30,000	30,000	
	30,000	30,000	
Provision for deferred tax			13
The provision for deferred tax is related to differences between the carrying amount and tax value of securities, receivables, intangible and tangible fixed assets, including recognised finance lease contracts.			
	2022	2021	
	DKK '000	DKK '000	
Deferred tax details:			
Intangible assets.....	2,683	5,158	
Property, plant and equipment.....	219	539	
Liabilities other than provisions.....	-154	-110	
	2,748	5,587	
Deferred tax, beginning of year.....	5,587	5,981	
Deferred tax of the year, income statement.....	-2,839	-394	
Provision for deferred tax 31 December 2022.....	2,748	5,587	
Other provisions			14
Other provision are related to guarantee commitments on delivered machines, DKK 8,739 thousand (DKK 8,954 thousand in 2021).			

NOTES

			Note
Contingent liabilities			15
	2022	2021	
	DKK '000	DKK '000	
Liabilities under rental or lease agreements until maturity in total.....	30,745	37,571	
Joint liabilities			
<p>The Company participates in a Danish joint taxation arrangement in which Nortre Administration ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the joint taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration Company's financial statements.</p> <p>Tax payable on the Group's joint taxable income is stated in the annual report of Nortre Administration ApS, which serves as management company for the joint taxation.</p> <p>The Company participates the cash pool arrangement with Norican Group and have together with the other participating entities provided guarantee of payment for the Group's financing facility which amounts to 410 m.DKK.</p>			
Charges and securities			16
<p>The Company has in 2022 performance and payments guarantees of DKK 19,560 thousand (2021: DKK 15,384 thousand) and contractual liabilities of DKK 16,242 thousand (2021: DKK 14,405 thousand).</p>			
Related parties			17
<p>The Company is owned by DISA Holding A/S, Taastrup, Denmark (55%) and DISA Industrie AG, CH-8048 Zürich, Switzerland (45%). The ultimate owner of the Company is Altor Fund IV Holding AB. Other related parties comprise the Company's Executive Board and Board of Directors, and companies in which of principal shareholder exercises control, and their subsidiaries.</p>			
Transactions with related parties			
<p>The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.</p>			
Significant events after the end of the financial year			18
<p>No events have occurred after the end of the financial year of material importance for the Company's financial position.</p>			

NOTES**Note****Group relations****19**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Norican Global A/S, Højager 8, 2630 Taastrup, Danmark, CVR no. 36 45 87 55

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Norican Global A/S, Højager 8, 2630 Taastrup, Danmark, CVR no. 36 45 87 55

ACCOUNTING POLICIES

The Annual Report of DISA Industries A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

INCOME STATEMENT

Net revenue

Revenue from product sales is generally recognized at a point in time, which is typically upon delivery of the products, provided there are no significant uncertainties regarding customer acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and it is probable that the sale is collectible. For arrangements that include multiple performance obligations, the Company allocates revenue to each performance obligation based on estimates of the price that would be charged to the customer for each promised product or service if it were sold on a standalone basis.

Service revenues are recognized in the period in which the services are performed.

Allowances for returns, discounts and uncollectible accounts are recorded when circumstances indicate there is a risk an account is uncollectible. Amounts billed to customers for shipping and handling are included in net sales and are recorded upon delivery of goods to customers. Costs of providing these services are included in cost of sales. Capital equipment sales generally require the customer to make advance cash payments as work progresses. Revenue associated with advance payments is generally recognised when the significant risk and rewards of ownership have passed to the customer, typically at delivery.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

ACCOUNTING POLICIES

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts and operating lease expenses, etc.

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement during the continuance of the contract. The Company's total liability concerning operating and other lease agreements are stated under Contingent liabilities.

Staff costs

Staff costs comprise wages and salaries, including holiday pay, pensions, and other costs for social security etc., for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities, as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the Income Statement by the amounts that relate to the financial year.

Interest and other costs of borrowing for financing of manufacture of current assets and fixed assets are not recognised in the cost price.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 8 years.

Intangible assets rights etc. comprise development projects completed and in progress with related intangible assets rights, acquired intangible property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the Company's development activities and which fulfil the criteria for recognition.

ACCOUNTING POLICIES

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. For development projects protected by intangible assets rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period is normally 8-20 years.

Intangible assets rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

ACCOUNTING POLICIES

Property, plant and equipment

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets:

	Useful life
Production plant and machinery.....	10-15 years
Other plant, fixtures and equipment.....	4-8 years
Leasehold improvements.....	13 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Financial asset

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Other investments are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other provisions for liabilities

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities

Amortised cost for short-term liabilities usually corresponds to the nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Derivative financial instruments

Derivative financial instruments are initially recognised in the Balance Sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group in the financial statement for Norican Global A/S.