



DISA Industries A/S

Højager 8
2630 Taastrup
CVR No. 18802996

Annual report 2019

The Annual General Meeting adopted the
annual report on 28.04.2020

Dagmar Munkgård Møller
Chairman of the General Meeting

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Entity details

Entity

DISA Industries A/S

Højager 8

2630 Taastrup

CVR No.: 18802996

Registered office: Høje Taastrup

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Peter Holm Larsen, Chairman

Cherie Greek Hylleborg

Jan Vilmar Thomsen

Ulla Hartvig Plathe Tønnesen

Dagmar Munkgård Møller

Executive Board

Ulla Hartvig Plathe Tønnesen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of DISA Industries A/S for the financial year 01.01.2019 - 31.12.2019.

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 Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

The management's review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the annual report for adoption at the Annual General Meeting.

Taastrup, 28.04.2020

Executive Board

Ulla Hartvig Plathe Tønnesen
CEO

Board of Directors

Peter Holm Larsen
Chairman

Cherie Greek Hylleborg

Jan Vilmar Thomsen

Ulla Hartvig Plathe Tønnesen

Dagmar Munkgård Møller

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 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the 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 the management commentary.

Copenhagen, 28.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Eskild Nørregaard Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne11681

Casper Hjerresen Christensen

State Authorised Public Accountant
Identification No (MNE) mne41363

Management commentary

Financial highlights

| | 2019 DKK'000 | 2018 DKK'000 | 2017 DKK'000 | 2016 DKK'000 | 2015 DKK'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Key figures | | | | | |
| Revenue | 617,485 | 698,538 | 670,718 | 670,025 | 763,005 |
| Gross profit/loss | 260,751 | 300,138 | 251,829 | 281,172 | 302,590 |
| Operating profit/loss | 87,182 | 114,627 | 70,977 | 79,395 | 103,261 |
| Net financials | 8,200 | 10,003 | (6,340) | 6,215 | 10,281 |
| Profit/loss for the year | 74,209 | 95,066 | 50,585 | 66,676 | 86,671 |
| Total assets | 784,797 | 722,504 | 657,349 | 629,205 | 593,080 |
| Investments in property, plant and equipment | 0 | 0 | 544 | 5,564 | 426 |
| Equity | 549,139 | 474,799 | 380,142 | 329,295 | 262,458 |
| Ratios | | | | | |
| Gross margin (%) | 42.23 | 42.97 | 37.55 | 41.96 | 39.66 |
| EBIT margin (%) | 14.12 | 16.41 | 10.58 | 11.85 | 13.53 |
| Net margin (%) | 12.02 | 13.61 | 7.54 | 9.95 | 11.36 |
| Return on equity (%) | 14.49 | 22.24 | 14.26 | 22.54 | 39.70 |
| Equity ratio (%) | 69.97 | 65.72 | 57.83 | 52.34 | 44.25 |

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

Equity * 100

Total assets

Primary activities

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

Development in activities and finances

The profit for the year after tax in 2019 was 74 m.DKK compared to a profit of 95 m.DKK in 2018.

The revenue in 2019 of 617 m.DKK was nearly as expected.

Profit/loss for the year in relation to expected developments

Due to the uncertainties related to the COVID-19 outbreak, Management have revised its expectations for 2020 and now expects revenue and profit before tax to be considerably lower than for 2019. However, it is not possible at this point in time to reliably estimate the aggregate effect that the outbreak and the spreading of the COVID-19 disease will have on the Company and its financial performance for 2020.

Environmental performance

The ISO 9001 certificate was renewed in 2019 and the 14001 certificate was renewed in November 2018.

Research and development activities

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

Statutory report on corporate social responsibility

For disclosure of corporate social responsibility, please refer to the Annual Report 2019 for Norican Global A/S, which prepares consolidated financial statements for the largest and smallest group that DISA Industries A/S is included in.

Statutory report on the underrepresented gender

The Company's ambition is for each to represent a minimum of 25 percent of the workforce. 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 two male and three female members.

Events after the balance sheet date

Although it is too early to assess the overall effect of the COVID-19 outbreak on our Company, it is to be expected that the outbreak will affect our activities initially for the 2020 financial year. Thus, COVID-19 can have a material negative impact on our business including impact on profit for the year, financial position and cash flows.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2019

| | Notes | 2019 DKK'000 | 2018 DKK '000 |
|--|-------|-----------------|------------------|
| Revenue | 2 | 617,485 | 698,538 |
| Other operating income | | 3,678 | 4,006 |
| Cost of sales | | (269,497) | (310,172) |
| Other external expenses | 3 | (90,915) | (92,234) |
| Gross profit/loss | | 260,751 | 300,138 |
| Staff costs | 4 | (160,754) | (168,987) |
| Depreciation, amortisation and impairment losses | | (12,815) | (16,524) |
| Operating profit/loss | | 87,182 | 114,627 |
| Other financial income | 5 | 9,566 | 11,974 |
| Other financial expenses | | (1,366) | (1,971) |
| Profit/loss before tax | | 95,382 | 124,630 |
| Tax on profit/loss for the year | 6 | (21,173) | (29,564) |
| Profit/loss for the year | 7 | 74,209 | 95,066 |

Balance sheet at 31.12.2019

Assets

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|--|-------|-----------------|-----------------|
| Completed development projects | 9 | 19,131 | 27,759 |
| Acquired intangible assets | | 285 | 575 |
| Development projects in progress | 9 | 8,557 | 1,533 |
| Intangible assets | 8 | 27,973 | 29,867 |
| Plant and machinery | | 3,018 | 4,461 |
| Other fixtures and fittings, tools and equipment | | 290 | 1,368 |
| Leasehold improvements | | 6,378 | 7,546 |
| Property, plant and equipment | 10 | 9,686 | 13,375 |
| Receivables from group enterprises | | 209,430 | 209,346 |
| Deposits | | 4,994 | 4,961 |
| Other financial assets | 11 | 214,424 | 214,307 |
| Fixed assets | | 252,083 | 257,549 |
| Raw materials and consumables | | 3,613 | 2,937 |
| Work in progress | | 15,950 | 29,754 |
| Manufactured goods and goods for resale | | 63,216 | 69,396 |
| Prepayments for goods | | 1,564 | 280 |
| Inventories | | 84,343 | 102,367 |
| Trade receivables | | 57,539 | 53,199 |
| Receivables from group enterprises | 12 | 385,981 | 303,107 |
| Other receivables | | 3,012 | 3,634 |
| Prepayments | 13 | 937 | 1,215 |
| Receivables | | 447,469 | 361,155 |
| Cash | | 902 | 1,433 |
| Current assets | | 532,714 | 464,955 |
| Assets | | 784,797 | 722,504 |

Equity and liabilities

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | 14 | 30,000 | 30,000 |
| Reserve for development expenditure | | 18,380 | 14,240 |
| Retained earnings | | 500,759 | 430,559 |
| Equity | | 549,139 | 474,799 |
| Deferred tax | 15 | 6,758 | 7,508 |
| Other provisions | 16 | 10,922 | 11,375 |
| Provisions | | 17,680 | 18,883 |
| Prepayments received from customers | | 34,508 | 37,414 |
| Trade payables | | 27,157 | 34,049 |
| Payables to group enterprises | | 50,265 | 42,966 |
| Income tax payable | | 21,923 | 29,865 |
| Other payables | | 84,125 | 84,528 |
| Current liabilities other than provisions | | 217,978 | 228,822 |
| Liabilities other than provisions | | 217,978 | 228,822 |
| Equity and liabilities | | 784,797 | 722,504 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 17 | | |
| Contingent liabilities | 18 | | |
| Assets charged and collateral | 19 | | |
| Related parties with controlling interest | 20 | | |
| Transactions with related parties | 21 | | |
| Group relations | 22 | | |

Statement of changes in equity for 2019

| | Contributed capital DKK'000 | Reserve for development expenditure DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|--|-----------------------------------|--|---------------------------------|------------------|
| Equity beginning of year | 30,000 | 14,240 | 430,559 | 474,799 |
| Fair value adjustments of hedging instruments | 0 | 0 | 131 | 131 |
| Transfer to reserves | 0 | 4,140 | (4,140) | 0 |
| Profit/loss for the year | 0 | 0 | 74,209 | 74,209 |
| Equity end of year | 30,000 | 18,380 | 500,759 | 549,139 |

Notes

1 Events after the balance sheet date

Although it is too early to assess the overall effect of the COVID-19 outbreak on our Company, it is to be expected that the outbreak will affect our activities initially for the 2020 financial year. Thus, COVID-19 can have a material negative impact on our business including impact on profit for the year, financial position and cash flows.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

2 Revenue

| | 2019 DKK'000 | 2018 DKK'000 |
|---|-----------------|-----------------|
| Denmark | 2,862 | 3,736 |
| Other countries | 614,623 | 694,802 |
| Total revenue by geographical market | 617,485 | 698,538 |

3 Fees to the auditor appointed by the Annual General Meeting

| | 2019 DKK'000 | 2018 DKK'000 |
|--------------------------|-----------------|-----------------|
| Statutory audit services | 258 | 266 |
| Other services | 15 | 105 |
| | 273 | 371 |

4 Staff costs

| | 2019 DKK'000 | 2018 DKK'000 |
|-----------------------------|-----------------|-----------------|
| Wages and salaries | 148,600 | 156,483 |
| Pension costs | 10,145 | 10,353 |
| Other social security costs | 2,009 | 2,151 |
| | 160,754 | 168,987 |

| | | |
|---------------------------------------|------------|------------|
| Average number of full-time employees | 252 | 255 |
|---------------------------------------|------------|------------|

| | Remuneration of management 2019 DKK'000 | Remuneration of management 2018 DKK'000 |
|--|---|---|
| Total amount for management categories | 2,099 | 1,429 |
| | 2,099 | 1,429 |

5 Other financial income

| | 2019 DKK'000 | 2018 DKK'000 |
|---|-----------------|-----------------|
| Financial income from group enterprises | 8,292 | 8,158 |
| Other interest income | 1,274 | 3,816 |
| | 9,566 | 11,974 |

6 Tax on profit/loss for the year

| | 2019 DKK'000 | 2018 DKK'000 |
|--------------------------------------|-----------------|-----------------|
| Current tax | 21,923 | 29,865 |
| Change in deferred tax | (750) | (2,262) |
| Adjustment concerning previous years | 0 | 1,961 |
| | 21,173 | 29,564 |

7 Proposed distribution of profit and loss

| | 2019 DKK'000 | 2018 DKK'000 |
|-------------------|-----------------|-----------------|
| Retained earnings | 74,209 | 95,066 |
| | 74,209 | 95,066 |

8 Intangible assets

| | Completed development projects DKK'000 | Acquired intangible assets DKK'000 | Development projects in progress DKK'000 |
|---|---|---|---|
| Cost beginning of year | 78,454 | 18,222 | 1,533 |
| Additions | 0 | 0 | 7,228 |
| Cost end of year | 78,454 | 18,222 | 8,761 |
| Amortisation and impairment losses beginning of year | (50,695) | (17,647) | 0 |
| Impairment losses for the year | 0 | 0 | (204) |
| Amortisation for the year | (8,628) | (290) | 0 |
| Amortisation and impairment losses end of year | (59,323) | (17,937) | (204) |
| Carrying amount end of year | 19,131 | 285 | 8,557 |

9 Development projects

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 automatisations 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.

10 Property, plant and equipment

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improvements DKK'000 |
|---|-----------------------------------|--|--------------------------------------|
| Cost beginning of year | 55,514 | 17,888 | 14,482 |
| Cost end of year | 55,514 | 17,888 | 14,482 |
| Depreciation and impairment losses beginning of year | (51,053) | (16,520) | (6,936) |
| Depreciation for the year | (1,443) | (1,078) | (1,168) |
| Depreciation and impairment losses end of year | (52,496) | (17,598) | (8,104) |
| Carrying amount end of year | 3,018 | 290 | 6,378 |

11 Financial assets

| | Receivables from group enterprises DKK'000 | Deposits DKK'000 |
|------------------------------------|---|---------------------|
| Cost beginning of year | 209,346 | 4,961 |
| Exchange rate adjustments | 84 | 0 |
| Additions | 0 | 33 |
| Cost end of year | 209,430 | 4,994 |
| Carrying amount end of year | 209,430 | 4,994 |

12 Receivables from group enterprises

Receivables from group enterprises comprise cash and bank overdrafts of DKK 357,398 thousand (2018: DKK 274,687 thousand) held under the cash pool arrangement with the Norican Group and receivables from group enterprises on DKK 28,583 thousand (2018: DKK 28,420 thousand).

13 Prepayments

Prepayments relate to prepaid borrowing costs.

14 Share capital

| | Number | Par value DKK'000 | Nominal value DKK'000 |
|-----------------|---------------|----------------------|-----------------------------|
| Ordinary shares | 30,000 | 1 | 30,000 |
| | 30,000 | | 30,000 |

15 Deferred tax

| | 2019 DKK'000 | 2018 DKK'000 |
|-----------------------------------|-----------------|-----------------|
| Intangible assets | 6,154 | 6,497 |
| Property, plant and equipment | 780 | 1,165 |
| Liabilities other than provisions | (176) | (154) |
| Deferred tax | 6,758 | 7,508 |

| Changes during the year | 2019 DKK'000 |
|------------------------------------|-------------------------|
| Beginning of year | 7,508 |
| Recognised in the income statement | (750) |
| End of year | 6,758 |

16 Other provisions

Other provision are related to guarantee commitments on delivered machines, DKK 10.922 thousand (DKK 11,375 thousand in 2018).

17 Unrecognised rental and lease commitments

| | 2019 DKK'000 | 2018 DKK'000 |
|--|-----------------|-----------------|
| Liabilities under rental or lease agreements until maturity in total | 58,084 | 69,315 |

18 Contingent liabilities

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 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 553 m.DKK.

19 Assets charged and collateral

The Company has in 2019 performance and payments guarantees of 19.820 DKK'000 (2018: 30,518 DKK'000) and contractual liabilities of 15.741 DKK'000 (2018: 16,757 DKK'000). The Company's cash is included in a cash pool arrangement with the other consolidated enterprises in the Norican Group.

20 Related parties with controlling interest

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.

21 Transactions with related parties

Only related party transactions not conducted on an arm`s length basis are disclosed in the financial statements. No such transaction have been conducted in the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Norican Global A/S, Taastrup, Danmark

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Norican Global A/S, Taastrup, Danmark

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those 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.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

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 comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include costs relating to distribution, sale, advertising, administration, premises, loss on bad debt, operating lease expenses and similar expenses.

Payment relating to operating lease agreements and other rental agreements are recognised in the income statement over the term of the contract. The Company`s total liability for operating lease and rental agreements is disclosed under contingencies.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for Company`s employees. Repayments from public authorities are included in staff costs.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intangible assets rights etc

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.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intangible assets rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 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 assets rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|-------------|
| Plant and machinery | 10-15 years |
| Other fixtures and fittings, tools and equipment | 4-8 years |
| Leasehold improvements | 13 years |

Estimated useful lives and residual values are reassessed annually.

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.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset

Other provisions

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.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to 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.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the cash flow statement of DISA Industries A/S has been omitted.

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Eskild Nørregaard Jakobsen

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Cherie Greek Hylleborg

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