BUUS JENSEN
Statsautoriserede
Revisorer

NGI A/S

Virkelyst 5, 9400 Nørresundby

Company reg. no. 20 86 17 70

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 20 April 2021.

Andrea Volpi
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of NGI A/S for the financial year 1 January to 31 December 2020.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2020 and of the company's results of its activities in the financial year 1 January to 31 December 2020.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Nørresundby, 20 April 2021

Managing Director

Jan Nygaard

Board of directors

Andrea Volpi Chairman	Jan Nygaard	Richard Neil Smith

Independent auditor's report

To the shareholder of NGI A/S

Opinion

We have audited the annual accounts of NGI A/S for the financial year 1 January to 31 December 2020, which comprise profit and loss account, balance sheet, statement of changes in equity, notes and accounting policies. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management’s review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management’s review and in that connection consider whether the management’s review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 20 April 2021

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Ulrik Nørskov
State Authorised Public Accountant
mne29456

Benjamin Møller Obel
State Authorised Public Accountant
mne44149

Company information

The company	NGI A/S Virkelyst 5 9400 Nørresundby	
	Company reg. no.	20 86 17 70
	Established:	14 May 1998
	Domicile:	Aalborg
	Financial year:	1 January - 31 December 25th financial year
Board of directors	Andrea Volpi, Chairman Jan Nygaard Richard Neil Smith	
Managing Director	Jan Nygaard	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	

Financial highlights

DKK in thousands.	2020	2019	2018	2017	2016
Income statement:					
Gross profit	132.102	125.558	117.706	107.032	93.469
Profit from operating activities	46.126	47.535	37.083	33.746	31.351
Net financials	-2.525	-866	-2.922	-7.577	-3.799
Net profit or loss for the year	32.017	33.655	22.295	18.451	18.714
Statement of financial position:					
Balance sheet total	405.706	365.345	338.401	314.383	301.943
Investments in property, plant and equipment	18.320	8.527	5.503	1.739	698
Equity	351.593	319.576	285.921	64.035	155.584
Employees:					
Average number of full-time employees	126	113	102	93	82
Key figures in %:					
Acid test ratio	458,9	434,2	286,3	87,7	195,9
Solvency ratio	86,7	87,5	84,5	20,4	51,5
Return on equity	9,5	11,1	12,7	16,8	18,2

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

Management commentary

The principal activities of the company

The company's purpose is developing, producing and selling steel and rubber components as semifinished products to the machine industry.

Development in activities and financial matters

The gross profit for the year is DKK 132.102.000 against DKK 125.558.000 last year. The results from ordinary activities after tax are DKK 32.017.000 against DKK 33.655.000 last year.

The development in profit and cash flows are below management’s expectations from last year due to the corona pandemic. The management consider the result satisfactory.

Special risks

Operating risks

The company's purchase price on raw material is largely dependent on developments in the steel price. The company has covered this risk, as the company's sales prices also vary with the development.

Exchange rate risks

Exports are mainly in EUR and USD. No exchange rate risk hedging agreements will be made.

Research and development activities

Continuous adaptation and improvement of the company's products are being made. Costs associated in the development of products are recognised under development projects in the balance sheet.

The expected development

The company's management's expectation for 2021 are that the company will continue its positive development and improve its gross profit and cash flow.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2020	2019
	Gross profit	**132.101.726**	**125.558.073**
1	Staff costs	-67.148.785	-59.663.237
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-18.826.557	-18.360.030
	Operating profit	**46.126.384**	**47.534.806**
	Income from equity investments in group enterprises	271.684	0
	Other financial income from group enterprises	11.998	13.216
	Other financial income	334.481	988.039
2	Other financial costs	-3.143.143	-1.866.826
	Pre-tax net profit or loss	**43.601.404**	**46.669.235**
3	Tax on ordinary results	-11.584.413	-13.014.041
	Profit or loss from ordinary activities after tax	**32.016.991**	**33.655.194**
4	**Net profit or loss for the year**	**32.016.991**	**33.655.194**

Statement of financial position at 31 December

All amounts in DKK.

Note	Assets	2020	2019
	Non-current assets		
5	Completed development projects, including patents and similar rights arising from development projects	8.385.218	1.619.435
6	Concessions, patents, licenses, trademarks, and similar rights acquired	1.619.300	1.794.696
7	Goodwill	162.680.204	175.114.364
8	Development projects in progress and prepayments for intangible assets	16.495.302	14.037.517
	Total intangible assets	189.180.024	192.566.012
9	Plant and machinery	20.641.834	8.149.837
10	Other fixtures and fittings, tools and equipment	4.661.291	2.788.515
	Total property, plant, and equipment	25.303.125	10.938.352
11	Equity investments in group enterprises	737.182	465.498
	Total investments	737.182	465.498
	Total non-current assets	**215.220.331**	**203.969.862**
	Current assets		
	Raw materials and consumables	11.875.600	10.979.673
	Work in progress	31.105.181	32.514.793
	Manufactured goods and trade goods	3.264.985	4.389.333
	Total inventories	46.245.766	47.883.799
	Trade debtors	33.023.639	36.231.034
12	Work in progress for the account of others	507.568	891.343
	Amounts owed by group enterprises	409.323	2.043.803
	Tax receivables from group enterprises	3.207.665	1.858.398
	Other debtors	7.586.354	1.400.608
13	Accrued income and deferred expenses	941.111	1.029.705
	Total receivables	45.675.660	43.454.891
	Available funds	98.564.703	70.036.256
	Total current assets	**190.486.129**	**161.374.946**
	Total assets	**405.706.460**	**365.344.808**

Statement of financial position at 31 December

All amounts in DKK.

Note	**Equity and liabilities**	2020	2019
	Equity		
	Contributed capital	1.010.000	1.010.000
	Reserves for net revaluation as per the equity method	125.042	0
	Reserve for development expenditure	19.406.609	12.210.083
	Results brought forward	331.051.092	306.355.669
	Total equity	**351.592.743**	**319.575.752**
	Provisions		
14	Provisions for deferred tax	6.716.187	3.852.109
	Total provisions	**6.716.187**	**3.852.109**
	Liabilities other than provisions		
	Leasing liabilities	3.231.539	3.833.392
	Other payables	2.660.198	921.681
15	Total long term liabilities other than provisions	5.891.737	4.755.073
15	Short-term part of long-term liabilities	612.943	612.661
	Bank debts	124.830	300.482
	Trade creditors	29.370.661	29.772.871
	Debt to group enterprises	1.016.952	517.541
	Other debts	10.380.407	5.958.319
	Total short term liabilities other than provisions	41.505.793	37.161.874
	Total liabilities other than provisions	**47.397.530**	**41.916.947**
	Total equity and liabilities	**405.706.460**	**365.344.808**

16 Contingencies

17 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity 1 January 2019	1.010.000	0	7.123.583	277.786.975	285.920.558
Share of results	0	0	0	33.655.194	33.655.194
Transferred from results brought forward	0	0	5.086.500	0	5.086.500
Transferred to reserve for development costs	0	0	0	-5.086.500	-5.086.500
Equity 1 January 2020	1.010.000	0	12.210.083	306.355.669	319.575.752
Share of results	0	125.042	0	31.891.949	32.016.991
Transferred from results brought forward	0	0	7.196.526	0	7.196.526
Transferred to reserve for development costs	0	0	0	-7.196.526	-7.196.526
	1.010.000	**125.042**	**19.406.609**	**331.051.092**	**351.592.743**

Notes

All amounts in DKK.

		2020	2019
1.	**Staff costs**		
	Salaries and wages	60.651.116	53.577.711
	Pension costs	5.595.688	5.193.942
	Other costs for social security	901.981	891.584
		67.148.785	**59.663.237**
	Average number of employees	126	113

Pursuant to section 98b of the Danish Financial Statements Act. 3, second paragraph, information on management's remuneration is omitted.

		2020	2019
2.	**Other financial costs**		
	Financial costs, group enterprises	1.887	2.691
	Other financial costs	3.141.256	1.864.135
		3.143.143	**1.866.826**
3.	**Tax on ordinary results**		
	Tax of the results for the year	8.720.335	12.141.602
	Adjustment for the year of deferred tax	2.864.078	872.439
		11.584.413	**13.014.041**
4.	**Proposed distribution of the results**		
	Reserves for net revaluation as per the equity method	125.042	0
	Allocated to results brought forward	31.891.949	33.655.194
	Distribution in total	**32.016.991**	**33.655.194**

Notes

All amounts in DKK.

		31/12 2020	31/12 2019
5.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2020	8.641.289	8.412.989
	Additions during the year	4.833.881	0
	Transfers	3.207.112	228.300
	Cost 31 December 2020	**16.682.282**	**8.641.289**
	Amortisation and writedown 1 January 2020	-7.021.854	-5.991.269
	Amortisation and writedown for the year	-1.275.210	-1.030.585
	Amortisation and writedown 31 December 2020	**-8.297.064**	**-7.021.854**
	Carrying amount, 31 December 2020	**8.385.218**	**1.619.435**
6.	**Concessions, patents, licenses, trademarks, and similar rights acquired**		
	Cost 1 January 2020	11.097.131	10.050.444
	Additions during the year	986.443	1.149.187
	Disposals during the year	0	-102.500
	Cost 31 December 2020	**12.083.574**	**11.097.131**
	Amortisation and writedown 1 January 2020	-9.302.435	-6.911.451
	Amortisation and writedown for the year	-1.161.839	-2.493.484
	Depreciation, amortisation and writedown for the year, assets disposed of	0	102.500
	Amortisation and writedown 31 December 2020	**-10.464.274**	**-9.302.435**
	Carrying amount, 31 December 2020	**1.619.300**	**1.794.696**

Notes

All amounts in DKK.

		31/12 2020	31/12 2019
7.	**Goodwill**		
	Cost 1 January 2020	248.683.141	248.683.141
	Cost 31 December 2020	**248.683.141**	**248.683.141**
	Amortisation and writedown 1 January 2020	-73.568.777	-61.134.617
	Amortisation and writedown for the year	-12.434.160	-12.434.160
	Amortisation and writedown 31 December 2020	**-86.002.937**	**-73.568.777**
	Carrying amount, 31 December 2020	**162.680.204**	**175.114.364**

		31/12 2020	31/12 2019
8.	**Development projects in progress and prepayments for intangible assets**		
	Cost 1 January 2020	14.037.516	7.606.621
	Additions during the year	5.664.898	6.659.196
	Disposals during the year	-3.207.112	-228.300
	Cost 31 December 2020	**16.495.302**	**14.037.517**
	Carrying amount, 31 December 2020	**16.495.302**	**14.037.517**

All amounts in DKK.

		31/12 2020	31/12 2019
9.	**Plant and machinery**		
	Cost 1 January 2020	31.689.178	28.329.041
	Additions during the year	15.285.729	3.382.137
	Disposals during the year	0	-22.000
	Transfers	-1.415.871	0
	Cost 31 December 2020	**45.559.036**	**31.689.178**
	Depreciation and writedown 1 January 2020	-23.539.341	-21.802.128
	Depreciation and writedown for the year	-2.879.885	-1.759.213
	Writedown for the year	0	22.000
	Depreciation, amortisation and writedown for the year, assets disposed of	139.972	0
	Transfers	1.362.052	0
	Depreciation and writedown 31 December 2020	**-24.917.202**	**-23.539.341**
	Carrying amount, 31 December 2020	**20.641.834**	**8.149.837**
	Lease assets are recognised at a carrying amount of	2.871.291	3.671.137
10.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2020	9.604.270	8.840.394
	Additions during the year	3.034.392	5.144.538
	Disposals during the year	0	-4.380.662
	Transfers	1.415.871	0
	Cost 31 December 2020	**14.054.533**	**9.604.270**
	Depreciation and writedown 1 January 2020	-6.815.755	-7.149.572
	Depreciation and writedown for the year	-1.075.470	-642.708
	Writedown for the year	0	976.525
	Depreciation, amortisation and writedown for the year, assets disposed of	773.554	0
	Transfers	-2.275.571	0
	Depreciation and writedown 31 December 2020	**-9.393.242**	**-6.815.755**
	Carrying amount, 31 December 2020	**4.661.291**	**2.788.515**

Notes

All amounts in DKK.

		31/12 2020	31/12 2019
11.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2020	612.140	612.140
	Cost 31 December 2020	**612.140**	**612.140**
	Revaluations, opening balance 1 January 2020	-146.642	-146.642
	Results for the year before goodwill amortisation	271.684	0
	Revaluation 31 December 2020	**125.042**	**-146.642**
	Book value 31 December 2020	**737.182**	**465.498**

Group enterprises:

	Domicile	Share of ownership
NGI Leveling System Inc.	USA	100 %

		31/12 2020	31/12 2019
12.	**Work in progress for the account of others**		
	Sales value of the production of the period	507.568	891.343
	Work in progress for the account of others, net	**507.568**	**891.343**
13.	**Accrued income and deferred expenses**		
	Prepaid expenses	941.111	1.029.705
		941.111	**1.029.705**
14.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January 2020	3.852.109	2.979.670
	Deferred tax of the results for the year	2.864.078	872.439
		6.716.187	**3.852.109**

All amounts in DKK.

15. Liabilities

	Debt in total 31 Dec 2020	Short-term part of long-term liabilities	Long-term debt 31 Dec 2020	Outstanding debt after 5 years
Leasing liabilities	3.844.482	612.943	3.231.539	1.058.296
Other payables	2.660.198	0	2.660.198	0
	6.504.680	**612.943**	**5.891.737**	**1.058.296**

16. Contingencies

Contingent liabilities

Leasing liabilities

The company has entered into lease contracts with rent commitment of DKK 7.458.000.

Joint taxation

NGI Holding ApS, company reg. no 35639853 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The total tax payable under the joint taxation amounts to DKK 0 thousand.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

17. Related parties

Controlling interest

NGI Holding ApS, Virkelyst 5, 9400 Nønesundby — Majority shareholder

Transactions

All transactions with related parties have been carried out on market terms.

Accounting policies

The annual report for NGI A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of NGI A/S and its group enterprises are included in the consolidated financial statements for NGI Holding ApS, Aalborg, CVR nr. 35 63 98 53.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of NGI Holding ApS.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated by using the exchange rate prevailing at the date of the transaction, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Contract work in progress concerning construction contracts is recognised in the revenue concurrently with the production process. Thus, the revenue corresponds to the selling price of the total yearly production (the production method). The revenue is recognised when the total income and costs of the contract and the stage of completion on the reporting date can be reliably validated and it is deemed probable that the financial benefits will flow to the company.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is 5 years.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised, usually over 3 years, however, for a maximum of 5 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Goodwill

Goodwill is amortised over its estimated useful life, which is determined on the basis of themanagement's experience with the individual business areas. The amortisation period is determined onthe basis of the company having a strong position in its market areas and is the market leader in its core area. During the past 5 years, the company has realised rising earnings and based on management's expectations, the company has positive expectations for future earnings. Based on this, a amortisation period of 20 years is incorporated in the financial statement.

Tangible fixed assets

Tangible fixed assets are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Financial fixed assets

Equity in group enterprises

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity in group enterprises recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

Equity in group enterprises with a negative equity value measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress can not be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, NGI A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.