Norican Global A/S
Højager 8
DK-2630 Taastrup
CVR-no.: 36458755
General Meeting: March 14, 2018
Chairman: Ian B. Bird

2017 Annual Report

We are Norican

DISA
A Norican Technology

wheelabrator
A Norican Technology

StrikoWestofen
A Norican Technology

ITALPRESSE GAUSS
A Norican Technology

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Norican Group

Shaping Industry

2017 Annual Report

Consolidated Financial Statements
31 December 2017
Together with Independent Auditor's Report

COMPANY
Norican Global A/S
Højager 8
DK-2630 Taastrup
Denmark

AUDITOR
Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
Denmark

Norican Global A/S ("Norican" or the "Parent Company"), through its subsidiaries (collectively "Norican Group" or the "Company") is one of the world's leading providers of technology and services for metallic parts enhancement. We provide equipment, parts, technology and services to our customers globally, enabling them to mould, melt, cast, clean, strengthen or polish their metallic parts. We supply and service global clients locally, and our constituent businesses bring more than 100 years of technical and operational experience to bear.

On 28 April 2017, we completed the purchase of 100% of the share capital of LMCS Group ("LMCS"), a leading group of companies in the global non-ferrous, light metal casting industry (the "Acquisition"). LMCS includes the StrikoWestofen, Italpresse and Gauss Automazione businesses (the "Acquisition Companies"), providing Norican with exposure to the high-growth cast aluminium market. With the Acquisition and resulting enhancement of the scale and scope of our consolidated group, the Company stands to realise meaningful synergies by bringing the Acquisition Companies onto Norican's operating model, including a greater focus on aftermarket sales and service using Norican's global network. In addition, we expect Norican to benefit from the market leading technological know-how of the Acquisition Companies.

This annual report includes "forward-looking statements" within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this annual report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, our liquidity, capital resources and capital expenditures, the general economic outlook and industry trends, litigation outcomes, future developments in the markets in which the Norican Group participates or is seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "projected", "should" or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and are based on numerous assumptions, and our actual results of operations, including our financial condition and liquidity and the development of the industries in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this annual report. You should not place undue reliance on these forward-looking statements.

In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of results or developments in subsequent periods. We are subject to numerous risks that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this annual report may not occur. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statements or risk factors, whether as a result of new information, future events or developments or otherwise. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

We are Norican

+40,000 machines in the field

More than 10,000 customers

Approx 2,700 employees

More than 100 customer countries

7 centres for product innovation

13 manufacturing centres

Serving more than 30 industrial sectors

Over 50 locations

4 Brands
- DISA
- Wheelabrator
- StrikoWestofen
- Italpresse Gauss

3 offerings: parts formation, preparation and finishing

1 Common Culture

FINANCIAL HIGHLIGHTS

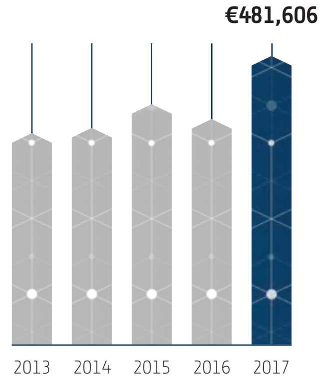
Year Ended 31 December
(in thousands)

	2017[4]	2016	2015	Pro forma 2015	2014[3]	2013[3]
OPERATING DATA:						
Net revenue	**€ 481,606**	€ 375,509	€ 350,711	€ 401,112 [1]	€ 361,362	€ 353,375
Gross margin	**150,664**	125,269	116,880	134,496 [1]	119,763	116,622
Reported EBITDA[5]	**58,304**	45,029	44,786	49,342 [1]	45,127	42,959
Finance cost	**23,043**	10,427	8,091	11,428 [1]	18,806	18,220
Income before tax	**11,349**	17,132	12,294	18,481 [1]	10,757	4,454
Net income/(loss)	**941**	16,507	4,918	8,081 [1]	4,730	(2,528)
BALANCE SHEET DATA:						
Balance sheet total	**749,745**	531,144	522,371	522,371	417,103	406,157
Investments in property, plant and equipment	**5,191**	4,551	2,569	2,724 [1]	2,943	4,713
Total equity	**183,699**	177,849	160,856	160,856	20,126	13,218
CASH FLOW DATA:						
Cash generated from operations[2]	**30,423**	45,508	1,716	16,968 [1]	22,723	41,170
Net cash provided by/(used in) operations	**16,209**	36,196	(5,254)	7,165 [1]	9,166	26,414
Net cash used in investing activities	**(151,261)**	(4,436)	(65,760)	NMF [1]	(2,874)	(4,603)
Net cash provided by/(used in) financing activities	**167,376**	(15,593)	109,296	NMF [1]	(24,050)	(10,012)
Net increase/(decrease) in cash	**26,243**	16,127	39,971	(16,088)[1]	(14,109)	6,627

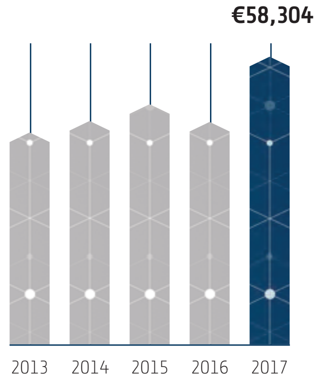
[1] Amounts are shown on a pro forma basis for the period from 1 January 2015 through 31 December 2015, which is the normal operating cycle and fiscal year for the operating company.
[2] Cash generated from operations excludes cash paid for interest.
[3] During 2015, Norican Global acquired Norican Holdings ApS ("Predecessor"). Figures presented for the years 2014 and 2013 are those of the Predecessor. The operating profile of Norican Global A/S is consistent with that of the Predecessor for the period prior to the Acquisition on 28 April 2017.
[4] Results include the Acquisition completed on 28 April 2017. See Management's Discussion and Analysis of Financial Condition and Results of Operations, beginning on page 3.
[5] Reported EBITDA reflects operating income before depreciation and amortisation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

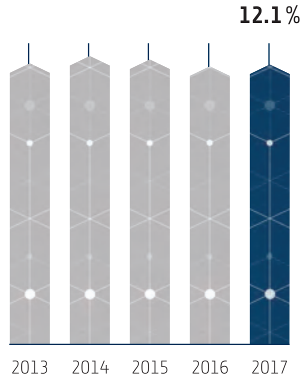
Revenues
(in thousands)



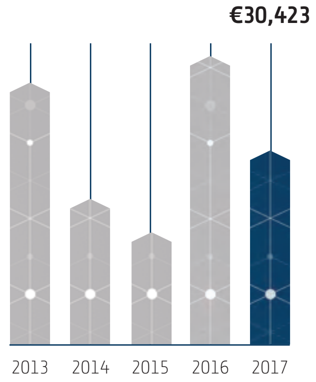
EBITDA
(in thousands)



EBITDA %



Cash Generated From Operations
(in thousands)



The following management's discussion and analysis of financial condition and results of operations is based on the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows, which have been derived from the audited consolidated financial statements prepared in accordance with IFRS and included elsewhere in this annual report. This section should be read in conjunction with the consolidated financial statements, including the notes thereto, as well as other information about the Company contained elsewhere in this annual report.

Risk factors for the Company are substantially comparable in all material respects to those described in the offering memorandum dated as of 5 May 2017.

Results of operations for the year ended 31 December 2017, as compared to the year ended 31 December 2016

On 28 April 2017, we completed the purchase of 100% of the share capital of LMCS. The discussion of operating results and cash flows that follows includes operating results for LMCS from the date of the Acquisition and the effect of the cash flows from the purchase and related financing transactions.

Revenues increased to €481.6 million in 2017 from €375.5 million in 2016, an increase of €106.1 million, or 28%. The increase in revenues is due to the Acquisition on 28 April 2017 and consolidation of the results of operations of the Acquisition Companies. Legacy Norican Group revenues decreased €4.4 million, or 1% over the prior year period. The decrease in legacy Norican Group revenues is due to decreased equipment revenue of €9.1 million, or 5%, partially offset by increased aftermarket revenue of €4.7 million, or 2%. Included in these amounts are the effects of fluctuations in currency translation rates, which reduced legacy Norican Group revenue by €7.3 million during 2017, as compared to translation rates for 2016.

Cost of sales increased to €330.9 million in 2017, compared to €250.2 million in 2016, an increase of €80.7 million or 32%. The increase in cost of sales is primarily due to the Acquisition. Legacy Norican Group cost of sales decreased €1.8 million, or 1%, from the prior year, due primarily to lower sales volume. As a percent of revenues, cost of sales for the legacy Norican businesses was approximately equal to the prior year at 67%.

SG&A increased to €97.7 million in 2017, compared to €84.8 million in 2016, an increase of €12.9 million, or 15%. The increase in SG&A is due to SG&A related to the Acquisition companies. SG&A for legacy Norican Group was €82.3 million, or €2.5 million lower than the prior year. Changes in currency exchange rates decreased SG&A by €1.1 million in 2017. As a percent of revenues, legacy Norican SG&A was slightly lower than prior year at 22% in 2017, as compared to 23% in 2016. Included in legacy Norican SG&A are non-customer specific research and development expenses of €5.7 million in 2017, as compared to €4.9 million in 2016.

Amortisation expense increased to €9.7 million in 2017, compared to €7.1 million in 2016, an increase of €2.6 million, or 36%. This represents the amortisation of customer relationships, patents and other intangibles on a straight-line basis over a 10- to 20-year useful life and capitalised development expense which is amortised on a straight-line basis over a six-year useful life. The increase in amortisation expense is due to the additional amounts recorded for customer relationships, patents and other intangibles recognised in connection with the Acquisition.

Reported EBITDA increased to €58.3 million in 2017 from €45.0 million in 2016, an increase of €13.3 million, or 29%. The increase in EBITDA is due to EBITDA contributed by the Acquisition companies. EBITDA for the legacy Norican businesses of €45.0 million was equal to the prior year. Changes in currency exchange rates decreased EBITDA in 2017 by €0.4 million, as compared to translation rates for 2016.

Finance costs increased to €23.0 million in 2017 from €10.4 million in 2016, an increase of €12.6 million, primarily due to higher debt levels following the Acquisition and related financing transactions. See footnote 10 to the audited financial statements included elsewhere in this annual report.

In 2017, €0.3 million in restructuring asset impairment charges were recorded for the closure of an acquired subsidiary.

Foreign exchange gain in 2017 is €1.9 million, compared to a loss of €3.3 million in 2016.

Transaction costs increased to €10.1 million in 2017 from €1.0 million in 2016. Transaction costs in 2017 include €10.0 million in legal and due diligence costs related to the Acquisition, and €0.1 million for a smaller foundry acquisition.

Other non-operating expense in 2017 is €0.4 million, compared to other non-operating expense of €1.1 million, in 2016. Other expense in 2017 consists primarily of costs for strategic advisory and management services of €0.5 million accrued to the benefit of the controlling shareholder, partially offset by other income of €0.1 million.

Income tax expense increased to €10.4 million in 2017, from €0.6 million in 2016. See footnote 17 to the audited financial statements included elsewhere in this annual report.

Results of operations for the year ended 31 December 2016, as compared to the year ended 31 December 2015

References to 2015 figures below represent the pro forma effect covering the full year 2015 of the acquired company, Norican Holdings ApS, and its subisidiaries. See footnote 3 to the financial highlights table on page 2.

Revenue decreased to €375.5 million in 2016 from €401.1 million in 2015, a decrease of €25.6 million, or 6%. The decrease in sales revenue is caused primarily by reduced revenue from equipment and aftermarket sales of €13.4 million, or 7% and €12.2 million, or 6%, respectively. Included in these amounts are the effects of fluctuations in currency translation rates which reduced revenue by €4.2 million in 2016, as compared to the translation rates of 2015. The net decline in revenues of €21.4 million, or 5%, after taking into account currency effects, is attributed primarily to economic contraction in the markets in which our customers operate.

Cost of sales decreased to €250.2 million in 2016, compared to €266.6 million in 2015, a decrease of €16.4 million, or 6%, corresponding with the decrease in sales volume.

SG&A decreased to €84.8 million in 2016, compared to €89.7 million in 2015, a decrease of €4.9 million, or 5%. Changes in currency fluctuations resulted in decreased SG&A of €1.2 million. Net of the effect of changes in currency exchange rates, SG&A decreased €3.7 million, or 4%. As a percent of sales, SG&A of 23% in 2016 is slightly above that for 2015 of 22%.

Amortisation expense increased to €7.1 million in 2016, compared to €7.0 million in 2015, an increase of €0.1 million, or 1%. This represents the amortisation of customer relationships, patents and other intangibles on a straight-line basis over a 10- to 20-year useful life, and capitalised research and development expense, which is amortised on a straight-line basis over a six-year useful life.

Reported EBITDA decreased to €45.0 million in 2016 from €49.3 million in 2015, a decrease of €4.3 million, or 9%. The decrease in EBITDA is due to lower sales volumes. EBITDA as a percentage of sales remained consistent at 12% in 2016, as compared to 2015. Changes in currency translation rates increased EBITDA by €0.1 million during 2016, compared to 2015 translation rates.

Finance costs decreased to €10.4 million in 2016 from €11.4 million in 2015. The decrease of €1.0 million is due to lower average debt balances. See footnote 10 to the audited financial statements included elsewhere in this annual report.

During 2016, €0.4 million was recorded for severance costs related to the restructuring of North American operations.

Foreign exchange loss during 2016 was €3.3 million, compared to a gain of €1.6 million in 2015.

Transaction costs decreased to €1.0 million in 2016 from €5.5 million in 2015. Transaction costs in 2016 include €0.8 million in legal and due diligence costs related to the Acquisition, and €0.2 million in transaction costs related to a foundry acquired in 2017 and an additional smaller foundry acquisition in 2016.

Other non-operating expense, net for 2016, is €1.1 million, compared to other expense of €2.5 million for 2015. Other expense in 2016 consists primarily of costs for strategic advisory and management services of €0.5 million accrued to the benefit of the controlling shareholder, €0.4 million in pension curtailment costs relating to the UK subsidiary pension plan and other miscellaneous expenses of €0.2 million.

Income tax expense decreased to €0.6 million in 2016 from €10.4 million in 2015. See footnote 17 to the audited financial statements included elsewhere in this annual report.

Cash flows

Net cash from operations of €16.2 million in 2017 was predominately attributable to the 2017 net income, including cash paid for acquisition transaction costs of €10.1 million and cash paid for taxes of €11.3 million, as adjusted for non-cash items and cash used for working capital changes, primarily accounts receivable and accrued liabilities and provisions, partially offset by cash provided by changes in inventory, deferred revenue, and trade and other payables. Of the cash paid for taxes in 2017, €5.0 million was paid in income taxes attributable to the Acquisition Companies for periods prior to the Acquisition.

Net cash from operations amounted to €36.2 million in 2016, which is primarily attributable to net income and increases in cash provided by working capital changes, primarily inventory, trade and other payables, and trade and other receivables.

Net cash used in investing activities amounted to €151.3 million in 2017, which is attributable to cash paid for the Acquisition of €143.0 million, capital expenditures of €5.2 million and €3.4 million in cash paid to settle an accrued liability for the Acquisition companies relating to prior ownership transactions. This was partially offset by asset disposal proceeds of €0.3 million. Capital expenditures consist of investments in property, plant and equipment, including the acquisition of buildings and improvements of €1.1 million and machinery and equipment of €1.5 million, IT of €1.8 million and other expenditures of €0.8 million.

Net cash used in investing activities amounted to €4.4 million in 2016, which is primarily attributable to capital expenditures of €4.6 million. Capital expenditures consist of investments in property, plant and equipment, including information technology, of €1.7 million, machinery and equipment of €1.6 million and other of €1.3 million.

Net cash provided by financing activities amounted to €167.4 million in 2017. This is due primarily to the financing transactions relating to the Acquisition and €2.0 million in net proceeds from employee share purchases.

Net cash used in financing activities amounted to €15.6 million in 2016. This primarily related to the repayment of prior debt facilities.

Liquidity and capital resources

Our business has required and will continue to require liquidity, primarily to meet our debt service requirements, fund capital expenditures and fund growth of our working capital.

Our principal sources of liquidity are accumulated cash generated from our operating activities and a revolving credit facility. Cash includes cash on hand and in banks and investments in money market instruments totaling €82.3 million and €56.1 million as of 31 December 2017 and 2016, respectively. Based on our current level of operations, we believe our cash flow from operations, available borrowings under the revolving credit facility, and cash and cash equivalents will be adequate to meet our liquidity needs.

LETTER TO STAKEHOLDERS

Positioning for Growth is the underlying theme in 2017 and heading into 2018. As a combined group, in 2017 we generated revenue of €481 million, an increase of 28% over the prior year. The corresponding EBITDA of €58 million reflects a contribution of 12%, the sixth consecutive year at the 12% mark.

Positioning for Growth is most notably demonstrated in 2017 by the acquisition of the StrikoWestofen, Italpresse and Gauss businesses (LMCS Group) on 28 April 2017. Adding over €100 million in revenue since April, the acquisition of world-class aluminium die-casting and melting technology solutions marks a significant investment in support of our automotive customers' continued emphasis on vehicle light-weighting and is a logical extension of our existing DISA parts formation technologies.

Throughout 2017, we worked to integrate our new StrikoWestofen, Italpresse and Gauss technology platforms alongside our existing DISA and Wheelabrator sales and service channels around the world. As a result of our collective efforts, Norican Group now comprises approximately 2,700 professional and dedicated men and women across 15 countries. As we head into 2018, we are encouraged by the progress being made in creating a market leader in both parts formation and parts preparation technologies.

During 2017, we also made significant internal growth investments.

We continued to invest in building market share for the Wheelabrator Vibro product line. We launched this initiative during 2016 but increased our investment during the course of this past year to build momentum in this key metallic parts polishing market space. We are now offering a fresh new alternative to the market with a comprehensive range of quality vibratory mass finishing products and are challenging conventional market tradition by providing customers with the benefits of reduced costs, higher productivity and improved finishes.

We also created a Norican Digital business unit to develop our response to customers' demands for Industry 4.0 and Internet of Things (IoT) solutions. While still in its early development stages, we are encouraged by the support and guidance we have already received from key customers from different

Robert E. Joyce Jr.
President and CEO
Shareowner

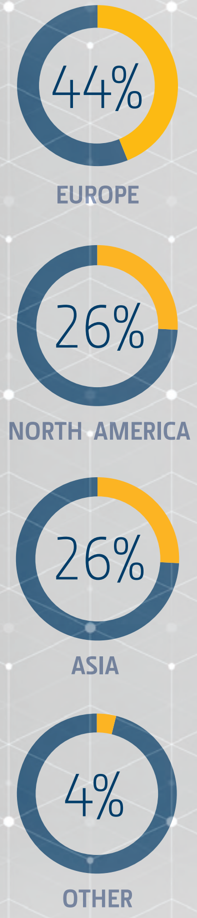
Andrew J. Matsuyama
Executive VP and CFO
Shareowner

industries, and we expect to have a suite of value-added digital solutions to augment our world-class technology over the course of 2018.

Improving operational productivity is permeating the entire business.

Since 2016, we have been implementing a lean methodology throughout our organisation to support our growth ambitions. As of the end of 2017, we have implemented this program within our major manufacturing and distribution sites in Europe and North America. In the coming year, we are expanding this implementation to our Indian and Asian facilities. While we have started within our supply chain functions, we intend to extend the lean approach to all aspects of our operations to include sales, service and back office operations. Our goal is

Revenue by Destination

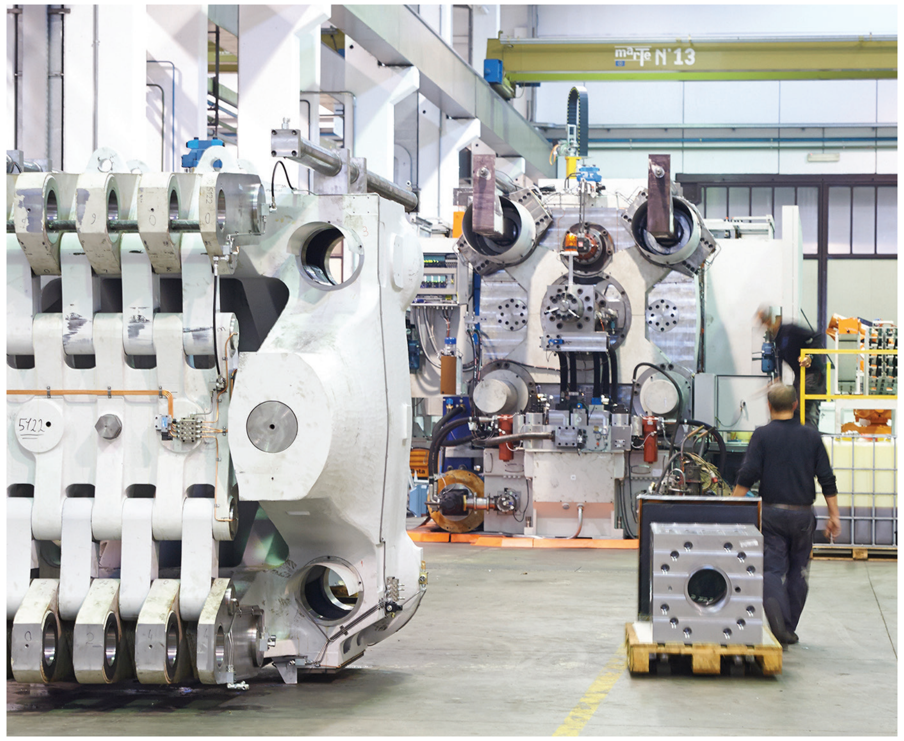


Employee Distribution

58%
EUROPE

14%
NORTH AMERICA

28%
ASIA



to weave the lean methodology into the very fabric of our daily operations. We believe that a common and consistent approach to lean activities across our Group is the key for supporting our *Positioning for Growth* strategic objectives.

Underpinning all of this, *Positioning for Growth* also took shape within our capital structure. In support of the LMCS Group acquisition and the potential of the combined businesses, on 17 May 2017 we issued €340 million in 4.5% senior secured notes. Bolstered by the combination of our new bond investors, along with the support from our partners at Altor Fund IV, our controlling shareholder and business partner, we are pleased to have further reinforced the foundation of the combined Norican Group.

Ultimately, all of this is made possible by the confidence demonstrated by our customers entrusting us with their business needs. We understand that our daily mission is to continue to earn the trust of these customers as we bring to them a broader suite of technical solutions for improving their ongoing profitability. We are inspired by what we have achieved for the benefit of our customers during 2017 and look forward to possibilities for improving our customers' profitability in 2018 and beyond.

For 2018, we are cautiously optimistic about the economic backdrop to be provided by China and India in particular. However, while the U.S. tax reform could provide a tailwind in that market, we are mindful of the lack of clarity for our customers caused by the unknowns surrounding trade agreements (e.g,. tariffs, NAFTA and Brexit) and shifting positions regarding quantitative easing.

In aggregate, we expect there will be pockets of opportunity for growth in 2018.

Sincerely,

Robert E. Joyce Jr.

Andrew J. Matsuyama

Capital Expenditure by Region

79%
EUROPE

7%
NORTH AMERICA

14%
ASIA

MISSION AND VALUES

OUR MISSION:
why we exist

Exceeding customer expectations

OUR VALUES:
What we stand for

Leading
for sustainability

Respecting
diversity and teamwork

Delivering
on every commitment

Developing
employee talent

Code of Business Conduct and Ethics

Norican Group's code of conduct is an extension of the Company's values. In each jurisdiction in which the business operates, we comply with all applicable laws, rules and regulations. In the performance of our duties, we protect our shareholders' assets, our employees' health and welfare, and all stakeholders' confidential information.

Norican Group's interaction with its stakeholders is predicated on mutual respect, and we value each relationship. The Company competes vigorously and fairly, and requires our employees to avoid even the appearance of a conflict of interest. At Norican Group we value our employees and their workspace and we are good corporate citizens in our communities.

Corporate Social Responsibility

Leading for sustainability includes corporate social responsibility and primarily covers climate, health and safety, human rights and community support. The Company has set the goal that at least one of the Company's board members shall be a female by 2019. Currently, the Company's Board of Directors consists solely of male members.

The Company strives towards achieving this ambition by recruitment, taking into account the industry in which Norican operates where 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, no specific policy related to climate has been prepared at a Company or group level. However, we conduct our operations and activities with deep respect for all our stakeholders and with a focus on reducing potential impacts on climate and the environment. We aim to raise the level of awareness for external climate and environmental considerations in our business operations, and we endeavor to comply with applicable laws, rules and regulations regarding climate and environment in each of the jurisdictions where we have operations.

There are also a number of governance policies directed towards creating a safe and healthy working environment internally. As part of our core values, the Company has made a commitment to its employees that no employee should be injured in the performance of their duty. The Company translates its policies into action by introducing management systems and control systems as a follow-up on its working process.

Norican Group does not have an explicit CSR policy specifically targeted towards human rights. However, Norican Group endeavours to comply with applicable local and international legislation and conduct its business with strong dedication to ethical and responsible practices. We have in our Code of Business Conduct and Ethics adopted policies on group level related to ethics and with respect to compliance with laws. These policies apply to each subsidiary in Norican Group. Accordingly, each subsidiary shall comply with applicable laws, rules and regulations, including those that may relate to protection of human rights in each jurisdiction where it operates. The compliance with these policies is monitored through a yearly reporting and certification procedure applicable to subsidiaries.

Norican Group aims to maintain and enhance its professional and commercial relations with internal and external stakeholders based on mutual respect.

These aspects of corporate social responsibility are further enhanced by Norican Group's efforts to support the communities in which it operates. Highlights of the Company's investments in India provide a perfect example of this community support.

First, the "DISA Wheelabrator Scholarship" programme was established for the less privileged students studying in grade levels nine through twelve, as well as those seeking diplomas in engineering. The programme makes scholarships available to students attending eight educational institutions in the plant neighbourhoods of Tumkur and Hosakote in Bangalore, India. During 2017, over 230 scholarships were provided to students. In addition, the Company invested in infrastructure development for the schools in order to provide drinking water tanks, display teaching aids, and school sanitation.

The second programme termed "DISA Career Excellence," involves contributions to an NGO: the Foundation for Excellence India Trust. This programme provides scholarships to students in engineering colleges spread across the state of Karnataka and neighbouring states to a less privileged category of students. In 2017, over 50 students were provided this scholarship.

AUDITED FINANCIAL STATEMENTS

STATEMENT BY BOARD OF DIRECTORS AND EXECUTIVE BOARD

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Norican Global A/S and its subsidiaries for the period from 1 January 2017 to 31 December 2017.

The Annual Report is presented in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the disclosure requirements applying to Danish companies.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Company's and the Parent Company's financial position at 31 December 2017 and the results of their operations and cash flows for the period from 1 January 2017 to 31 December 2017.

In our opinion, the Management's Review includes a fair review of the development in the Company's and the Parent Company's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole for the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Company and the Parent Company face.

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

Taastrup, 14 March 2018

Executive Board:

Robert E. Joyce Jr., Chief Executive Officer

Andrew J. Matsuyama, Chief Financial Officer

Ian B. Bird, General Counsel

Board of Directors:

Søren Johansen, Chairman

Robert E. Joyce Jr., Director and Chief Executive Officer

David Hughes, Director

Jean Marc Lechêne, Director

Anders Lindqvist, Director

Thomas Kvorning, Director

Daniel Reimann, Director

Andrew J. Matsuyama, Director and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORICAN GLOBAL A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Norican Global A/S for the financial year 1 January 2017 to 31 December 2017, which comprise the statements of operations, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017, and of the results of their operations and cash flows for the financial year 1 January 2017 to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent'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 consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 14 March 2017
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Hjort Kjelgaard
State-Authorised Public Accountant
MNE No 29484

Casper Hjerresen Christensen
State-Authorised Public Accountant
MNE No 41363

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	Note	31 December 2017	2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	€ 82,341	€ 56,098
Trade and other receivables	4	107,698	62,044
Inventory	5	79,332	61,542
Other current assets		19,037	14,367
Total current assets		288,408	194,051
PROPERTY, PLANT AND EQUIPMENT	6	31,444	29,448
GOODWILL AND OTHER INTANGIBLE ASSETS	7	416,795	283,632
DEFERRED TAX ASSETS	17	11,361	21,878
OTHER NON-CURRENT ASSETS		1,737	2,135
TOTAL ASSETS		€ 749,745	€ 531,144
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade and other payables		€ 53,569	€ 27,978
Accrued liabilities and provisions	9	64,715	58,073
Deferred revenue		50,617	37,825
Current portion of long-term debt	10	282	22,284
Other current liabilities	17	1,876	4,394
Total current liabilities		171,059	150,554
LONG-TERM DEBT	10	331,256	139,266
PENSION AND OTHER LIABILITIES	8, 13	30,417	39,503
DEFERRED TAX LIABILITIES	17	33,314	23,972
EQUITY:			
Share capital		1,552	1,541
Other reserves		157,415	152,278
Retained earnings		21,096	20,646
Non-controlling interest		3,636	3,384
Total equity	15	183,699	177,849
TOTAL LIABILITIES AND EQUITY		€ 749,745	€ 531,144

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in Thousands)

	Note	31 December 2017	2016
REVENUES		€ 481,606	€ 375,509
COST OF SALES		330,942	250,240
GROSS MARGIN		150,664	125,269
OPERATING EXPENSES			
Selling, general and administrative		97,655	84,788
Amortisation expense	7	9,698	7,108
Total operating expenses		107,353	91,896
OPERATING INCOME		43,311	33,373
NON-OPERATING (EXPENSE)/INCOME:			
Finance cost	10	(23,043)	(10,427)
Restructuring charges	9	(286)	(408)
Foreign exchange	1	1,931	(3,312)
Transaction costs	2	(10,126)	(1,036)
Other		(438)	(1,058)
Total non-operating expense		(31,962)	(16,241)
INCOME BEFORE INCOME TAX		11,349	17,132
INCOME TAX EXPENSE	17	(10,408)	(625)
NET INCOME		€ 941	€ 16,507
Net income attributable to the Parent		€ 450	€ 16,046
Net income attributable to the non-controlling interest		€ 491	€ 461

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Note	31 December 2017	2016
COMPREHENSIVE INCOME:			
Items that will not be recycled subsequently to the income statement:			
Actuarial gains/(losses) on pension benefit obligation, net of deferred tax (expense)/benefit of €(1,334) and €290	13	€ 5,900	€ (3,621)
Items that may be recycled subsequently to the income statement:			
Gains/(losses) on hedging instruments, net of deferred tax (expense)/benefit of €(503) and €77	8	1,888	(418)
Currency translation differences		(4,861)	5,301
Net income recognised directly in equity		2,927	1,262
Net income		941	16,507
COMPREHENSIVE INCOME		€ 3,868	€ 17,769
Comprehensive income attributable to the Parent		€ 3,604	€ 17,308
Comprehensive income attributable to the non-controlling interest		€ 264	€ 461

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	31 December 2017	2016
CASH FLOWS FROM OPERATIONS:			
Net income		€ 941	€ 16,507
Adjustments to reconcile net income to net cash from operations:			
Non-cash items:			
Foreign exchange	1	(1,931)	3,312
Depreciation	6	5,295	4,548
Amortisation of intangibles and debt issuance costs	7, 10	16,557	8,255
Restructuring charges	9	286	408
Gain on sale of assets		(533)	—
Deferred tax	17	637	(7,426)
Changes in working capital:			
Trade and other receivables	4	(9,496)	2,807
Trade and other payables		2,534	4,248
Inventory	5	7,143	9,410
Accrued liabilities and provisions	9	(9,284)	(1,133)
Deferred revenue		4,766	(610)
Other		(706)	(4,130)
Net cash from operations		16,209	36,196
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Capital expenditures	6	(5,191)	(4,551)
Acquisition of LMCS, net of cash acquired	2	(142,995)	—
Payment of earn-out related to Acquisition Companies		(3,355)	—
Asset disposal proceeds		280	115
Net cash used in investing activities		(151,261)	(4,436)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt facilities		(152,851)	(8,817)
Repayments of revolving credit facility		(12,000)	(6,000)
Debt issuance costs		(9,755)	—
Net proceeds from employee share purchase		1,994	—
Issuance of Senior Secured 4.5% Notes		340,000	—
India share buyback		—	(763)
Dividend to non-controlling interest		(12)	(13)
Net cash from/(used in) financing activities	10, 19	167,376	(15,593)
FOREIGN CURRENCY EFFECT ON CASH AND CASH EQUIVALENTS	10	(6,081)	(40)
NET INCREASE IN CASH		26,243	16,127
CASH, BEGINNING OF PERIOD		56,098	39,971
CASH, END OF PERIOD	3	€ 82,341	€ 56,098
Cash paid for interest, included in net cash from operations	10	€ 14,214	€ 9,312
Cash paid for income taxes, included in net cash from operations	17	€ 11,345	€ 7,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Report of Norican Global A/S ("Norican Global" or "Parent Company,") a Danish company, and its subsidiary companies (collectively, "Norican Group" or the "Company"), has been prepared in accordance with International Financial Change Reporting Standards ("IFRS"), as adopted by the EU, and additional Danish disclosure requirements applicable to reporting class C enterprises (large), including the statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Norican Global was formed on 11 December 2014 by Altor Fund IV Holding AB. On 26 February 2015, Norican A/S, a wholly owned subsidiary of the Parent Company, acquired Norican Holdings ApS and its subsidiary companies through the purchase of the entire share capital of Norican Holdings ApS, also a Danish company, pursuant to an agreement dated 18 December 2014.

On 28 April 2017, the Company acquired 100% of the share capital of LMCS Group ("LMCS") (the "Acquisition") (see Note 2). To finance the Acquisition, the Company completed a series of financing transactions culminating in the issuance of €340,000 in 4.5% Senior Secured Notes due 2023 (see Note 10), which were admitted to trading on the Official List of The International Stock Exchange on 21 June 2017 (together with the Acquisition, the "Transactions").

Pro Forma condensed financial information is prepared as if the Transactions had taken place on 1 January 2017. The information is prepared on a basis consistent with the accounting policies and presentation adopted by Norican Group.

The consolidated financial statements are presented in euros, as this is the major currency in which revenues and capital transactions are denominated.

The principal accounting policies adopted are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company, its wholly owned subsidiaries and its majority owned Indian subsidiary. All intercompany balances and transactions have been eliminated in consolidation. The interest of non-controlling shareholders is stated at the non-controlling shareholders' proportion of the respective entity's identifiable assets, liabilities and contingent liabilities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Company.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. The carrying values of the Company's cash equivalents approximate their fair values at 31 December 2017.

Trade Receivables

Trade receivables are measured at fair value and subsequently at amortised cost, less adjustments for doubtful receivables. Adjustments for doubtful receivables are calculated based on historical experience and by reviewing individual receivable balances, taking into account contractual terms, payment history and other available evidence of whether the receivable is collectible. Receivable balances are written off only when there is no prospect of any further collections.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out ("FIFO") method, or a method that approximates the use of the FIFO method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event that it is probable will result in an outflow of economic benefits that can be reasonably estimated.

The Company warrants its products against certain manufacturing and other defects. These product warranties are generally provided for a period of one year but may vary depending on the nature of the product, the geographic location of its sale and other factors. The accrued product warranty costs are based on historical experience of actual warranty claims as well as current information on repair costs. Where some or all of the expenditure required to settle a claim is expected to be reimbursed by another party, the reimbursement is recognised only when reimbursement is virtually certain. The amount to be reimbursed is recognised as a separate asset.

Property, Plant and Equipment

Property, plant and equipment are stated at cost if purchased, or fair value as of the acquisition date if obtained in an acquisition. Depreciation on property and equipment is calculated on the straight-line method over 20 to 50 years for buildings and improvements and three to ten years for equipment and other.

Additional costs, which extend the useful life of the property, plant and equipment, are capitalised and depreciated over the revised remaining useful life of the asset. Maintenance and repair costs are charged to expense as incurred. Upon the sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognised. Residual value is determined at the time of acquisition using estimates of the asset value when fully depreciated and is reassessed annually.

Financial Instruments

Financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable, prepaid and other current assets, accounts payable and accrued liabilities. The carrying amounts of such instruments are considered to be representative of their respective fair values due to the short-term maturity of the instruments.

Financial debts are initially recognised as the amount of proceeds received. Finance charges are accounted for on an accrual basis and are included in accrued liabilities to the extent that they are not settled in the period in which they arise, with premiums payable on settlement or redemption included in financial debts. Financial debts are classified as non-current if there is an unconditional right to defer payments beyond one year; otherwise they are classified as current.

Derivative Financial Instruments

Derivative financial instruments are recorded at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges are recognised directly in equity until the hedged cash flow or hedged net investment materialises. Amounts initially recognised in equity are released to the statement of operations in the same period in which the hedged transactions (cash flows) affect the statement of operations. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of operations as they arise.

Debt Issuance Costs

Debt issuance costs are included in the value of debt and are amortised using a method that approximates the effective interest rate method over the term of the underlying credit facility or note.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets acquired in a business combination. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. On disposal of a subsidiary, the amount attributable of unamortised goodwill that has not been subject to impairment is included in the determination of the gain or loss on disposal.

Intangible assets other than goodwill are valued at cost less accumulated amortisation and any impairment losses. Trademarks have been assigned an indefinite useful life. Capitalised development costs are amortised on a straight-line basis over a six-year useful life. Customer relationships, patents and other intangibles are amortised on a straight-line basis over a 10- to 20-year useful life. Costs for acquired assets represent the purchase price at acquisition.

Impairment of Non-Current Assets

Non-current assets are tested for impairment in accordance with IAS 36 and are reviewed annually to determine whether events or changes in conditions indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, the Company estimates the asset's recoverable amount as the higher of the asset's fair value less selling costs and value-in-use, which is the present value of the cash flows expected from the asset's use and eventual disposal. If necessary, an impairment loss is recorded in the statement of operations to the extent that the carrying amount of the asset exceeds its recoverable amount.

Revenue Recognition

Revenue from product sales is generally recognised upon shipment of 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. Allowances for returns, discounts and uncollectible accounts are recorded at the time of sale. Amounts billed to customers for shipping and handling are included in net sales and are recorded upon shipment of goods to customers. Costs of providing these services are included in cost of sales.

For large engineered systems (capital equipment), revenue is recognised following shipment, which is generally after the Company has demonstrated that the equipment meets the customer's specifications. Capital equipment sales generally require the customer to make advance cash payments as work progresses. Revenue associated with advance payments is recognised upon delivery and when ownership and risk of loss have passed to the customer.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Foreign Currencies

Transactions in foreign currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and/or currency swaps. Gains and losses arising on exchange are included in net income for the period. Monetary assets and liabilities denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date.

On consolidation, the assets and liabilities of the Company's operations are translated into presentation currency (euros) at the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Where loans are made between two subsidiaries with different functional currencies, currency translation differences arise in one or both subsidiaries. In accordance with IAS 21, currency translation differences for intercompany loans that are not considered part of the investment in subsidiaries are recognised in net income. Amounts are presented within non-operating expense.

Retirement Benefit Costs

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with valuations carried out at each balance sheet date in accordance with International Accounting Standard 19, Employee Benefits. Actuarial gains and losses are recognised immediately in other comprehensive income as they are incurred.

The pension liability recognised in the balance sheet represents the present value of defined benefit obligations and is reduced by the fair value of plan assets. If benefit plan membership or benefits are significantly reduced by a restructuring, or an event or transaction that results in the Company's benefit obligations being settled, the effects are recorded in the statement of operations when the restructuring or settlement occurs.

Research and Development

Where expenditures relate to the development of research findings, or other knowledge, for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use, they are generally capitalised. Costs related to a specific customer and research and development expenditures not yet in the application phase are expensed as incurred.

Development expenditures of €557 and €1,595 were capitalised as intangible assets for the year ended 31 December 2017 and 2016, respectively. Additional costs not related to specific customer orders of €6,299 and €4,919 were expensed for the year ended 31 December 2017 and 2016, respectively.

Income Taxes

Income taxes for the year comprise current and deferred tax, using rates enacted or substantively enacted at the balance sheet date.

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years. Deferred taxes are provided for the difference between asset and liability carrying amounts for financial reporting purposes and their tax basis. A valuation allowance is provided against deferred tax assets if realisation is not assured on a probable basis. The Company's tax provision or benefit includes a provision for taxes currently payable or receivable plus the change in deferred taxes for the period. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net tax basis.

Business Combinations

Newly acquired or newly established companies and activities are recognised in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company or activity actually passes to the Group. Business combinations are accounted for using the acquisition method from the date of obtaining control, according to which the identifiable assets, liabilities and contingent liabilities of companies acquired are measured at fair value at the date of acquisition. Non-current assets held for sale are, however, measured at fair value less expected costs to sell.

The cost of a company or activity is the fair value of the consideration paid. If the final determination of the consideration is conditional on one or more future events these are recognised at their fair value as of the acquisition date. Any excess of the cost of an acquired company or activity over the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill and tested for impairment at least annually. Restructuring costs are only recognised in the take-over balance sheet if they represent a liability to the acquired company. The tax effect of revaluations is taken into account.

Costs that can be attributed directly to the transfer of ownership are recognised in the income statement when they are incurred. Adjustments to estimates of conditional consideration are generally recognised directly in the statement of operations.

If uncertainties regarding the measurement of acquired identifiable assets, liabilities, contingent liabilities or the consideration for the business combination exist at the acquisition date, initial recognition takes place on the basis of preliminary fair values. If identifiable assets, liabilities, contingent liabilities and the consideration for the business combination are subsequently determined to have had a different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition date. The effect of the adjustments is recognised in the opening equity, and the comparative figures are restated accordingly. Goodwill is not adjusted subsequently except in the event of material errors.

Sold or liquidated entities are excluded from consolidation at the date of transfer of the control of the enterprise. The date of disposal is the date when control of the company actually passes to a third party.

Non-controlling Interests

On initial recognition, non-controlling interests are measured either at fair value (including the fair value of goodwill related to non-controlling interests in the acquiree) or as non-controlling interests' proportionate share of the acquiree's identifiable assets, liabilities and contingent liabilities measured at fair value (excluding the fair value of goodwill related to non-controlling interests' share of the acquiree). The measurement basis for non-controlling interests is selected for each individual transaction.

Use of Estimates

Management of the Company has made a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in the preparation of these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

Effect of New Accounting Standards

Norican Group has adopted all new, amended or revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2017.

Effect of New Accounting Standards Not Yet in Force

Revised or new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report, have not been included in this Annual Report.

Issued in May 2014 and endorsed by the EU in 2016, IFRS 15, Revenue from Contracts with Customers, establishes a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance, including IAS 18, Revenue, and related interpretations, when it becomes effective. Management has analysed the impact of IFRS 15 and assessed that the new standard is not expected to have an impact on revenue recognition for the Company. IFRS 15 will take effect on 1 January 2018.

IFRS 9, Financial Instruments, was issued in 2009 and has been revised several times since then. IFRS 9 will take effect on 1 January 2018, and the impact to the Company is determined not to be material.

Issued in January 2016, IFRS 16, Leases, requires lessees to recognise nearly all leases on the balance sheet. Management has not yet evaluated the expected future impact on the amounts reported and disclosed by the Group from the application of IFRS 16. IFRS 16 is expected to take effect on 1 January 2019.

Significant Accounting Estimates

Post-Employment Benefits

The assumptions used to measure the expense and liabilities related to the Company's defined benefit pension plans are reviewed annually by external actuaries. The measurement of the expense for a period and of the benefit obligation at the period end requires judgement with respect to the following matters, among others: probable long-term rate of increase in pensionable pay; probable average future service lives of employees; probable life expectancy of employees; mix of investments in funded pension plans in the period; expected future rate of return on the investments in the funded pension plans, and how that rate will compare with the market rates of return observed in past economic cycles. Assumptions used to value the benefit obligation at 31 December are updated based on actual experience when appropriate. Variances are caused principally by external financial market movements in corporate bond yields used to benchmark the discount rate, and in asset prices that affected the actual return on assets. These factors are outside the Company's direct control, and it is reasonably possible that future variances could exceed past variances. See Note 13.

Deferred Tax Assets

Tax losses are recognised as deferred tax assets when it becomes probable that they will be utilised in the future. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which tax losses can be utilised. In making this assessment, the Company considers the scheduled reversal of deferred tax liabilities and projected future taxable income.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, as of 31 December 2017, the Company believes that it is more likely than not that the Company will realise the benefits of these deductible differences. The amount of the deferred tax asset considered realisable could be reduced in subsequent years if estimates of future taxable income during the carryforward period are reduced, or rulings by the tax authorities are unfavourable. Estimates are therefore subject to change due to both market and government related uncertainties, as well as the Company's own future decisions. See Note 17.

Tax Positions

The Company's policy is to comply fully with applicable tax regulations in all jurisdictions in which the Company's operations are subject to income taxes.

The Company's estimates of current income tax expense and liabilities are calculated on the assumption that all tax computations filed by the Company's subsidiaries will be subject to review or audit by the relevant tax authorities. Current income tax liabilities include the Company's best estimate of the tax that will ultimately be payable when the review or audits have been completed. Actual outcomes and settlements may differ significantly from the estimates recorded in these consolidated financial statements. This may affect income tax expense, net income, and effective tax rates in future years' consolidated statement of operations. Several prior years' tax computations are still open for review or audit by the tax authorities for most of the Company's subsidiaries at the balance sheet date. The Company's estimates of income tax expense and liabilities at each year end include management judgements about the eventual outcome of the reviews and audits of all open years based on the latest information available about the positions taken by each tax authority. See Note 17.

Goodwill Impairment Test

The assessment of whether goodwill is impaired requires a determination of the value in use of the cash-generating units to which the goodwill amounts have been allocated. The determination of the value in use requires estimates of the expected future cash flows of each cash-generating unit using a reasonable discount rate.

The impairment test of goodwill and the associated particularly sensitive factors and sensitivity analyses are described in Note 7 to the consolidated financial statements.

Purchase Price Allocation in Business Combinations

In connection with allocation of the purchase price in business combinations, calculations are made of fair value of acquired assets and liabilities. As this determination is based on expected future cash flows related to the assets and liabilities acquired, the realisation of such cash flows as anticipated is subject to an inherent uncertainty. See Note 2.

2. ACQUISITIONS

On 28 April 2017, the Company completed the purchase of 100% of the share capital of LMCS, a leading group of companies in the global non-ferrous, light metal casting industry. LMCS includes the StrikoWestofen, Italpresse and Gauss Automazione businesses, (the "Acquisition Companies"), providing Norican with exposure to the high-growth cast aluminium market.

Consideration for the Acquisition was borrowed under two shareholder loans that were used to pay the purchase price for the Acquisition and to acquire or redeem certain existing shareholder loans, mezzanine debt and other existing indebtedness of the Acquisition Companies amounting to €59,268. Subsequently, the shareholder loans were refinanced. See Note 10.

The acquisition price was allocated to assets and liabilities based on their respective fair values as of the date of the purchase as follows:

Current assets	€ 84,645
Property, plant and equipment	3,133
Intangible assets	142,907
Deferred tax liabilities and other	3,189
Total assets acquired	233,874
Current liabilities	(49,793)
Pension liability	(4,097)
Deferred tax liabilities and other	(20,265)
Total liabilities assumed	(74,155)
Net assets acquired	€ 159,719

Current assets acquired as of 28 April 2017 include cash acquired of €16,724, accounts receivable of €36,158, inventory of €24,980 and other current assets of €6,783. Collectability of receivables has been assessed based on the Company's credit assessment policies (see Note 4). Current liabilities acquired as of 28 April 2017 include accounts payable of €23,058, accrued liabilities of €18,353, and other current liabilities of €8,382. Contingent liabilities recognised are presented within the provisions line item in accordance with the Company's accounting policies (see Note 1).

Intangible assets included in the purchase price allocation include €38,100 attributed to customer relationships (20-year useful life), €21,100 attributed to trademarks (indefinite useful life), €17,786 attributed to other, and €65,921 attributed to goodwill (indefinite useful life). Goodwill recorded in connection with the Acquisition is attributable primarily to the expertise and insight of the acquired workforce and expected synergies from the integration into Norican Group. Recognised goodwill is not expected to be deductible for tax purposes.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies an adjustment to the recorded values, or any additional provisions that existed at the date of the acquisition, the accounting for the acquisition is revised. Revenue and net income included in the consolidated income statement contributed by LMCS since 28 April 2017 is €110,509 and €3,935, respectively. Acquisition related costs have been expensed as transaction costs.

A pro forma condensed consolidated income statement for the period from 1 January 2017 to 31 December 2017 is as follows:

Revenues	€ 519,682
Cost of sales	361,708
Gross margin	157,974
Operating expenses:	
Selling, general and administrative	106,125
Amortisation expense	10,127
Total operating expenses	116,252
Operating income	€ 41,722

The pro forma financial information is prepared as if the Transactions had taken place on 1 January 2017. They are prepared on a basis consistent with the accounting policies and presentation adopted by Norican Group in its current and historical financial statements. The presentation is prepared solely to illustrate the estimated effect of the Transactions on the year-to-date results. Such information is not necessarily indicative of the consolidated results of operations that would have been realised had the Transactions occurred on 1 January 2017, nor is it meant to be indicative of any anticipated results of operations that the combined group will experience in the future.

3. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and in banks and investments in money market instruments totaling €82,341 and €56,098 at 31 December 2017 and 2016, respectively. The Company maintains cash deposits related to certain of its performance obligations for the manufacturing, delivery and installation of capital equipment sales. At 31 December 2017 and 2016, the amount of €1,165 and €598 were posted as cash bonds, respectively, and is included in cash and cash equivalents on the Company's balance sheet.

4. TRADE AND OTHER RECEIVABLES

Trade accounts receivable includes other receivables of €752 and €466 at 31 December 2017 and 2016, respectively. The movement in allowance for doubtful accounts is as follows:

	Year ended 31 December 2017	2016
Balance at beginning of period	€ 3,166	€ 3,361
Acquisition of LMCS	1,630	—
Changes in provisions during the year	81	(131)
Currency translation	(255)	(64)
Balance at end of period	€ 4,622	€ 3,166

The Company has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

5. INVENTORY

Inventories, net of provisions, consist of the following at 31 December:

	2017	2016
Raw material	€ 16,652	€ 7,741
Work-in-process	32,332	21,886
Finished goods	30,348	31,915
Total	€ 79,332	€ 61,542

Cost of goods sold represents the Company's cost of inventory and related production costs.

6. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and Improvements	Equipment and Other	Total
Cost:			
Balance at 11 December 2015	€ 34,118	€ 59,099	€ 93,217
Additions	764	3,787	4,551
Disposals	(13)	(2,031)	(2,044)
Currency translation	2	(43)	(41)
Balance at 31 December 2016	34,871	60,812	95,683
Acquisition of LMCS	1,025	24,598	25,623
Additions	1,118	4,073	5,191
Disposals	(68)	(1,600)	(1,668)
Currency translation	(818)	(1,911)	(2,729)
Balance at 31 December 2017	€ 36,128	€ 85,972	€ 122,100
Accumulated Depreciation:			
Balance at 11 December 2015	€ (17,122)	€ (46,467)	€ (63,589)
Depreciation expense	(991)	(3,557)	(4,548)
Disposals	13	1,926	1,939
Currency translation	(71)	34	(37)
Balance at 31 December 2016	(18,171)	(48,064)	(66,235)
Acquisition of LMCS	(528)	(21,962)	(22,490)
Depreciation expense	(1,042)	(4,253)	(5,295)
Disposals	41	1,436	1,477
Transfer	(249)	—	(249)
Currency translation	560	1,576	2,136
Balance at 31 December 2017	€ (19,389)	€ (71,267)	€ (90,656)
Carrying amount at 31 December 2016	€ 16,700	€ 12,748	€ 29,448
Carrying amount at 31 December 2017	€ 16,739	€ 14,705	€ 31,444

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other[1]	Total
Cost:			
Balance at 11 December 2015	€ 171,191	€ 124,928	€ 296,119
Additions	79	1,595	1,674
Currency translation	337	382	719
Balance at 31 December 2016	171,607	126,905	298,512
Additions	—	557	557
Acquisition of LMCS	65,921	77,102	143,023
Currency translation	(52)	(1,452)	(1,504)
Balance at 31 December 2017	€ 237,476	€ 203,112	€ 440,588
Accumulated Amortisation:			
Balance at 11 December 2015	€ —	€ (7,535)	€ (7,535)
Amortisation expense	—	(7,108)	(7,108)
Currency translation	—	(237)	(237)
Balance at 31 December 2016	—	(14,880)	(14,880)
Amortisation expense	—	(9,698)	(9,698)
Acquisition of LMCS		(116)	(116)
Currency translation	—	901	901
Balance at 31 December 2017	€ —	€ (23,793)	€ (23,793)
Carrying amount at 31 December 2016	€ 171,607	€ 112,025	€ 283,632
Carrying amount at 31 December 2017	€ 237,476	€ 179,319	€ 416,795

[1]The gross (and net) carrying values of intangibles other than goodwill consists of customer relationships €85,456 (€77,565), patents €22,096 (€16,874), trademarks €53,710 (€53,709) and other €41,850 (€31,171) at 31 December 2017. The gross (and net) carrying values of intangibles other than goodwill consists of customer relationships €48,083 (€43,351), patents €22,183 (€18,646), trademarks €33,074 (€33,074) and other €23,565 (€16,954) at 31 December 2016.

The Company consists of four cash-generating units. However, management monitors goodwill at the level of the following business areas: parts formation and parts preparation. Goodwill is tested for impairment at least annually at the level of these business areas. The results of the 2017 analysis did not identify a need to impair goodwill as of 31 December 2017. In the impairment test, applying a 9.2% estimated weighted average cost of capital, the discounted value of future net cash flows are compared with the carrying amounts of goodwill and other net assets in each cash-generating unit. No impairment losses have been incurred during the year ended 31 December 2017 or 2016. Future cash flows are based on a forecast for the next five years at a terminal value assuming a minimal growth rate. Projections included in the forecast are based on general parameters, such as expected market growth, selling prices and profitability assumptions.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments at 31 December 2017 included in other long-term liabilities consist of a currency swap net investment hedge with a market value of €343, including accrued interest, and a maturity date of 15 November 2021, and foreign exchange and other swaps with a market value of €57. The fair value of the currency swap is classified based on the maturity of the underlying contract at 31 December 2017. The swap is used to manage exposure to currency movements affecting the net investment in the Company's US operations with a nominal value of €50,000, an interest rate of 7.6% payable in US dollars and an interest rate of 4.5% receivable in euros.

The Company utilises forward currency delivery contracts to hedge future transactions and cash flows. The Company is party to a variety of foreign currency forward contracts in the management of exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Company's principal markets and are designated and effective as hedging instruments carried at fair value. All forward contracts outstanding at 31 December 2017 mature within a period of one year.

The fair value of derivative financial instruments at 31 December 2016 included in other long-term liabilities consists of an interest rate swap cash flow hedge of €1,989 at 31 December 2016 which was settled in 2017 in accordance with the termination of the hedged debt facility. Upon settlement in 2017 of the interest rate swap, the Company paid €1,416. The fair value of derivatives is determined based on observable market data using generally accepted methods (level 2 in the fair value hierarchy).

9. ACCRUED LIABILITIES AND PROVISIONS

Provisions included in accrued liabilities and provisions on the balance sheet include the following:

	Year ended 31 December 2017	2016
Warranty		
Balance at beginning of period	€ 7,363	€ 6,943
Acquisition of LMCS	2,190	—
Additional provisions	2,750	3,221
Reductions through payments	(2,847)	(2,842)
Foreign exchange adjustment	(289)	41
Balance at end of period	€ 9,167	€ 7,363
Restructuring		
Balance at beginning of period	€ 319	€ 1,502
Additional provisions	286	408
Reductions through payments	(346)	(1,606)
Transfer	(249)	—
Foreign exchange adjustment	(3)	15
Balance at end of period	€ 7	€ 319

10. BORROWINGS

Borrowings at amortised cost consist of the following at 31 December:

	2017	2016
Senior Secured Notes due 2023	€ 340,000	€ —
Prior Senior Financing Facility	—	167,229
Other	282	269
	340,282	167,498
Debt issuance costs	(8,744)	(5,948)
	€ 331,538	€ 161,550

Substantially all of the outstanding borrowings are denominated in euros at 31 December 2017.

Senior Secured Notes Due 2023 (the "Notes") and Super Senior Revolving Credit Facility (the "Revolver")

Consideration for the Acquisition on 28 April 2017 was borrowed under two shareholder loans that were used to pay the purchase price for the Acquisition and to acquire or redeem certain existing shareholder loans, mezzanine debt and other existing indebtedness of the Acquisition Companies. On 17 May 2017, the Company refinanced the outstanding existing debt and shareholder loans and paid related transaction fees and expenses by issuing €340,000 in 4.5% Senior Secured Notes due 2023. The Notes were admitted to trading on the Official List of The International Stock Exchange on 21 June 2017.

Additionally, the Company has entered into a €75,000 revolving credit facility (the "Revolver") with availability from 31 May 2017 to 30 October 2022. Cash availability within the Revolver is limited to €55,000. Interest on the Revolver is variable based on LIBOR and the performance of the Company. There is no cash amount outstanding under the Revolver as of 31 December 2017; however commercial guarantees have been issued at 31 December 2017 which reduce the availability of the Revolver by €30,255.

The Notes and Revolver are secured by first-priority pledges of the shares of certain significant subsidiaries of the Company and a first-priority security interest over the intra-group receivables between certain subsidiaries in addition to the majority of assets of Norican guarantors, including LMCS, as defined in the indenture.

The borrowings under the Notes and Revolver are secured equally and ratably by first-priority security interests, however, the holders of the Notes will only receive proceeds from the enforcement of the collateral after certain super senior priority obligations including obligations under the Revolver and certain hedging obligations have been paid in full.

Interest on the Notes is payable semi-annually in arrears on 15 November and 15 May each year, commencing on 15 November 2017. The Notes mature on 15 May 2023. The Company may redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus any applicable premium, subject to the limitations and conditions as described in the Notes.

Included in foreign currency effect on cash and cash equivalents for the year ended 31 December 2017 is €2,456 in foreign exchange effect reducing the Company's prior Senior financing facility balance. There was no foreign currency effect on the balance of the Notes outstanding as of 31 December 2017 since they are issued in euros. The amount included in foreign currency effect on cash equivalents for the year ended 31 December 2016 relating to the Company's borrowings is not material.

The Company estimates that the amortised cost of the facility represents the fair value of the facility at 31 December 2017.

Prior Senior Financing Facility

Effective 24 February 2015, the Company entered into a financing agreement, as amended on 30 June 2016 and amended and restated on 25 September 2015 (the "Senior Credit Facility"), which provided a revolving credit facility and a term loan facility. The revolving credit facility provided a €50,000 commitment. The term loan facility provided an aggregate commitment of €165,000 with two tranches, tranche A of €66,000 and tranche B of €99,000. Both facilities were terminated in conjunction with the Transactions.

The Company estimates that the amortised cost of the facility represents the fair value of the facility at 31 December 2016. The Company had entered into interest rate swaps to manage its exposure to interest rate movements on a significant portion of its borrowings under the prior Senior Credit Facility. See Note 8.

Scheduled repayments of the Company's borrowings are as follows at 31 December 2017:

Within one year	€ 282
Between two and five years	—
After five years	340,000
Total	€ 340,282

Net finance cost of €23,043 includes interest expense and amortisation of debt issuance costs of €16,184 and €6,859, respectively, for the year ended 31 December 2017. Net finance cost of €10,427 includes interest expense and amortisation of debt issuance costs of €9,280 and €1,147, respectively, for the year ended 31 December 2016.

11. COMMITMENTS

Lease Commitments

The Company leases certain facilities and equipment under various non-cancellable long-term and month-to-month leases accounted for as operating leases.

Future minimum rental payments under non-cancellable operating leases are as follows at 31 December 2017:

Not later than one year	€ 6,244
Later than one year and not later than five years	21,229
Later than five years	4,472
Total	€ 31,945

Lease expense for the years ended 31 December 2017 and 2016 is €7,715 and €6,515, respectively.

12. LITIGATION

Silicosis

Subsidiaries of the Company in the United States have been named in various cases involving alleged exposure to silica by employees of its customers. In accordance with the terms of the Silicosis Litigation Management and Indemnification Agreement (the "Indemnity"), Water Application & Systems Corp. (formerly known as United States Filter Corp.) is liable for all silicosis claims arising from equipment or product sales prior to 19 August 2003 for subsidiaries of WGH Holding Corp. ("WGH") at that date. With respect to claims against non-United States subsidiaries of WGH at that date, the Indemnity continues until 19 August 2018. With respect to those United States subsidiaries of WGH, the Indemnity is not limited in time. There are no claims at present for exposure related to non-United States subsidiaries for equipment sales subsequent to 19 August 2003.

Other Claims

The Company has been named in litigation arising in the ordinary course of business. In the opinion of legal counsel and management, the Company has meritorious defences against such claims and is covered by insurance and has reserves to cover self-insured retentions for any material adverse outcome in most claims. For claims for which insurance coverage may not be available, the Company has established reserves deemed adequate to cover possible adverse outcomes and related fees. As a result, these cases are not expected to have a significant negative impact on future results of operations or the financial condition of the Company.

13. BENEFIT PLANS

The Company's pension plan benefit obligations consist of multiple plans that provide benefits to employees of operations in Switzerland, United Kingdom, Germany, United States and India which have largely similar risk profiles.

The following table sets forth the significant components of the Company's pension plan benefit obligations, fair value of plan assets and funded status as at and for the years ended 31 December:

	2017	2016
Change in Benefit Obligation		
Benefit obligation at beginning of period	€ 151,715	€ 148,970
Acquisition of LMCS	4,097	–
Service cost	785	1,074
Interest cost	2,305	3,129
Plan participants' contributions	461	560
Actuarial loss	1,293	12,512
Benefits paid	(7,707)	(7,357)
Plan curtailment	–	600
Past service cost	(789)	–
Impact of foreign currency changes	(9,337)	(7,773)
Transfer to disposal group	(247)	–
Benefit obligation at end of period	€ 142,576	€ 151,715
Change in Plan Assets		
Fair value of plan assets at beginning of period	€ 115,528	€ 115,098
Actual return on plan assets	10,547	10,505
Company contributions	1,340	1,459
Participant contributions	460	560
Benefits paid and expenses	(6,887)	(6,763)
Other	3	4
Impact of foreign currency changes	(8,068)	(5,335)
Fair value of plan assets at end of period	€ 112,923	€ 115,528
Accrued benefit liability per balance sheet at end of period	€ 29,653	€ 36,187
Of which arising from:		
Funded plans	€ 18,049	€ 27,749
Unfunded plans	€ 11,604	€ 8,438

The Company's estimate of employer contributions to be paid to defined benefit plans for the year ended 31 December 2018 is €2,124. Actual payments could differ materially from this estimate if any new funding regulations or laws are enacted or due to changes in business and market conditions during 2018.

The fair values of the assets of the Company's defined benefit pension plans are as follows at 31 December:

	2017 Fair Value	%	2016 Fair Value	%
Equities	€ 37,355	33%	€ 37,853	33%
Property	25,224	22%	26,271	23%
Bonds	37,385	33%	39,852	34%
Other assets	12,959	12%	11,552	10%
Fair value of assets	€ 112,923	100%	€ 115,528	100%

The plan assets do not include any assets used by the Company or any shares in the Company.

Principal actuarial assumptions, expressed as weighted averages and components of net periodic pension cost, are as follows at 31 December:

	2017	2016
Benefit cost:		
Discount rate	1.8%	1.8%
Expected return on plan assets	1.4%	1.8%
Rate of compensation increase	2.2%	2.1%
Benefit obligation:		
Discount rate	1.5%	1.6%
Rate of compensation increase	1.8%	1.8%
Future pension increase	1.4%	1.2%
Components of net periodic pension cost:		
Service cost	€ 785	€ 1,074
Interest cost	2,305	3,129
Expected return on plan assets	(1,621)	(2,279)
Past service cost gain	(789)	–
Net periodic pension cost	€ 680	€ 1,924

Accumulated actuarial losses included in the statement of comprehensive income/(expense) are as follows:

	2017	2016
Balance at beginning of period	€ (5,051)	€ (2,402)
Actuarial gains/(losses) for the year, net of deferred tax	5,900	(3,621)
Currency translation	1,261	972
Balance at end of year	€ 2,110	€ (5,051)

Norican Group, through its Swiss subsidiary, participates in the Pensionskasse Georg Fischer and Durach-Stiftung (together, the "Georg Fischer Plan"), which are separate legal entities. The Georg Fischer Plan Foundation is responsible for the governance of the plan, and the governance board is composed of an equal number of representatives from the employers and employees chosen from all affiliated companies. The accrued benefit liability attributed to the Swiss pension is €4,133 and €10,580 as of 31 December 2017 and 2016, respectively.

14. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Indian rupee and the Chinese renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. The Company's individual subsidiaries predominately transact their operational activities in their respective functional currencies. However, the global nature of the business leads to transactional risk at the balance sheet date. This arises because the amount of local currency received or paid for transactions denominated in a foreign currency varies due to changes in foreign exchange rates. Transactional committed risk for which the Company has a contractual obligation that is recorded on the balance sheet is primarily managed through the use of forward foreign exchange contracts.

The Company's Notes, which make up substantially all of the outstanding debt balances at 31 December 2017, are denominated in euros; therefore, most of the Company's debt is not exposed to foreign currency risk. However, translation exposure arises from consolidation of foreign currency-denominated financial statements of the Company's subsidiaries. The risk arising from translation of the Company's US subsidiary balance sheets (the effect of which is a currency impact in consolidated Company equity) is partially hedged. A 10% change in the currency translation rate between the US dollar and the euro could positively or negatively affect revenue by approximately €8,820, and the net income impact on equity is approximately €42 based on results for the year ended 31 December 2017. The Company has entered into a foreign currency swap to hedge the currency exposure to the US dollar of its net investment in US operations. The risk from equity fluctuations in other currencies is not considered significant. See Note 8.

Commodity Price Risk

Commodity price fluctuations also affect aspects of the Company's business. Changes in commodity prices can affect the profitability of the Company's operations and its net cash flows.

The Company does not consider commodity price risk to be a significant financial statement risk, as most of the machine orders are completed within six months and the portion of commodity cost in the cost of finished goods inventory is not considered significant. For large orders, the Company mitigates exposure to commodity price risk by committing to raw materials purchases periodically throughout the year as sales occur. Inventory pricing is reviewed periodically to reduce the risk of commodity purchase price changes.

Interest Rate Risk

The Company is exposed to fluctuations in interest rates on its Revolver borrowings. While there are no outstanding borrowings under the Revolver at 31 December 2017, to the extent the Company has future outstanding borrowings under the Revolver, the amount outstanding would be exposed to interest rate fluctuations.

Credit Risk

The exposure to credit risk is represented by the balance sheet values of the receivables and positive market values of derivatives that are carried at the balance sheet date.

Credit quality of customers is assessed taking into account the customer's financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings. The utilisation of credit limits is regularly monitored. Although the Company monitors the credit ratings of its customers, changes in the financial position of its customers can adversely affect the Company's future collection of the receivables and the Company's cash flows.

Liquidity Risk

The Company's principal source of liquidity consists of cash and cash equivalents, cash generated from operations, and borrowings available under the Revolver. See Note 10.

Capital Risk Management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

Other Risk

At 31 December 2017, €39,929 in commercial guarantees related to equipment orders were outstanding that are not reflected on the balance sheet but expose the Company to a minimal albeit potential risk.

Classes of Financial Instruments

Besides cash and cash equivalents, trade and other receivables as well as long-term debt, trade payables and other payables, which are financial instruments measured at amortised cost, the Group has entered into a currency swap, which is a financial instrument designated for net investment hedge accounting. The Group does not have financial instruments classified as either fair value through profit and loss, available for sale or held-to-maturity.

15. EQUITY

	Share Capital	Other Reserves	Retained Earnings	Total Share-holders Equity	Minority Interests	Total Equity
Balance at 11 December 2015	€ 1,541	€ 150,853	€ 4,600	€ 156,994	€ 3,862	€ 160,856
Total comprehensive income	—	1,262	16,046	17,308	461	17,769
India share buyback	—	163	—	163	(926)	(763)
Non-controlling interest dividend	—	—	—	—	(13)	(13)
Balance at 31 December 2016	€ 1,541	€ 152,278	€ 20,646	€ 174,465	€ 3,384	€ 177,849
Employee share purchase	11	1,983	—	1,994	—	1,994
Total comprehensive income	—	3,154	450	3,604	264	3,868
Non-controlling interest dividend	—	—	—	—	(12)	(12)
Balance at 31 December 2017	€ 1,552	€ 157,415	€ 21,096	€ 180,063	€ 3,636	€ 183,699

Common Shares

The Company is authorised to issue up to 11,556,523 common shares, each with a par value of one Danish krone. Shares are entitled to one vote per share. There are 11,556,523 and 11,554,919 shares issued and outstanding, respectively, at 31 December 2017.

Other Reserves

Other reserves consist of the following at 31 December:

	2017	2016
Capital reserves	€ 151,425	€ 149,442
Actuarial gains/(losses) on pension benefit obligation, net of deferred tax	2,110	(5,051)
Unrealised holding gains/(losses) on derivatives designated as cash flow hedges, net of deferred tax	935	(973)
Currency translation	2,945	8,860
	€ 157,415	€ 152,278

Non-controlling Interest

The Company's majority owned Indian subsidiary, DISA India Ltd. ("DIL"), is listed on the Bombay Stock Exchange. As a result, the Company recognises the non-controlling interest's share of the net asset value of DIL as a component of equity. During the year ended 31 December 2016, DIL repurchased a portion of its outstanding shares through a share repurchase programme by paying €763 to non-controlling interests for 11,403 shares repurchased. The repurchased shares of the Indian subsidiary have been retired as of 31 December 2016.

16. COMMON STOCK WARRANTS

The Company has issued 1,018,602 common stock warrants to management and directors of the Company. The warrants were issued at fair market value and therefore no compensation expense is recognised. The warrants give the holder the right (without pre-emption right for the Company's existing shareholders) to subscribe for up to 1,018,602 shares in the Company with a par value of one Danish Krone, by cash contribution at exercise. The common stock warrants expire at the earliest of (i) a change of control of the Group or an IPO or (ii) the year 2023. The Company's share capital may be increased in order to make it possible for the holders of the warrants to exercise the warrants. During the year ended 31 December 2017, the 251,478 warrants were issued to management at fair market value and therefore no compensation expense has been recognised. During the year ended 31 December 2017, 4,812 warrants were reacquired from a former management employee.

As of 31 December 2016, the Company has issued 771,936 common stock warrants to management and directors of the Company.

17. INCOME TAX RECOGNISED IN PROFIT OR LOSS

The composition of income tax expense is as follows for the years ended 31 December:

	2017	2016
Current tax expense	€ 9,771	€ 8,051
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	637	(7,426)
Total income tax expense	€ 10,408	€ 625
Deferred tax expense/(benefit) recognised directly in equity	€ 1,835	€ (367)

Deferred taxes consist of the following at 31 December:

Net operating and other deferred loss carryovers	€ 2,396	€ 7,961
Current assets and liabilities, net	4,876	4,893
Property, plant and equipment	(518)	(76)
Pension	4,180	5,866
Goodwill and identifiable intangible assets	(33,023)	(22,162)
Other	136	1,424
Net deferred tax liability	€ (21,953)	€ (2,094)

Income tax expense attributable to income before income taxes differed from the amounts computed by applying the Danish income tax rate of 22% for the years ended 31 December, are due to the following:

	2017	2016
Income tax expense calculated at 22%	€ (2,496)	€ (3,769)
Effect of non-taxable income	(828)	(96)
Effect of non-deductible expenses	(3,977)	(728)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(330)	5,524
Effect of previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	125	(48)
Effect of different tax rates of subsidiaries operating in other jurisdictions, and other rate effects	(1,573)	(2,064)
	(9,079)	(1,181)
Adjustments recognised in the current year in relation to the current tax of prior years	(1,329)	556
Income tax expense recognised in net income	€ (10,408)	€ (625)

Danish, United Kingdom and Canadian loss carryovers do not expire.

Beginning in 2017, the Danish companies of the group are participating in a Danish joint taxation arrangement in which Nortre Administration ApS, a related party, serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Danish companies of the group are therefore liable for income taxes for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. As a result of the joint taxation arrangement, the tax deductibility of interest incurred by Danish subsidiaries of the group was reduced by €400 for the year ended 31 December 2017.

18. EMPLOYEE BENEFIT EXPENSE

	2017	2016
Wages and salaries, including termination	€ 123,259	€ 109,321
Pension costs, defined benefit	680	1,924
Pension costs, defined contribution	3,326	3,187
	€ 127,265	€ 114,432
Average number of employees	2,544	2,187

Employee benefit expenses are deducted in arriving at the Company's operating income, excluding net interest cost included in defined benefit pension cost. See Note 13.

19. RELATED PARTIES

Executive Board

The remuneration of the executive board is as follows:

	2017	2016
Short-term benefits	€ 1,161	€ 1,013
Post-employment benefits	€ 16	23
Total	€ 1,177	€ 1,036

The remuneration of the executive board is determined by the remuneration committee of the board of directors having regard to the performance of individuals and market trends.

Shareholders

Directors and management own common shares and common share warrants of the Company. As of 31 December 2017, Altor Fund IV Holding AB has controlling shareholding positions in the Parent Company. Costs for strategic advisory and management services of €2,243 and €543 were accrued to the benefit of Altor Fund IV Holding AB for the years ended 31 December 2017 and 31 December 2016, respectively.

The Company has issued 449,139 and 57,744 common stock warrants to the executive board and board of directors, respectively.

Joint Taxation Agreement

The Company participates in a Danish joint taxation arrangement in which Nortre Administration ApS serves as the administration company (see Note 17). Notre Administration ApS and Norican Group share common owners through the Company's controlling shareholder.

20. AUDIT FEES

Fees to auditors appointed at the General Meeting are as follows:

	2017	2016
Audit fee: Deloitte	€ 404	€ 404
Other services: Deloitte	€ 756	€ 19

21. LIST OF MAJOR SUBSIDIARY COMPANIES

Name of Subsidiary	Country of Origin	% Owned*	Type of Company
Norican A/S	Denmark	100%	Holding
Norican Global A/S	Denmark	100%	Holding
Norican Group ApS	Denmark	100%	Holding
DISA Holding A/S	Denmark	100%	Holding
DISA Industries A/S	Denmark	100%	Manufacturing
WGH Holding Corp.	British Virgin Islands	100%	Holding
Wheelabrator Group (Canada) ULC	Canada	100%	Manufacturing
DISA (Changzhou) Machinery Ltd.	China	100%	Manufacturing
DISA Trading (Shanghai) Co. Ltd.	China	100%	Sales
Kunshan Italpresse Die-casting Equipment Co. Ltd.	China	100%	Sales
Italpresse Industrie (Shanghai) Co. Ltd.	China	100%	Manufacturing
StrikoWestofen Thermal Equipment (Taicang) Co. Ltd.	China	100%	Manufacturing
Wheelabrator Czech s.r.o.	Czech Republic	100%	Manufacturing
Matrasur Composites SAS	France	100%	Manufacturing
Wheelabrator Group SAS	France	100%	Manufacturing
Wheelabrator Group GmbH	Germany	100%	Manufacturing
Wheelabrator Group Holding GmbH	Germany	100%	Holding
LMCS Group Holding GmbH	Germany	100%	Holding
Light Metal Casting Solutions Group GmbH	Germany	100%	Holding
SWO Holding GmbH	Germany	100%	Holding
Norican Digital GmbH	Germany	100%	Sales
Light Metal Casting Equipment GmbH	Germany	100%	Holding
StrikoWestofen GmbH	Germany	100%	Manufacturing
DISA Limited Hong Kong	Hong Kong	100%	Sales
DISA India Ltd.	India	75%	Manufacturing
DISA Technologies Private Ltd.	India	100%	Manufacturing
Italpresse Industrie S.r.l.	Italy	100%	Manufacturing
Gauss Automazione S.p.A.	Italy	100%	Manufacturing
DISA K.K.	Japan	100%	Sales
WG Plus de Mexico S de RL de CV	Mexico	100%	Manufacturing
StrikoWestofen de Mexico, S.A. de C.V.	Mexico	100%	Sales
IP Mexico Die Casting S.A. de C.V.	Mexico	100%	Sales
Wheelabrator Schlick Sp. Z.o.o.	Poland	100%	Manufacturing
SWO Polska Sp. Z.o.o.	Poland	100%	Manufacturing
Wheelabrator Group SLU	Spain	100%	Sales
DISA Industrie AG	Switzerland	100%	Manufacturing
DISA Holding AG	Switzerland	100%	Holding
WGH UK Holdings Limited	United Kingdom	100%	Holding
WGH UK Ltd.	United Kingdom	100%	Holding
Wheelabrator Technologies (UK) Ltd.	United Kingdom	100%	Holding
Wheelabrator Group Ltd.	United Kingdom	100%	Manufacturing
Striko UK Ltd.	United Kingdom	100%	Sales
DISA Industries Inc.	United States	100%	Sales
WG Global LLC	United States	100%	Holding
DISA Holding LLC	United States	100%	Holding
Wheelabrator Group Inc.	United States	100%	Manufacturing
Wheelabrator (Delaware) LLC	United States	100%	Holding
StrikoWestofen Dynarad Furnace Corp.	United States	100%	Sales

* Ownership percentage corresponds to voting rights.

PARENT COMPANY BALANCE SHEETS

(Amounts in Thousands)

	Note	31 December 2017	31 December 2016
CURRENT ASSETS:			
Cash		€ 1,999	€ 8
Intercompany receivables		1,258	1,215
Total current assets		3,257	1,223
INVESTMENT IN SUBSIDIARY COMPANIES	2	153,291	153,291
TOTAL ASSETS		€ 156,548	€ 154,514
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Income tax payable	1	€ 10	€ 7
Total current liabilities		10	7
SHAREHOLDERS' EQUITY:			
Common shares		1,552	1,541
Additional paid-in capital		154,819	152,836
Retained result, etc.		167	130
Total shareholders' equity	3	156,538	154,507
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		€ 156,548	€ 154,514

STATEMENTS OF INCOME
(Amounts in Thousands)

	Note	31 December 2017	31 December 2016
OPERATING INCOME		€ —	€ —
NON-OPERATING INCOME		—	—
Net finance income		47	34
Total non-operating income		47	34
INCOME BEFORE INCOME TAX		47	34
INCOME TAX EXPENSE	1	(10)	(7)
NET INCOME		€ 37	€ 27

PROPOSED DISTRIBUTION OF RESULT FOR THE YEAR:		
Proposed dividend for the year	€ —	€ —
Transfer to retained result	37	27
	€ 37	€ 27

STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	31 December 2017	31 December 2016
CASH FLOWS FROM OPERATIONS:			
Net income		€ 37	€ 27
Adjustments to reconcile net income to net cash from operations, changes in working capital:			
Intercompany receivables		(43)	(477)
Accrued income tax payable		3	(25)
Net cash from operations		(3)	(475)
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Investments in subsidiaries		—	—
Net cash from investing activities		—	—
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from employee share purchase	3	1,994	—
Loan and accrued interest to Norican A/S		—	—
Net cash from financing activities		1,994	—
NET CHANGE IN CASH		1,991	(475)
CASH, BEGINNING OF PERIOD		8	483
CASH, END OF PERIOD		€ 1,999	€ 8

1. INCOME TAX RECOGNISED IN NET INCOME

The Danish companies of the group are jointly and severally liable for the Danish group's joint taxable income.

Tax expense consists of the following:

	Year ended 31 December 2017	2016
Current tax expense	€ 10	€ 7
Deferred tax expense relating to the origination and reversal of temporary differences	–	–
Total income tax expense	€ 10	€ 7

Income tax expense attributable to income before income taxes is computed by applying the Danish income tax rate of 22% for the years ended 31 December 2017 and 2016.

2. INVESTMENT IN SUBSIDIARY COMPANIES

Investments in subsidiary companies, with a carrying value of €153,291 at 31 December 2017 and 2016, have been provided as security for loans to the Company. Investment in subsidiary companies are reported at cost.

3. SHAREHOLDERS' EQUITY

	Share Capital	Retained Results	Total
Equity at 11 December 2015	€ 154,377	€ 103	€ 154,480
Transfer to retained result	–	27	27
Equity at 31 December 2016	€ 154,377	€ 130	€ 154,507
Transfer to retained result	–	37	37
Employee share purchase	1,994	–	1,994
Equity at 31 December 2017	€ 156,371	€ 167	€ 156,538

Common Shares

The Company is authorised to issue up to 11,556,523 common shares, each with a par value of one Danish krone. Shares are entitled to one vote per share. There are 11,556,523 and 11,554,919 shares issued and outstanding, respectively, at 31 December 2017.

Further details on the Parent Company's equity and related party transactions are provided in notes 15 and 19, to the Company's consolidated financial statements, respectively.

4. AUDIT FEES

	Year ended 31 December 2017	2016
Fees to auditors appointed at the General Meeting were as follows:		
Audit fee: Deloitte	€ 2	€ 2
Other services: Deloitte	–	–

GLOBAL LEADERSHIP TEAM

Norican Group benefits from a seasoned, multinational and well-rounded management team with an average tenure of more than ten years. In addition, the Company maintains a disciplined and hands-on board of directors, which employs a proactive approach of working in conjunction with the management team to deliver long-term value.

Board of Directors

SØREN JOHANSEN
Partner, Altor Equity Partners

ROBERT E. JOYCE JR.
President & Chief Executive Officer

DAVID HUGHES
Independent Director

JEAN MARC LECHÊNE
Independent Director

ANDERS LINDQVIST
Independent Director

THOMAS KVORNING
Director, Altor Equity Partners

DANIEL REIMANN
Director, Altor Equity Partners

ANDREW J. MATSUYAMA
Executive Vice President & Chief Financial Officer

Executive Board

ROBERT E. JOYCE JR.
President & Chief Executive Officer

ANDREW J. MATSUYAMA
Executive Vice President & Chief Financial Officer

IAN B. BIRD
Senior Vice President & General Counsel

Senior Management

ROBERT E. JOYCE JR.
President & Chief Executive Officer
United States

ANDREW J. MATSUYAMA
Executive Vice President & Chief Financial Officer
United States

ANDREW T. CARMICHAEL
Executive Vice President & Chief Operating Officer
United Kingdom

STUART DAVIDSON
Executive Vice President, Global Sales & Service
United Kingdom

PETER HOLM LARSEN
Executive Vice President, Global Parts Formation Group
Denmark

ERICH BRUNNER
Executive Vice President, Global Parts Preparation Group
Switzerland

CLIFFORD PARR
Executive Vice President, Global Parts Finishing Group
United Kingdom

RUDI RIEDEL
Executive Vice President, Norican Digital
Germany

VIRAJ NAIDU
Executive Vice President, Global Product Supply
India

CARLO SCALMANA
Senior Vice President, Die Casting
Italy

IAN BIRD
Senior Vice President & General Counsel
United States

NEIL MOSELEY
Senior Vice President & Group Controller
United Kingdom

BO BUGGE
Senior Vice President & Chief Information Officer
Denmark

METTE KAARSBO
Senior Vice President, Strategic Sourcing
Denmark

VANESSA ASHWORTH
Vice President, Marketing Communication
United Kingdom

JANET EGAN
Vice President, Investor Relations & Corporate Finance
United States

Norican Group
Shaping Industry

Norican Group
Global Headquarters
Højager 8
DK-2630 Taastrup
Denmark

Norican Group
Locations