Norican Group
Shaping Industry

Norican Group 2021 Annual Report

Consolidated Financial Statements
31 December 2021
Together with Independent Auditor's Report

Company
Norican Global A/S
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Denmark

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About Norican Group

Norican Group is a world-leading provider of technology for the production and surface treatment of metallic parts. We are home to four leading international brands: DISA, ItalPresseGauss, StrikoWestofen and Wheelabrator. Together, we offer customers a broad spectrum of integrated solutions, spanning green sand moulding, die casting, melting, transport and dosing, as well as surface preparation.

All four brands are dependable partners to customers throughout the whole lifetime of their equipment, with comprehensive, swift and knowledgeable aftermarket and service support. As one strong global partner, our mission is to *'exceed our customers' expectations'*. We are able to serve our customers better, faster and more efficiently, by working in partnership with them and delivering reliable, innovative solutions.

Norican's Monitizer® products are at the forefront of Industry 4.0 technology. Norican Digital, our in-house R&D hub for all things digital, partners with the four brands' technical experts to build innovative IIoT (Industrial Internet of Things) systems that unlock serious process improvements – fast. Norican Group serves a wide range of industries, in particular, foundries, through a global network of engineering experts, manufacturing capacity, aftermarket upgrades and local service support. As a single, strong, worldwide partner, we are always there for our customers, for the life of their equipment and beyond.

SUPPORTING 8,000 active customers

...AND THEIR 30,000 machines in operation

WHEREVER THEY ARE — **WHATEVER THEY DO**

100 Customer countries

25,000 Customer sites

>30 Industries served

WE'RE RIGHT THERE

8 Manufacturing centres (●)

6 Technology centres (●)

1 Global digital lab

80 Countries with Norican sales teams

20,000 Parts held in stock for you

2,000 strong Norican team

7 ways we support performance

- Moulding technology
- Casting technology
- Furnace technology
- Shot blasting technology
- Spare parts
- Service
- Digital solutions

4 Proud brands

Norican Technologies

DISA

StrikoWestofen

ItalPresseGauss

Wheelabrator

2 Complete foundry offerings

- Melting green sand shot blasting
- Melting die casting shot blasting

1 mission

TO EXCEED OUR CUSTOMERS' EXPECTATIONS

Contents

Chief Executive's Review

Norican Group and its customers continued to be affected by the global COVID19 pandemic in 2021, adding to the impact of 2020's disruption. Shipping delays, material shortages, ongoing travel restrictions, long periods of working from home and reduced staffing levels kept posing challenges to us and our customers. They had to be met with ingenuity. Together, the Norican team rose to the challenge.

The other big issue dominating 2021 was the global focus on the climate emergency. It has become irresponsible not to act.

Addressing the climate crisis

The world has battled COVID19 for more than two years, but we are cautiously optimistic that the pandemic will come to an end during 2022. The climate crisis, however, will challenge us for life. Norican is committed to continue leading our industries into a sustainable future, and now with a significant commitment for the years to come.

In December, we signed our commitment letter to the Science-Based Targets Initiative (SBTi) as the first among our peers to do so. It means we will develop ambitious near-term emissions reduction targets and longer-term net zero targets in 2022, with the help of SBTi guidance. In 2023, we will officially submit our targets and start tracking our performance against them.

We recognise our role as influencers and leaders across global industries, whether it's working closely with our customers to support their own carbon reduction efforts, encouraging our colleagues around the world to share their ideas and drive everyday climate action, or working with our suppliers to reduce their emissions. We believe a sustainable business is a profitable business that also takes its share of responsibility for leaving the planet in a better condition than we inherited it in.

Financials

Norican performed strongly in 2021 delivering revenues of €394m (+12% vs. 2020) and EBITDA of €49m (+49% vs. 2020). Our equipment backlog increased significantly during 2021 reaching €221m at year end (+93% vs. 2020), which is the highest backlog in Norican's history. Norican was affected negatively by COVID19 in 2020 due to factory shutdowns in Norican's end markets, but management used the situation to streamline Norican's operations (footprint consolidation, right sizing, design to value, etc.). Reduction opportunities have continued to be pursued during 2021 which has created a stronger and more resilient Group with reduced fixed cost. As a result, Norican ended the year with an EBITDA margin of 12.5% which has rebounded back to pre-COVID19 levels and from a lower revenue base.

Our liquidity position has further strengthened during 2021. Norican has continued its disciplined approach to preserve and grow liquidity through cash generation from increased EBITDA and in maintaining tight control of working capital. Cash and cash equivalents have grown year-on-year by €46m and now stand at €170m. We have a further €55m of cash available within our short-term revolving credit facilities. Net debt has subsequently dropped to €170m from €216m in 2020 with Norican's leverage ratios similarly improving to 3.5 times net debt from 6.6 times in 2020.

The combination of improving EBITDA, continued positive cash flow development and reducing debt levels create a solid foundation for Norican going forward.

Digitalising industries

Sustainability continues to be a driving force behind our digital developments too, helping our customers dramatically improve quality, minimise scrap, reduce energy consumption and eliminate waste.

In 2021, we launched the upgraded Monitizer® IIOT platform on a new infrastructure with new features and functionality. The core piece of the modular suite is the new Monitizer | DISCOVER. With this new infrastructure, we're preparing our digital platforms for an increase in demand. Monitizer and its tools are well received by our global customer base and customers are increasingly open to adopting digital tools – and look to Norican and its superior technical expertise to help them navigate their digital journey.

Following the transition, all Monitizer products will be on the same, more powerful, and flexible infrastructure. This platform is hardware agnostic, so customers can use the Monitizer products on both Norican and other equipment. This means Norican will innovate on the platform much faster, in close collaboration with our AI expert partner DataProphet, and customers can upgrade and scale their use of Monitizer much more quickly and easily. More tools are scheduled to be released during 2022.

DISA highlights

American foundry Ford Meter Box was the first to buy the US-specific, small-format DISA MATCH machine while the new large size DISAMATIC D5 moulding machine has attracted multiple customers, including German foundry LEDA.

A successful 'technology transfer' of the DISA MATCH to our engineering and manufacturing teams in China means it can now be produced and offered locally there, making it even more attractive to Chinese foundries.

DISA has spearheaded the success of our digital tools while successfully launching and selling multiple new equipment solutions into the market.

ItalPresseGauss highlights

In 2021, Italpresse and Gauss formally merged into one company, after years of working as one brand, combining high-end die casting equipment with advanced automation solutions. The formal merger is part of a wider transformation plan that is making the business and its infrastructure fit for the future. IPG rebranded and launched its new modern logo.

The transition to electric vehicles and a trend for larger structural aluminium components is driving demand for ever bigger die casting machines. At the beginning of Q1 IPG launched its largest, to date, TF machine – the TF5700. The TF range is built on an innovative compact, smart platform to suit modern production environments and anticipates an evolution to even bigger closing forces. The continued investment throughout 2022 will see the launch of a new format which reduces lead time, simplifies production processes, and improves customer satisfaction.

StrikoWestofen highlights

StrikoWestofen used 2021 to invest in its infrastructure, including a streamlining of inventories across sites and regions and the remodelling of a new world class technology centre in Wiehl, Germany.

StrikoWestofen consolidated inventory and production by closing its assembly facility in Poland and inventory was moved from Germany to Norican's European supply chain hub in Pribram, Czech.

The business has focused its R&D efforts on developing larger melting and dosing solutions, reflecting the trends in aluminium casting production. StrikoWestofen's products have been in high demand in Asia Pacific, where sales grew significantly throughout 2021.

wheelabrator
A Norican Technology

Wheelabrator highlights

Wheelabrator has invested in an in-depth review of its vast product portfolio – the biggest range of shot-blast equipment in the industry – to identify common platforms, modular designs and improvement of delivery.

Throughout 2021 the team focused on developing digital solutions for customers which improved production efficiencies, saved energy, saw greater levels of productivity and saved customer money. One customer saved €14k in annual energy costs by simply reducing idle time by one hour per day, reinforcing our message that digital solutions and sustainability work hand in hand.

Looking ahead

With the achievements of 2021 – for our customers, employees, shareholders and other partners – our focus has been on getting ready for a future that starts now. Our digital offering will help our customers run smarter, leaner and more sustainably, our equipment solution will support the major transitions in global industry – to the products of tomorrow.

We work proactively in constantly reviewing our strategy to reduce the impact caused by inflation, supply chain shortages, as well as political unrest and potential trade restrictions. We will continue to strengthen our aftermarket products and profitability, expand the aluminium business in Asia Pacific, accelerate the roll out of digital products and maximise our ability to differentiate from our competitors with our commitment to Science Based Targets and working sustainably.

Thank you

Our colleagues around the world have again in 2021 been dedicated and worked incredibly hard in the face of continuing, unrelenting challenges, both in business and personally. The same is true for our customers. Not only has COVID19 tested us all, but competitive pressures and technological change have also intensified.

Yet Norican has not only operated efficiently but we have continued to innovate and build the business – and helped our customers and partners build theirs. Our suppliers too have performed heroically despite many obstacles.

We thank all of them for their continued trust, commitment, and collaboration, and for the value they place on our products and services. And finally, our thanks go to our shareholders for their ongoing support.

Anders Wilhjelm

Chief Executive Officer

Financial Highlights

Year ended 31 December

	2021 €'000	2020 €'000	2019 €'000	2018 €'000	2017 €'000
Income statement					
Revenue	393,633	350,359	503,923	534,057	481,606
Operating profit / (loss)	23,793	(40,080)	(1,190)	41,693	32,531
Underlying gross margin	123,604	103,177	154,544	162,879	150,664
Underlying operating profit / (loss)	29,371	10,320	39,081	50,022	43,311
Underlying EBITDA	49,022	32,874	62,662	65,960	58,304
Underlying EBITDA % of revenue	12.5%	9.4%	12.4%	12.4%	12.1%
Balance sheet					
Total assets	731,853	670,002	755,326	769,428	749,745
Total equity	112,595	97,228	169,981	200,379	183,699
Cash flow statement					
Cash generated from operations	72,139	53,859	56,772	41,578	42,298
Net cash from operating activities	64,558	46,135	48,414	36,063	30,958
Net cash used in investing activities	(2,420)	(3,653)	(4,276)	(5,076)	(151,261)
Net cash (used in) / provided by financing activities	(25,062)	(25,118)	(29,131)	(18,256)	151,193
Net increase in cash	37,076	17,364	15,007	12,731	30,891
Reconciliation of Underlying EBITDA and Underlying Operating profit to Operating profit					
Operating profit / (loss)	23,793	(40,080)	(1,190)	41,693	32,531
Restructuring costs	1,915	11,849	6,460	7,582	286
Impairment of goodwill and acquired intangibles	—	38,485	30,000	—	—
Write-down of historic inventory balances	3,330	—	—	—	—
Other	333	66	3,811	747	10,494
Underlying Operating profit	**29,371**	**10,320**	**39,081**	**50,022**	**43,311**
Depreciation	10,723	12,176	13,314	5,242	5,295
Amortisation (excluding DICs)	8,928	10,378	10,267	10,696	9,698
Underlying EBITDA	**49,022**	**32,874**	**62,662**	**65,960**	**58,304**

Results include the acquisition of 100% of the share capital of the aluminium business on 28 April 2017.

Effective 1 January 2019, the Group adopted IFRS 16, which increased Underlying EBITDA, the reported amount of cash from operations, depreciation of right-of-use assets and cash used in financing activities by €8,075k. Amounts for prior years were not restated.

Results of the Wheelabrator Vibro business were reclassified to discontinued operations during 2019 and in accordance with IFRS 5, 2018 results were also restated to reflect this classification.

Definitions of financial highlights and ratios are provided on page 66.

Chief Financial Officer's Report

Strong performance in 2021

Revenues grew to €393,633k in 2021 from €350,359k in 2020, an increase of €43,274k, or 12%.

Gross margin as % of revenue grew from 26.2% in 2020 to 30.2% in 2021 on a reported basis. Adjusting for non-underlying items, the underlying gross margin % grew from 29.4% in 2020 to 31.4% in 2021.

SG&A increased to €86,286k in 2021, compared to €82,908k in 2020, an increase of 4% on a reported basis. Changes in currency exchange rates decreased SG&A by €171k in 2021. Excluding the currency translation effect, and non-underlying costs, SG&A increased €2,999k, or 3.6%, mainly reflecting the upturn in sales-related activity as the effects of the pandemic started to recede. As a percentage of revenues, underlying SG&A was 22% compared to the prior year at 24%.

Amortisation expense (excluding DICs) reduced to €8,928k in 2021, compared to €48,863k in 2020. The prior year amount included exceptional impairments of goodwill and intangibles related to the Aluminium business acquired in 2017; adjusting for these, amortisation was €10,378k in 2020, which relates to the amortisation of customer relationships, patents and capitalised development expense.

Underlying EBITDA, which represents underlying operating earnings excluding depreciation and amortisation, grew to €49,022k in 2021 from €32,874k in 2020, an increase of €16,148k, or 49%. Changes in currency exchange rates increased EBITDA in 2021 by €575k, as compared to translation rates for 2020. The growth in EBITDA reflects the improved trading conditions in 2021, and the benefits of the restructuring activity that the Group has undertaken since 2020.

Finance costs decreased to €23,214k in 2021 from €25,050k in 2020, a reduction of €1,836k, or 7%, driven by lower hedging expense. Finance income decreased by 9%, or €456k, to €4,760k in 2021, compared to €5,216k in 2020, reflecting lower interest rates in addition to certain currency exchange effects.

Overall foreign exchange gain in 2021 is €622k, compared to a loss of €216k in 2020.

The Group incurred €5,578k of non-underlying costs in 2021, down from €50,400k in 2020. The prior year total included the impairment of goodwill and intangibles referred to above, plus €11,849k for restructuring provisions and leased asset impairment charge, both related to the consolidation of manufacturing operations within Europe, North America and Asia as well as the closure of certain offices within North America and Asia. In 2021, there was further provision of €1,915k for the restructuring of European manufacturing, plus a charge of €3,330k for the write-down of inventory at our US Castalloy site, which was found to have been overstated due to operating system and process errors dating back to 2015. Management has conducted an in-depth review to understand the root causes of these issues and put in place corrective actions and additional preventative controls.

Income tax expense increased to €10,791k in 2021, from a credit of €732k in 2020. €6,738k of the charge this year mainly relates to the impairment of a deferred tax asset in the Aluminium business that was recognised on acquisition of the business in 2017. The underlying tax charge of €4,053k relates to corporate income tax across the Group's entities.

Equipment order backlog as of 31 December 2021 was €220,648k, an increase of €106,195k, or 93%, from the backlog of €114,453k at 31 December 2020. The backlog is split fairly evenly across the 3 main divisions of the business.

Cash flows

Net cash from operating activities of €64,558k in 2021 (€46,135k in 2020) was predominately attributable to higher net income for the year, as adjusted for non-cash items, and improvements in working capital, driven by customer deposits for new orders. Cash paid out in taxes of €7,581k in 2021 was a little lower than in 2020 (€7,724k).

Net cash used in investing activities of €2,420k in 2021 consisted primarily of investment and capital expenditure of €3,606k, partially offset by asset disposal proceeds of €1,186k. Capital expenditure included the acquisition of buildings and improvements of €683k, machinery and equipment of €597k, IT of €463k and other expenditures of €1,863k. Other expenditures includes c.€1,400k where construction is in progress.

Net cash used in investing activities of €3,653k in 2020 consisted primarily of investment and capital expenditure of €3,744k, partially offset by asset disposal proceeds of €91k. Capital expenditure included the acquisition of buildings and improvements of €436k, machinery and equipment of €1,106k, IT of €927k and other expenditure of €485k. An investment of €790k was also made in 2020 in the equity financing round of DataProphet, a strategic partner in the digital product offering.

Net cash used in financing activities amounted to €25,062k in 2021 (2020: €25,118k). This is comprised primarily of €17,459k finance costs paid (2020: €18,219k) and €7,636k in payments on the Group's lease liabilities (2020: €7,198k).

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 totalling €169,812k and €124,231k as of 31 December 2021 and 2020, 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.

Debt refinancing

The Group's primary debt relates to the €340m Senior Secured Notes issued in 2017, which are due for redemption in May 2023. The Group will seek to refinance this debt during 2022, subject to favourable market and borrowing conditions.

Risk factors and outlook for 2022

Subject to the risk factors below, 2022 revenue is anticipated to grow by 15-20% and EBITDA margin is expected to remain 12-13%.

We are cautiously optimistic that the worst impacts of the coronavirus outbreak on global markets and, in particular, on the Group's industries, are behind us and that the recovery we have seen start in 2021 will continue. We entered 2022 with an order book at its highest level in Norican's history, which ensures a high level of revenue coverage for 2022 across all our business divisions.

However, the downturn in demand and capacity experienced across the industry during the peak of the pandemic, followed by a rapid surge in demand throughout our supply chains as business started to recover, has not yet led to a normalisation. We will continue to see cost pressure and capacity constraints in the supply chain during 2022, which, if unmitigated, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Whilst the recent events in Ukraine and the surrounding region are likely to have limited direct effect on Norican's business, the potential indirect negative impact on the broader supply chain, in terms of raw material shortages and price increases, has not been included in this guidance.

Norican's main customers are ferrous metal foundries and light metal die casters. Our customers' main markets include automotive, industrial, construction and other sectors, which are cyclical in nature; this presents a demand risk that is outside of our control, and which cannot be accurately predicted. Any sustained downturn of demand in our customers' main markets may have an adverse effect on our business, financial position and results of operations.

Declan Guerin
Chief Financial Officer

Environmental, Social and Governance

Our responsibilities to people and planet

It is a core part of our mission to leave the planet in a better condition than we found it in.

As good corporate citizens, 'better' has many dimensions for us. It is about sustainability and safeguarding our planet for future generations, but it is also about health and working conditions, about protecting, and supporting the communities we live, work and operate in, and about finding smarter, less wasteful, more efficient ways of doing things.

This means driving change within our own business every day, but it also means effecting positive change in the world – through our role as influencers and leaders, as customers and technology suppliers. We can contribute towards a better world, so we will. Because it is the right thing to do.

We identified the impact of greenhouse gases (through our supply chain, our customers, and our own internal use) as a risk to the environment, which is why in 2022, we want to start being held accountable against our ambitions, as we sign up to the Science-Based Target Initiative (SBTi) to set emissions reduction and net zero targets at the level needed to protect the planet from catastrophe.

This section is prepared in accordance with section 99a of the Danish Financial Statement Act

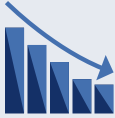
Transforming ourselves

Our responsibilities start at home, where we continue to invest in our facilities and buildings to create efficient, modern, and ever more sustainable working environments for our people.

Our group headquarters in Taastrup, for example, was purpose-built with sustainability and waste reduction in mind. Our first goal was to use less energy. And we have: 60% less.

Above: In May, our team in Changzhou took part in the "Walk for Milk" organised by the Changzhou Charity Association, raising money to support a range of local welfare initiatives for children.

A sustainable HQ



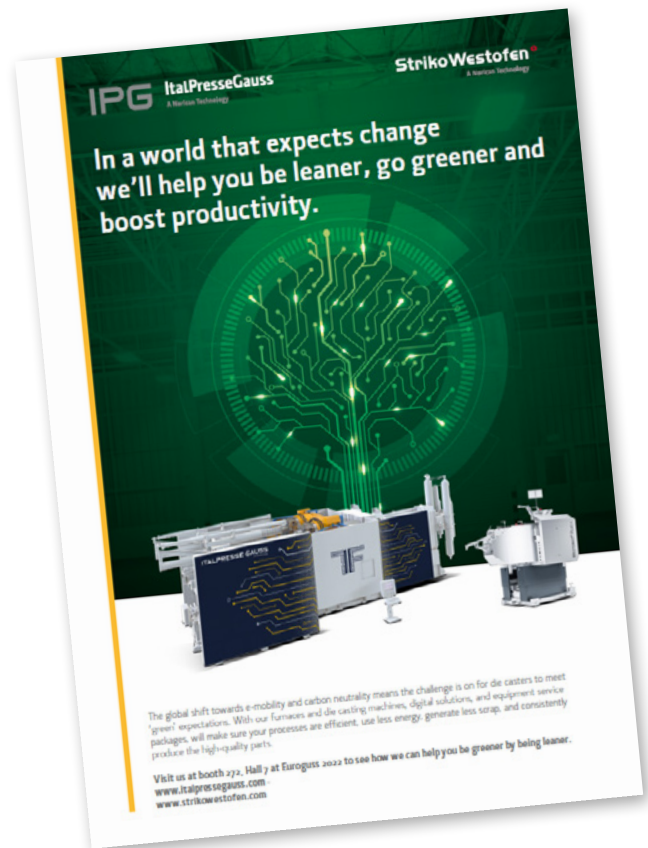
Introducing more natural light through greater use of glass – even in our workshop – helps reduce power consumption and creates a more unified workspace. We have pioneered the use of LEDs, motion-triggered lighting, and solar power. Our administration office is entirely powered by sunshine. In our workshop, one system cools all machinery, while consuming only a tenth of the energy needed before.

A monitoring system shows us exactly how much power we are using in every area of manufacturing. With that knowledge, we can target wasted energy and keep improving.

In rethinking lighting, heating and cooling, we have cut our annual energy costs by over 5,600,000 DKK (750,000 EUR) and reduced yearly CO_2 emissions by 3,000t.

Our canteen now serves more organic vegetables instead of meat, supporting a balanced diet while helping to prevent greenhouse gas emissions, wildlife loss and soil degradation.

We recycle to save energy, reduce pollution, and stop valuable resources ending up as waste. In our machine shop, we recycle or reuse almost all water, oil, scrap metal, wood and cardboard. Recyclable aluminium bags and silica gel have replaced the toxic oil and solvents that used to protect our machines in transit.



Similar efforts are underway at our other facilities around the world – improving recycling, reducing energy consumption, installing EV chargers and cutting waste, both in administration and manufacturing.

Sustainable and lean thinking has become part of our culture – in big ways and in small, everyday ways. For example, the Wheelabrator Technology Centre in Germany is moving into brand-new premises next year, with the goal to reduce building energy costs by a third. At the other end of the spectrum, our team in Spain have abolished their capsule coffee machine in favour of one that creates much less unnecessary waste, and all our office staff are on a mission to work paperless.

The pandemic has taught us to work effectively together without unnecessary travel. We will continue to travel wisely – whether it is keeping our international corporate travel to a minimum or cutting down on commuting by adopting hybrid working where possible. Not only will this reduce our carbon footprint, it has a positive impact on our people's wellbeing and work/life balance.

Bringing about positive change around the world

As a provider of industrial processes that underpin the manufacturing of an incredibly broad spectrum of goods around the world, we are an important enabler of positive change in our customer sectors. We shape the process and thereby **Shape Industry**.

Across all four brands, our technologies have always been about enabling leaps in efficiency and quality, transforming working environments, lessening the physical burden on workers and reducing the waste and toxicity of processes.

DISA
A Norican Technology

DISA's invention of the flaskless, vertical moulding process in the 1960s made way for the modern foundry. Since then, every new generation of DISA equipment has set the benchmark for sustainability, efficiency and scrap reduction. Over the last decade, we have made significant progress in making advanced, cleaner technology accessible to all types of foundries in all markets.

Throughout its history, **StrikoWestofen** has been tackling the most energy-intensive part of the aluminium casting process: the creation and handling of molten aluminium. Today, our StrikoMelter PurEfficiency is the most energy-efficient melting furnace on the market and is fully recyclable itself. The Westomat dosing furnace is using only one third of the energy of a ladle system, as well as dramatically reducing scrap through improved dosing accuracy.

StrikoWestofen
A Norican Technology

wheelabrator
A Norican Technology

The digital technology we develop plays an important role in improving energy and resource-efficiency for all our customers. **Wheelabrator** has developed digital tools that can significantly reduce the energy use and abrasive consumption of shot blast processes (both on Wheelabrator and non-Wheelabrator equipment). Digital tools for better, more timely and preventive maintenance reduces waste and minimises risk to worker health and environment.

ItalPresseGauss's ECO-FIT Plus technology can reduce the energy consumption of high-pressure and gravity die-casting machines by up to 60%. The precision, quality and rigidity of our die-casting equipment means low scrap rates, high quality and high productivity, which in turn enables lean and planned casting production.

IPG
ItalPresseGauss
A Norican Technology

Longevity is a key feature of all our equipment, across all technology brands. We build machines that last, which in itself can reduce the environmental footprint of machinery – as long as it does not happen at the cost of innovation. And that is where our aftermarket offering comes in. Wherever possible, we ensure our technology innovations can be retrofitted, so equipment can be upgraded and modernised to the point that it is just as good as a new machine.

This focus on making a vast installed base more efficient and sustainable also drives our digital developments. Our digital offering uses the latest Industry 4.0 technology – from advanced process monitoring to AI – to radically reduce scrap, improve energy efficiency and eliminate waste.

And finally, many of our equipment solutions play a key role in enabling the big shifts necessary for a sustainable future: from the transition to e-mobility to new energy infrastructure.

Looking after our communities, our people, our environment in 2021

USA

In December, we sponsored a 'hole' at a charity golf event near our US facility in Georgia, raising money for The Lady Bamford Center. The centre provides education and social skills development to children up to five years of age and offers priority admission to children from homeless and low-income families, as well as children with physical, mental, or emotional challenges.

UK

Our UK teams have extended home office working in 2021, following the initial phase of pandemic lockdowns. Hybrid working now significantly reduces commuting by car, a major contributor to the transport-related carbon footprint in the Greater Manchester, Birmingham and Greater London areas.

Spain

Our Spanish team has donated old computers, screens and keyboards to non-governmental aid organisation NASCO, whose "Feed the Mind" project supports digital literacy in Africa, by supplying computers to classrooms.

Germany (Gummersbach)

The StrikoWestofen team installed an electric vehicle charging hub that employees can use to charge their cars for free.

Germany (Metelen)

In October, we broke ground for our new Wheelabrator offices and innovation centre in Metelen, Germany – providing a modern working environment for our people, as well as reducing the energy footprint of our facility.

Denmark

The IT team in Taastrup has started a project to make our IT provision more sustainable, including closely monitoring the temperature in our server rooms and raising them to save energy for cooling, wherever the specifications for our server equipment allow it. The team is also reviewing equipment and server use to optimise for energy performance.

Italy

In March, our ItalPresseGauss team in Brescia, Italy, launched its "Compatti si vince" initiative, a project that brings together local basketball and rugby teams, as well as local government and business to help families and the wider community.

India

Our team in India has continued to provide financial assistance to less privileged students under the Norican scholarship programme this year, supporting 410 students in eight educational institutions near our plants in Tumkur and Hosakote. The team also invested in infrastructure for local schools, providing drinking water, teaching aids and school sanitation.

China

In May, our team in Changzhou took part in the "Walk for Milk" organised by the Changzhou Charity Association, raising money to support a range of local welfare initiatives for children.

Our focus for 2022: Making a measurable difference

At the end of 2021 we made an important commitment that will shape our sustainability efforts in 2022.

We are pledging to reduce our global carbon footprint meaningfully, measurably, and in a way that reflects the urgency of the climate crisis. We are doing this because we are in a unique position to influence global industry, but also because it quite simply is the right thing to do.

By signing up to emissions reduction and net zero journeys under the Science-Based Targets Initiative (SBTi), we are committing to setting ambitious targets in line with what climate science tells us is necessary - and to being held accountable to them.

We will use 2022 to develop both near-term emissions reduction and longer-term net zero targets with the help of SBTi guidance, with a view to officially submitting our targets and start tracking our performance against them in 2023.

We have been taking our role as an enabler (and driver) of emissions and waste reduction for our customers very seriously for a long time. As part of the SBTi project, we will now capture, measure and ramp up our efforts in this area (going beyond reducing emissions from our own, direct activities) by taking a forensic view at so-called 'Scope 3' emissions - greenhouse gas emissions caused by our customers and our supply chain.

We are including all Norican colleagues in this project asking for ideas for how we can reduce our impact on the environment, improve processes, and save costs, whilst delivering the same or superior quality.

In summary, 2022 will be about taking a forensic, science-based and accountable approach to our sustainability efforts – to make sure we do everything we can to leave this planet a better one.

Norican's Executive Team signing the SBTi commitment letter.

For more information on our SBTi commitment, please visit **www.noricangroup.com/esg**

Local certification

Group policies regarding environment and climate have been implemented at a site-specific level and include ISO14001:2015 certification, which specifies the requirements for an environmental management system that can be used to enhance environmental performance based on mapping the environmental impact from the site-specific activities.

We also have:

- ISO14001:2015 Environmental Management System at 7 sites
- ISO45001:2018 Health and Safety Management System at 2 sites

As Norican is committed to being a responsible corporate citizen within the communities in which we operate, all directors, officers, managers and employees assist our environmental and sustainable efforts as a minimum by obeying all applicable environmental laws.

Governance

Diversity and inclusion

We recognise the contribution of all our colleagues, and we aim to treat people fairly. To achieve our mission of *Exceeding Customer Expectations*, it is important that we develop and implement the best ideas irrespective of where they originate. We know that a diverse workplace will produce better results, and we provide equal opportunities for all employees regardless of race, gender, sexual orientation, religion, disability, or age. We all have a responsibility to create a culture where all employees feel respected and valued, and where they are able to contribute fully to Norican, free from discrimination or harassment.

Norican is continuously looking for relevant and competent female candidates to join our board. We had originally set a target that at least one of our board members should be a female by 2022. Achievement of this target has unfortunately been delayed, and it has become apparent that the process of appointing the right female candidate to our Board of Directors is more challenging than anticipated. This is largely due to the composition of the candidate base of the industry in which Norican operates, which is predominantly male. Nevertheless, we endeavour to build up a pipeline of relevant female candidates to become board members going forward. To this end, we have now set the goal that at least one of our board members shall be female by 2024.

We strive towards achieving broader gender representation at all levels in the organisation, including other management levels. As of 31st December 2021, 20% of Norican's executive team is female.

Health and safety

There are several governance policies directed towards creating a safe and healthy working environment for all employees. Norican has established a non-financial KPI with the goal of eliminating all work-related injuries for our employees with the purpose of making every endeavour to maintain a safe and healthy work environment throughout Norican's workplaces.

Health and safety is at the heart of everything we do and is everyone's responsibility. We must never ignore, minimise, or compromise on it. We have identified risks throughout our operations but believe that all incidents and accidents are preventable, and all of us have the right and obligation to return home safely from work. Our goal is ZERO incidents. We are all responsible for acting in a way which protects ourselves and others and have a recording procedure for measuring and monitoring employee wellbeing. Lost-time incidents per hours worked are 25% lower than the Danish industry benchmark. Despite the difficult circumstances we reduced the number of incidents in 2021, maintained a healthy and safe work environment and will continue to focus on our employees' wellbeing in 2022.

Norican Group's Code of Conduct

In 2021 we updated and relaunched our global Code of Conduct document in nine languages, this has been shared with all colleagues and uploaded on our intranet. During Q1 2022 all colleagues will read the Code and discuss any questions they have as part of their annual appraisal. We will continue to promote the Code and the policies within it throughout 2022.

The Code of Conduct is Norican's public commitment to **do the right thing**. It sets the standard of behaviour and conduct we expect from all Norican employees and is guided by our values. Colleagues should be aware of the decisions they make which impact all of us. We are all responsible for creating a culture where it is the norm to do the right thing, and where we take personal responsibility for our actions.

The Code of Conduct has group level policies related to ethics and with respect to compliance with applicable laws in each jurisdiction. These policies apply to each subsidiary in Norican Group. Accordingly, each subsidiary shall comply with applicable laws, rules and regulations at a local level. If there is any conflict or ambiguity between local laws or regulations and our Code, then we must apply the higher standard.

We have reporting systems to ensure an efficient and diligent process in handling the reporting of possible violations. Norican's General Counsel is the responsible officer for such reporting procedures.

We have procedures in place for reporting and during 2021 a multilingual whistleblowing hotline was introduced; ***'Speak Up'***. The Speak Up Hotline is provided by a third party, WhistleB, and is available 24 hours a day, 7 days a week, 365 days a year. It allows anyone to anonymously report any behaviour which contravenes our Code of Conduct.

Our Code is guided by our Values:

Modern Slavery / Human Rights

Norican has a zero-tolerance approach to modern slavery, including forced labour, human trafficking, and child labour, which is described in our Code of Conduct. We have identified potential risks within the business and have effective systems in place to ensure modern slavery or child labour is not taking place in our business or our supply chain. The introduction of the 'Speak Up' whistleblowing hotline is one way of reporting and upholding our zero approach.

The compliance with these policies is monitored on an ongoing basis and tested through an annual reporting and certification procedure applicable to all subsidiaries. There have been no reports of breaches regarding modern slavery and human rights in 2021.

Anti-Bribery and Anti-Corruption

Compliance with anti-bribery and anti-corruption laws is essential to protect Norican's reputation and to preserve our ability to do business globally, and we will comply with all such applicable laws. Our aim is to compete fairly, and we do not tolerate bribery, kickbacks, fraud, money-laundering, or any other improper payment.

We have identified risks within Norican and our supply chain and are very clear that any violation of the Anti-Bribery Policy by any employee, manager, officer or director will result in sanctions which may include dismissal for cause and/or criminal and civil proceedings. The consequence of a violation of the policy by any third party, including consultants, suppliers and contractors doing any type of work for the Group, will be termination of any agency, representative, distributor or similar agreement and/or criminal and civil proceedings if appropriate. We are not aware of any breaches regarding corruption in 2021 and will continue to promote our code of conduct internally to colleagues and new employees, to highlight our standpoint on anti-corruption matters.

Privacy policy, data ethics and personal data

We respect the personal data and privacy of both Norican and non-Norican personnel. We do not process large amounts of personal data so we do not have a dedicated data ethics policy, however we work responsibly with the data we do use and have clear data handling processes. We are committed to compliance with applicable laws when processing personal data. We only collect, use, or disclose personal data for specific business purposes and will only share it with people who have a legitimate business need to know.

Customer data is secured in our systems, access is restricted to colleagues based on their location and business. We use it throughout the ordering process to support the fulfilment of orders. We also use customer data for marketing campaigns, in all marketing email communications the contact is able to opt out or unsubscribe at any time.

Personal data is processed in accordance with the EU General Data Protection Regulation (GDPR) which is implemented globally. We also have a BCR (Binding Corporate Rules) application pending EU-approval. The BCR will help us to share personal data within Norican but still on a need only basis. The BCR will be implemented globally, as Norican is a global business and management of people goes across countries, as well inside and outside the EU.

All personal data is protected by our IT security system, and the majority is physically located inside the EU. Outside the EU, data is located on Norican servers, unless legal or contractual requirements require data to be shared with authorities or other 3rd parties.

If personal data is not related to the fulfilment of an agreement, nor required to comply with applicable laws, the relevant person's consent is obtained to hold their personal data until such a time that they request it be removed. Norican does not actively buy customer marketing lists as we do not consider this an ethically sound business practice. Our database is regularly cleansed to ensure the data is accurate and complies with our Privacy Policy.

Norican does not sell personal data nor share personal data with third parties unless legally required or needed to fulfil an agreement with the person.

We have a Privacy Policy which provides more information on this. The ethics and compliance around data is addressed in the training of our employees in line with the training in IT security, to protect Norican.

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 2021 to 31 December 2021.

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.

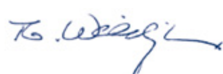
In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 and the results of their operations and cash flows for the period from 1 January 2021 to 31 December 2021.

In our opinion, Management's Review includes a fair review of the development in the Group'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 Group and the Parent Company face.

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

Taastrup, 23 March 2022

Executive Board:



Anders Wilhjelm, Chief Executive Officer

Declan Guerin, Chief Financial Officer

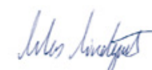
Board of Directors:

Jean Marc Lechêne, Chairman

Søren Johansen, Director

Daniel Reimann, Director

David Hughes, Director



Anders Lindqvist, Director

Anders Wilhjelm, Director and Chief Executive 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 2021 to 31 December 2021, 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 2021, and of the results of their operations and cash flows for the financial year 1 January 2021 to 31 December 2021 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 for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 23 March 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Eskild Nørregaard Jakobsen
State-Authorised Public Accountant
MNE No 11681

Consolidated Income Statement

	Note	2021 €'000	2020 €'000
Revenue	2	393,633	350,359
Cost of sales	3	(274,626)	(258,668)
Gross margin		119,007	91,691
Operating expenses			
Selling, general and administrative	3	(86,286)	(82,908)
Amortisation	3, 7, 8	(8,928)	(48,863)
Total operating expenses		(95,214)	(131,771)
Operating profit / (loss)		23,793	(40,080)
Underlying operating profit		29,371	10,320
Non-underlying items	5	(5,578)	(50,400)
Finance income	14	4,760	5,216
Finance cost	14	(23,214)	(25,050)
Profit / (loss) before taxation		5,339	(59,914)
Tax charge	6	(10,791)	732
Profit / (loss) for the year		(5,452)	(59,182)
Attributable to:			
Owners of the Parent		(6,267)	(59,833)
Non-controlling interests		815	651

Consolidated Statement of Comprehensive Income

	2021 €'000	2020 €'000
Profit / (loss) for the year	(5,452)	(59,182)
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains / (losses) on pension scheme obligations (see Note 16)	15,610	(10,124)
Deferred tax on pension scheme obligations	(2,292)	1,851
Items that may be reclassified subsequently to profit or loss:		
Gains / (losses) on hedging instruments	(156)	3,653
Deferred tax on hedging instruments	-	(760)
Exchange movements on translation of foreign subsidiaries	7,624	(8,490)
Other comprehensive income / (loss) for the year	20,786	(13,870)
Total comprehensive income / (loss) for the year	15,334	(73,052)
Attributable to:		
Owners of the Parent	14,190	(73,132)
Non-controlling interests	1,141	80

Consolidated Statement of Financial Position

	Note	2021 €'000	2020 €'000
Non-current assets			
Goodwill	7	196,645	195,667
Other intangible assets	8	122,031	129,446
Property, plant and equipment	9	39,138	42,293
Deferred tax assets	6	12,674	18,210
Other non-current assets		2,213	2,396
Total non-current assets		372,701	388,012
Current assets			
Cash and cash equivalents	13	169,812	124,231
Trade and other receivables	12	67,633	65,447
Current tax receivable	6	8,911	4,064
Inventory	11	94,260	70,070
Other current assets		18,536	18,178
Total current assets		359,152	281,990
Total assets		731,853	670,002
Non-current liabilities			
Bond debt	14	337,593	336,003
Pension liabilities	16	20,640	35,414
Other liabilities	10	8,864	12,352
Deferred tax liabilities	6	21,896	23,504
Total non-current liabilities		388,993	407,273
Current liabilities:			
Trade and other payables		47,334	32,538
Current tax payable	6	12,472	6,764
Accrued liabilities and provisions	15	83,704	77,309
Deferred revenue		80,105	41,813
Other current liabilities	10	6,650	7,077
Total current liabilities		230,265	165,501
Total liabilities		619,258	572,774
Net assets		**112,595**	**97,228**
Equity			
Share capital	19	1,555	1,555
Other reserves	19	162,561	142,026
Retained earnings		(57,974)	(51,707)
Equity attributable to Owners of the Parent		106,142	91,874
Non-controlling interest		6,453	5,354
Total equity		**112,595**	**97,228**

Consolidated Statement of Changes in Equity

	Share capital	Other reserves	Retained earnings	Total shareholders equity	Minority interests	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 December 2019	**1,555**	**155,015**	**8,126**	**164,696**	**5,285**	**169,981**
Profit / (loss) for the financial year	–	–	(59,833)	(59,833)	651	(59,182)
Other comprehensive income / (loss)	–	(13,299)	–	(13,299)	(571)	(13,870)
Total comprehensive income / (loss)	**–**	**(13,299)**	**(59,833)**	**(73,132)**	**80**	**(73,052)**
Transactions with owners:						
Employee share transactions	–	310	–	310	–	310
Non-controlling interest dividend	–	–	–	–	(11)	(11)
	–	**310**	**–**	**310**	**(11)**	**299**
Balance at 31 December 2020	**1,555**	**142,026**	**(51,707)**	**91,874**	**5,354**	**97,228**
Profit / (loss) for the financial year	–	–	(6,267)	(6,267)	815	(5,452)
Other comprehensive income / (loss)	–	20,460	–	20,460	326	20,786
Total comprehensive income / (loss)	–	20,460	(6,267)	14,193	1,141	15,334
Transactions with owners:						
Employee share transactions	–	75	–	75	–	75
Non-controlling interest dividend	–	–	–	–	(42)	(42)
	–	**75**	**–**	**75**	**(42)**	**33**
Balance at 31 December 2021	**1,555**	**162,561**	**(57,974)**	**106,142**	**6,453**	**112,595**

Consolidated Statements of Cash Flows

	Note	2021 €'000	2020 €'000
Cash flows from operating activites			
Operating profit / (loss) for the year		23,793	(40,080)
Adjustments for non-cash items	13	20,675	73,921
Changes in working capital:			
Trade and other receivables	12	755	22,090
Trade and other payables		12,865	(6,098)
Inventory	11	(19,672)	14,712
Accrued liabilities and provisions	15	258	(11,012)
Deferred revenue		34,451	2,846
Other		(986)	(2,520)
Cash generated from operations		**72,139**	**53,859**
Tax paid		(7,581)	(7,724)
Net cash from operating activities		**64,558**	**46,135**
Cash flows used in investing activities			
Capital expenditure	9	(3,606)	(2,954)
Asset disposal proceeds		1,186	91
Other Investments		–	(790)
Net cash used in investing activities		**(2,420)**	**(3,653)**
Cash flows used in financing activities			
Finance costs paid	14	(17,459)	(18,219)
Repayment of lease liabilities	10	(7,636)	(7,198)
Net proceeds/(payments) from share transactions	19	75	310
Dividend to non-controlling interest		(42)	(11)
Net cash used in financing activities		**(25,062)**	**(25,118)**
Net increase in cash and cash equivalents		**37,076**	**17,364**
Cash and cash equivalents at beginning of year		124,231	112,310
Effect of foreign currency exchange rates		8,505	(5,443)
Cash and cash equivalents at end of year	13	**169,812**	**124,231**

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

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.

Basis of accounting

The Annual Report of Norican Global A/S ("Norican Global" or "Parent Company,") a Danish company, and its subsidiary companies (collectively, "Norican", "Norican Group" or the "Group"), has been prepared in accordance with International Financial 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.

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

Change in presentation

Management has enhanced the level of disclosure within the financial statements compared with previous presentations.

In addition, Management has chosen to present the consolidated income statement incorporating the disclosure of underlying and non-underlying items separately. This is a change from previous presentations whereby similar items were presented as 'non-operating expenses' or otherwise implied as non-underlying items, such as impairment.

These changes are presentational in nature and have not resulted in restatement of prior period results.

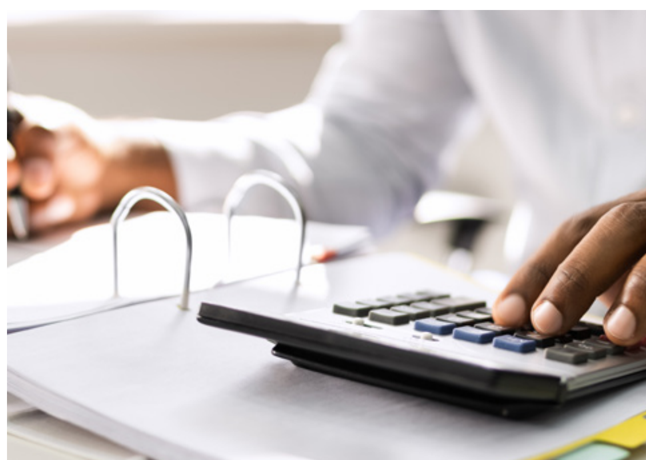
Materiality in financial reporting

Management provides specific disclosures required by IFRS unless the information is not applicable or is considered immaterial to the decision making of the primary users of these financial statements.

The principal accounting policies adopted are set out below.

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 2021. Such implementation has not had a material impact on the Group's financial statements.



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.

The following new or updated standards have effective dates on or after 1 January 2022:

- Amendments to IAS 1 – classification of liabilities as current and non-current
- Amendments to IAS 8 – accounting estimates, IAS 12 deferred tax
- Amendments to IFRS 3, IAS 16, IAS 17
- Annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- IFRS 17

The Group does not expect any material impact from the adoption of these amendments.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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. The consolidated financial statements are prepared on the basis of financial statements of all Group enterprises prepared under the Group's accounting policies by combining accounting items of a uniform nature. All intercompany income and expenses, unrealised intercompany profits and losses, balances and shareholdings have been eliminated in consolidation.

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 Group.

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 materially different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition date. The effect of material 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. Gains or losses on disposal of entities are stated

as the difference between the disposal amount and the carrying amount if net assets including goodwill at the date of disposal, accumulated foreign exchange adjustments recognised in other comprehensive income, and anticipated costs. The disposal amount is measured as the fair value of the consideration received.

Foreign currencies

A functional currency is determined for each Group entity. Items included in the financial statements of all Group undertakings are measured using that entity's function currency, which is the currency used in the primary financial environment in which the individual Group entity operates. The consolidated financial statements are presented in Euros, which is the parent company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the dates of the transactions. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and/or currency swaps. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies and measured at historical cost are translated at the transaction date.

On consolidation, the assets and liabilities of all Group's undertakings are translated into the 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 the consolidated statement of comprehensive income.

Revenue recognition

The Group provides equipment, parts, technology and services to customers by manufacturing equipment and parts and providing technology and services which enable our customers to mould, melt, cast, clean, strengthen or polish their metallic parts.

Revenue is recognised net of VAT and taxes collected on behalf of third parties, and net of discounts.

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

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

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

The Group does not have any material contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year. As a result, the Group does not adjust any of the transaction prices for the time value of money.

Cost of sales

Cost of sales are recognised as the associated revenue is recognised. Cost of sales include manufacturing costs, movements in provisions for inventories, inventory write-offs and impairment charges in relation to manufacturing assets.

Selling, general & administrative expenses

Selling, general & administrative expenses are recognised as incurred, and include staff costs, commission payments to external sales agents, doubtful debt allowance, other sales and marketing costs, and expenses for management and administration of the Group.

Government grants

Government grants are recognised in the consolidated income statement so as to match with the related expenses that they are intended to compensate. Where grants are received in advance of the related expenses, they are initially recognised in the consolidated statement of financial position under 'Trade and other payables' as deferred income and released to net off against the related expenditure when incurred.

Non-underlying items

The Group has chosen to present the consolidated income statement incorporating the disclosure of underlying and non-underlying items separately. Non-underlying items have been defined as relating to costs which are not incurred in the normal course of business or, due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core trading performance of the Group.

This is a change from the previous presentations whereby similar items were presented as 'non-operating expenses' or otherwise implied as non-underlying items, such as impairment.

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, any adjustments to tax payable in respect of previous years, and the change in deferred tax.

Tax for the year is recognised in the income statement as regards the amount that can be attributed to the net profit or loss for the year, in other comprehensive income as regards the amount that can be attributed to items in other comprehensive income, and in equity as regards the amount that can be attributed to items in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

Current tax payables and receivables are recognised in the balance sheet, computed as tax calculated on the taxable income for the year adjusted for provisional tax paid.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities 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 tax value of the assets is calculated based on the planned use of the individual assets.

Deferred tax is measured on the basis of the income tax rates and tax rules in force in the respective countries at the balance sheet date. Changes in deferred tax resulting from changed income tax rates or tax rules are recognised in profit or loss. Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at which the assets are expected to be realised, either through an offset against deferred tax liabilities or as net tax assets to be offset against future positive taxable income.

The Group'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 Group intends to settle its tax assets and liabilities on a net tax basis.

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 initially recognised as an asset and is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortised but tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. Cash-generating units are determined based on the nature and materiality of the underlying business in the context of Norican's other businesses.

On disposal of a subsidiary, the amount attributable to unamortised goodwill that has not been subject to impairment is included in the determination of the gain or loss on disposal and recognised in the consolidated income statement.

Other intangible assets comprise of trademarks, capitalised development costs, customer relationships and patents. Costs for acquired assets represent the purchase price at acquisition. Intangible assets other than goodwill are valued at cost less accumulated amortisation and any impairment losses.

- Trademarks have been assigned an indefinite useful life. Trademarks are not amortised but tested for impairment at least annually.
- 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. Capitalised development costs are projects or assets that are clearly defined and identifiable, where the technical feasibility, adequate resources and a potential future market or application in the Group can be demonstrated and where the intention is to produce, promote or use the project/asset. Development costs are amortised on a straight-line basis over a six-year useful life. Other development costs are recognised as costs in the income statement as incurred. Costs related to a specific customer and research and development expenditures not yet in the application phase are expensed as incurred.
- Customer relationships and patents are capitalised to the fair value of the customer base and patents in acquired companies and amortised on a straight-line basis over a 10- to 20-year useful life.

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, less accumulated depreciation and any impairment loss.
Depreciation on property and equipment is calculated on the straight-line method. The estimated useful lives of the assets are: Buildings and improvements: 20-50 years; Equipment and other assets: 3-10 years.

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.

All items of property, plant and equipment are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in operating profit.

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 Group 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.

Leasing

The Group implemented IFRS 16 effective 1 January 2019. IFRS 16 requires that all leases are reflected in the balance sheet of a lessee as a right-of-use asset and lease liability. The Group has applied the lease recognition exemptions for short-term lease contracts and low-value assets. Short-term leases are leases with a lease term of 12 months or less. Low-value leases are those where the underlying asset value, when new, is €10,000 or less and includes IT equipment and small items of office furniture.

Furthermore, lease payments are not discounted as the effect of discounting is not considered to be material to the Group on a consolidated basis.

Right-of-use assets are measured at cost, which is calculated as the total value of the lease liability comprising the following: (i) the amount of the initial measurement of lease liability; (ii) any lease payments made at or before the commencement date less any lease incentives received; (iii) any initial direct costs and, if applicable, and (iv) restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset. Payments associated with short-term leases and leases of low-value assets are recognised as an expense in the consolidated income statement as they are incurred.

Lease liabilities are measured at the total value of the following: (i) fixed lease payments, (ii) variable lease payments that are based on an index or a rate and, if applicable, (iii) amounts expected to be payable by the lessee under residual value guarantees, and (iv) the exercise price of a purchase option if it is reasonably expected to be exercised. Lease liabilities do not include any non-lease components that may be included in the related contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended past the initial termination date.

Cash and cash equivalents

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

Trade receivables

Trade receivables are initially recognised and measured at fair value and subsequently measured at amortised cost, less allowance for lifetime expected credit losses.

The Group applies the simplified approach to measure expected credit losses. Loss allowances for trade receivables are recognised at an amount equal to lifetime expected credit losses. Loss rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

Receivable balances are written off only when there is no prospect of any further collections, with the charge recognised in 'Selling, general & administrative expenses'.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and the attributable portion of overhead costs based on normal operating capacity 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. Adjustment is made if necessary for any slow-moving, obsolete or defective inventory and recognised in cost of sales.

Financial instruments

Financial assets are classified according to their cash flow characteristics and the business model in which they are managed. The Group has categorised its financial assets to financial assets measured at amortised cost, or at fair value through other comprehensive income.

Borrowings

Borrowings are recognised at the time of issuing the secured notes/revolving secured credit facility at the fair value of the proceeds received less transaction costs paid. 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.

Retirement benefit plans

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 IAS 19, 'Employee Benefits'. The present value of the Group's liabilities relating to future pension payment under defined benefit plans is measured on an actuarial basis once a year on the basis of the pensionable period of employment up to the time of the actuarial valuation. The calculation of present value is based on assumptions of future developments of salary, interest, inflation, mortality and disability rates and other factors. Actuarial gains and losses are recognised immediately in other comprehensive income as they are incurred and cannot subsequently be recycled through profit or loss.

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 and any net obligation is recognised in the balance sheet under non-current liabilities.

Pension expenses and administration fees are recognised in the income statement under 'Selling, general and administrative costs', and pension finance costs are recognised in the income statement under 'Finance costs'.

Payments to defined contribution plans are recognised in the income statement under 'Selling, general and administrative costs' at the due date, and any contributions payable are recognised in the balance sheet under 'non-current liabilities'.

If benefit plan membership or benefits are significantly reduced by a restructuring, or an event or transaction that results in the Group's benefit obligations being settled, the effects are recorded in the statement of operations when the restructuring or settlement occurs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event (occurring on or before the reporting date) that it is probable will result in an outflow of economic benefits that can be reasonably estimated.

The Group 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.

Equity

Other reserves within equity are comprised of:

- Share premium account, which comprises amounts in excess of the nominal share capital paid up by shareholders in connection with capital increases, plus an amount related to buy back of shares in India from a minority interest holding in 2016.
- Revaluation reserves, which comprise value adjustment of assets from cost to an estimated permanently higher fair value. Revaluation reserves are transferred to retained earnings when the revalued asset is realised.
- Translation reserve, which comprises exchange adjustments arising on the translation of the Financial Statements of foreign enterprises from their functional currencies into the presentation currency of the Group (EUR). Upon full or partly realisation of the net investment in the foreign enterprises, exchange adjustments are recognised in the income statement.
- Hedging reserve, which comprises changes to fair values of derivative financial instruments that are designated and qualify as cash flow hedges of future transactions. On realisation, the hedging instrument is recognised in the income statement in the same line item as the hedged transaction.
- Pension reserve, which comprises the actuarial remeasurements of a net liability or asset recognised in accordance with IAS 19.

Non-controlling interests

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.

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.

Cash flow statement

The consolidated cash flow statement is presented under the indirect method based on the net profit for the year. The statement shows cash flows for the year, changes for the year in cash and cash equivalents, as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit / loss for the year adjusted for non-cash operating items, changes in working capital, and corporation tax paid.

Cash flows from investing activities comprise acquisitions and disposals of property, plant and equipment and fixed asset investments. Cost is measured inclusive of expenses necessary to make the acquisition and sales prices after deduction of transaction expenses.

Cash flows from financing activities comprise changes to the amount or composition of the Group's share capital, payment of dividend, financial income and financial expenses as well as borrowing and repayment of interest-bearing debt.

Cash and cash equivalents include securities with a maturity of less than 3 months.

Significant Accounting Judgements and Estimates

Use of judgements and estimates

Management of the Group has made a number of estimates and judgements 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.

Post-employment benefits

The estimates used to measure the expense and liabilities related to the Group'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. Estimates 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 Group's direct control, and it is reasonably possible that future variances could exceed past variances. See Note 16.

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 Group 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 2021, the Group believes that it is more likely than not that the Group 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 carry forward 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 Group's own future decisions. See Note 6.

Tax positions

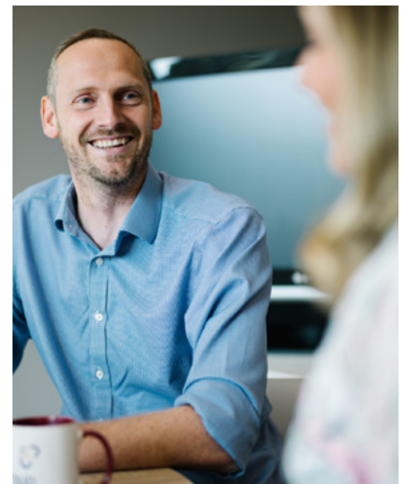
The Group's policy is to comply fully with applicable tax regulations in all jurisdictions in which the Group's operations are subject to income taxes.

The Group's estimates of current income tax expense and liabilities are calculated on the assumption that all tax computations filed by the Group's subsidiaries will be subject to review or audit by the relevant tax authorities. Current income tax liabilities include the Group'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 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. See Note 6.

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 the 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.

2. Segmental information

Revenue by line of business	2021 €'000	2020 €'000
Equipment	182,129	157,384
Aftermarket	211,504	192,975
Total revenue	**393,633**	**350,359**

Equipment revenues are predominantly related to the Group's core lines of business, but also include sales of capital items from other businesses within the Group.

Aftermarket revenues comprise sales of spare parts and fees for servicing equipment.

Revenue by destination	2021 €'000	2020 €'000
Europe	139,313	145,091
Asia Pacific	121,742	88,657
North America	94,890	84,994
India, Middle East, Africa	26,713	23,666
Rest of the world	10,975	7,951
Total revenue	**393,633**	**350,359**

3. Operating expenses

Expense items included in operating profit are broken down by nature as follows:

	2021 €'000	2020 €'000
Raw materials and consumables	179,260	155,747
Staff costs (see note 4)	111,750	115,186
Research and development costs (excl. staff costs)	491	480
Government grants	(953)	(5,799)
Other expenses	59,641	63,786
Depreciation of property, plant and equipment	4,612	5,075
Depreciation of right of use assets	6,111	7,101
Amortisation	8,928	10,378
Impairment of goodwill and intangibles	-	38,485
Total cost of sales and operating expenses	**369,840**	**390,439**

During 2021, Government grants of €953k (2020: €5,799k) were received in respect of furlough and other short-time working support schemes related to the COVID19 pandemic.

Services provided by the Group's Auditor

	2021 €'000	2020 €'000
Fees payable for the audit of the parent company and consolidated financial statements	98	102
Fees payable for the audit of subsidiaries	527	518
Total audit fees	**625**	**620**
Fees for non-audit services	23	13
Total fees	**648**	**633**

Fees for non-audit services mainly relate to other assurance services outside the scope of the audit.

4. Employees

	2021 €'000	2020 €'000
Short-term benefits	107,492	110,959
Pension costs - defined benefit	1,242	912
Pension costs - defined contribution	3,016	3,315
Total employee cost	**111,750**	**115,186**
Average number of employees	**1,906**	**2,235**

5. Non-underlying items

To improve the understanding of the Group's financial performance the following items, which do not reflect the underlying performance, are classified as non-underlying items:

	2021 €'000	2020 €'000
Impairment of goodwill	–	17,290
Impairment of acquired intangibles	–	21,195
Restructuring costs	1,915	11,849
Write-down of historic inventory balances	3,330	–
Other	333	66
Non-underlying items at operating profit	**5,578**	**50,400**

Impairments

Impairment of goodwill in 2020 relates to underperformance of the Aluminium business acquired in 2017. See Note 7.

Impairment of acquired intangibles in 2020 relates to underperformance of the Aluminium business acquired in 2017. See Note 8.

Restructuring costs

The Group recorded a charge to restructuring provision of €1,915k in 2021 primarily related to the consolidation of manufacturing operations and supply chain activity in Europe, and is mainly comprised of accrued severance costs.

The Group recorded a restructuring provision and impairment charge during 2020 in the amount of €11,849k primarily related to the consolidation of manufacturing operations within Europe, North America and Asia as well as the closure of certain offices within North America and Asia. The restructuring is comprised primarily of accrued severance costs and impairment of leased assets for the facilities in Europe.

Write-down of historic inventory balances

In September 2021, the US Castalloy site at Waukesha switched over to a new ERP system. During the migration of data from the old system, issues with the way historical work orders had been processed were identified. Subsequent investigation into the initial issue led to additional issues being discovered.

These issues were found to be long-standing, dating back to at least 2015.

In total, €3,529k of inventory was found to be over-stated in the accounts of US Castalloy and this has been written down in 2021. €199k relates to processing that occurred in 2021, which have been treated as underlying cost in the consolidated income statement; due to the long-standing nature of the root-causes of the remaining differences, dating back to at least 2015, the associated write-down has been treated as a non-underlying item in the financial statements as it is a one-off charge, not reflective of the underlying performance of the business.

Other

Other costs are primarily comprised of advisor fees related to exploratory M&A activity in 2021. No acquisitions have been completed during the year.

6. Income tax

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

	2021 €'000	2020 €'000
Current tax expense	8,421	6,398
Deferred tax expense		
Origination and reversal of temporary differences	2,370	(7,130)
Total income tax expense	**10,791**	**(732)**

Reconciliation of total tax

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 year ended 31 December, are due to the following:

	2021 €'000	2020 €'000
Income tax benefit / (expense) calculated at 22%	(1,174)	13,181
Effect of non-taxable income	231	134
Effect of non-deductible expenses	(3,491)	(9,854)
Effect of foreign exchange rates	(36)	35
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(427)	(556)
Effect of previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	(102)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions, and other rate effects	946	1,045
	(4,053)	3,985
Adjustments recognised in the current year in relation to the current tax of prior years	(6,738)	(3,253)
Total income tax expense	**(10,791)**	**732**
Deferred tax expense recognised directly in other comprehensive income	–	–
Deferred tax expense recognised directly in equity	(2,292)	1,091

Current tax

	2021 €'000	2020 €'000
Corporate tax payable (net) at 1 January	2,700	4,015
Current tax for the year	8,421	6,398
Corporate tax paid during the year	(7,581)	(7,724)
Exchange adjustments	21	11
Balance at 31 December	**3,561**	**2,700**

Analysed in the consolidated statement of financial position, after offset of balances within countries, as:

	2021 €'000	2020 €'000
Current tax receivable	(8,911)	(4,064)
Current tax payable	12,472	6,764
Balance at 31 December	**3,561**	**2,700**

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 €472k for the year ended 31 December 2021 and €377k for the year ended 31 December 2020.

Deferred tax

	2021 €'000	2020 €'000
Deferred tax at 1 January	(5,294)	(13,031)
Change in deferred tax for the year	(2,370)	7,130
Deferred tax, no income statement effect for the year	(2,292)	1,091
Exchange adjustments	734	(484)
Adjustment of previous year	–	–
Deferred tax at 31 December	**(9,222)**	**(5,294)**

Deferred taxes consist of the following at 31 December:

	2021 €'000	2020 €'000
Net operating and other deferred loss carryovers	3,262	4,299
Current assets and liabilities, net	4,392	7,479
Property, plant and equipment	354	89
Pension	4,511	5,490
Goodwill and identifiable intangible assets	(22,773)	(24,031)
Other	1,032	1,380
Deferred tax liability	**(9,222)**	**(5,294)**

Analysed in the consolidated statement of financial position, after offset of balances within countries, as:

	2021 €'000	2020 €'000
Deferred tax assets	12,674	18,210
Deferred tax liabilities	(21,896)	(23,504)
Net deferred tax balance	**(9,222)**	**(5,294)**

There were unrecognised deferred tax assets of €nil in 2021 (2020: €nil)
Danish, United Kingdom, Italian and Canadian loss carryovers do not expire.

7. Goodwill

	Total €'000
Cost:	
Balance at 31 December 2019	243,293
Currency translation	(336)
Balance at 31 December 2020	242,957
Currency translation	978
Balance at 31 December 2021	243,935
Impairment	
Balance at 31 December 2019	(30,000)
Impairment	(17,290)
Balance at 31 December 2020	(47,290)
Impairment	–
Balance at 31 December 2021	(47,290)
Carrying amount at 31 December 2020	195,667
Carrying amount at 31 December 2021	**196,645**

The carrying value of goodwill arises from the acquisition of the legacy Norican business in 2014 and the acquisition of the Aluminium business purchased in 2017.

The Group consists of four cash-generating units (CGU). However, management monitors goodwill at the level of the business areas Legacy Norican and Aluminium. At 31 December 2021, the carrying value of goodwill in each of these areas was: Legacy Norican €172,264k (2020 €171,408k), Aluminium €24,381k (2020 €24,259k).

Goodwill is tested for impairment at least annually at the level of these business areas. Value-in-use calculations are utilised to calculate the recoverable amounts. Value-in-use is calculated as the net present value of the projected, risk-adjusted, pre-tax cash flows of the CGU in which the goodwill is contained.

The discount rate applied comprises the Group's post-tax weighted average cost of capital adjusted to reflect the impact of the time value of money, tax effects and risks associated with the CGUs. The discount rate was 9.5% for the years ended 31 December 2021 and 2020.

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. Future cash flows are based on the Group's strategic plan incorporating three years from 2022 to 2024 which was approved by the Board and takes into account both past performance and expectations for future market development. Cash flows for 2025 & 2026 were extrapolated using an annual growth rate of approximately 5% (2020 5%), and a terminal growth rate was applied of 1.3% (2020: 1.3%); these growth rates were selected by taking prudent account of the Group's estimate of the long-term average growth rate, selling prices and profitability for the sectors and key markets in which the CGU's operate.

The conclusion of the analysis resulted in no impairment to goodwill during the year ended 31 December 2021 and €17,290k during the year ended 31 December 2020, which is a non-underlying item (see Note 5) and recorded in 'Amortisation' in the consolidated income statement. The impairment is attributed to underperformance of the Aluminium business.

The assumptions applied by Management are inherently subject to uncertainty and unpredictability. Reasonably probable changes will not lead to recognition of impairment losses, and therefore no sensitivity analysis has been disclosed.

8. Other intangible assets

	Customer relationships	Patents	Trademarks	Development costs	Total
	€'000	€'000	€'000	€'000	€'000
Cost:					
Balance at 31 December 2019	85,815	22,250	53,939	41,448	203,452
Additions	–	–	–	1,055	1,055
Disposals	–	–	–	(317)	(317)
Reclassifications	–	–	–	2,255	2,255
Currency translation	(478)	(150)	(305)	50	(883)
Balance at 31 December 2020	85,337	22,100	53,634	44,491	205,562
Additions	–	–	–	1,235	1,235
Currency translation	432	154	276	8	870
Balance at 31 December 2021	85,769	22,254	53,910	45,734	207,667
Accumulated amortisation:					
Balance at 31 December 2019	(16,410)	(8,937)	(0)	(17,852)	(43,199)
Amortisation expense	(4,005)	(1,757)	–	(4,616)	(10,378)
Impairment	(11,439)	–	(6,560)	(3,196)	(21,195)
Disposals	–	–	–	317	317
Reclassifications	–	–	–	(2,255)	(2,255)
Currency translation	478	151	–	(35)	594
Balance at 31 December 2020	(31,376)	(10,543)	(6,560)	(27,637)	(76,116)
Amortisation expense	(3,305)	(1,757)	–	(3,866)	(8,928)
Currency translation	(432)	(155)	–	(5)	(592)
Balance at 31 December 2021	(35,113)	(12,455)	(6,560)	(31,508)	(85,636)
Carrying amount at 31 December 2020	53,961	11,557	47,074	16,854	129,446
Carrying amount at 31 December 2021	**50,656**	**9,799**	**47,350**	**14,226**	**122,031**

The impairment of other intangible assets in 2020 arises from the impairment analysis described in Note 7 and is attributed to the underperformance of the Aluminium business.

9. Property, plant and equipment

	Land, buildings and improvements	Equipment and other	Leased assets	Total
	€'000	€'000	€'000	€'000
Cost:				
Balance at 31 December 2019	37,435	86,052	32,404	155,891
Additions	436	2,518	2,305	5.259
Disposals	(910)	(5,637)	(2,936)	(9,483)
Transfer	(16)	16	–	–
Adjustment	–	–	(430)	(430)
Currency translation	(1,817)	(2,027)	(673)	(4,517)
Balance at 31 December 2020	35,128	80,922	30,670	146,720
Additions	683	2,923	3,845	7,451
Disposals	(119)	(5,458)	(4,280)	(9,857)
Transfer	46	(46)	–	–
Currency translation	2,412	1,958	645	5,015
Balance at 31 December 2021	38,150	80,299	30,880	149,329
Accumulated depreciation:				
Balance at 31 December 2019	(21,311)	(71,624)	(8,447)	(101,382)
Depreciation expense	(951)	(4,124)	(7,101)	(12,176)
Disposals	910	5,609	1,891	8,410
Impairment	(21)	(517)	(1,838)	(2,376)
Currency translation	1,061	1,664	372	3,097
Balance at 31 December 2020	(20,312)	(68,992)	(15,123)	(104,427)
Depreciation expense	(1,038)	(3,574)	(6,111)	(10,723)
Disposals	89	4,630	3,602	8,321
Impairment	–	378	(515)	(137)
Currency translation	(1,352)	(1,566)	(307)	(3,225)
Balance at 31 December 2021	(22,613)	(69,124)	(18,454)	(110,191)
Carrying amount at 31 December 2020	14,816	11,930	15,547	42,293
Carrying amount at 31 December 2021	**15,537**	**11,175**	**12,426**	**39,138**

10. Leases

Right of use assets

The following amounts relate to leased assets included in property, plant and equipment in Note 9:

	Leased buildings €'000	Leased vehicles €'000	Other €'000	Total €'000
Cost:				
Balance at 31 December 2019	27,422	4,401	581	32,404
Additions	909	1,389	7	2,305
Disposals	(2,129)	(795)	(12)	(2,936)
Impairment	(430)	–	–	(430)
Currency translation	(541)	(125)	(7)	(673)
Balance at 31 December 2020	25,231	4,870	569	30,670
Additions	2,846	930	69	3,845
Disposals	(2,848)	(1,310)	(122)	(4,280)
Currency translation	524	114	7	645
Balance at 31 December 2021	25,753	4,604	523	30,880
Accumulated depreciation:				
Balance at 31 December 2019	(6,661)	(1,661)	(125)	(8,447)
Depreciation expense	(5,349)	(1,580)	(172)	(7,101)
Disposals	1,230	659	2	1,891
Impairment	(1,838)	–	–	(1,838)
Currency translation	299	68	5	372
Balance at 31 December 2020	(12,319)	(2,514)	(290)	(15,123)
Depreciation expense	(4,552)	(1,420)	(139)	(6,111)
Disposals	2,255	1,245	102	3,602
Impairment	(515)	–	–	(515)
Currency translation	(236)	(66)	(5)	(307)
Balance at 31 December 2021	(15,367)	(2,755)	(332)	(18,454)
Carrying amount at 31 December 2020	12,912	2,356	279	15,547
Carrying amount at 31 December 2021	**10,386**	**1,849**	**191**	**12,426**

Lease liabilities

The following amounts relate to lease liabilities:

	2021 €'000	2020 €'000
Balance at beginning of period	18,301	25,064
New leases	3,834	2,305
Repayments	(8,275)	(8,674)
Foreign exchange adjustment	368	(394)
Balance at end of period	**14,228**	**18,301**

Scheduled lease commitment payments are as follows at 31 December:

	2021 €'000	2020 €'000
Within one year	6,425	6,815
Between two and five years	7,803	11,486
After five years	–	–
Total	**14,228**	**18,301**

No rent concessions in respect of COVID19 were received in 2021 or 2020.

11. Inventories

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

	2021 €'000	2020 €'000
Raw material	11,347	8,765
Work-in-process	39,926	28,641
Finished goods	42,987	32,664
Total	**94,260**	**70,070**

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

12. Trade and other receivables

	2021 €'000	2020 €'000
Trade receivables	73,332	70,206
Other receivables	606	572
Loss allowance	(6,305)	(5,331)
Balance at end of period	**67,633**	**65,447**

The ageing of trade receivables measured from invoice date, is as follows:

	2021 €'000	2020 €'000
0 – 30 days	25,698	22,077
30 to 90 days	19,892	16,892
Over 90 days	27,742	31,237
Balance at end of period	**73,332**	**70,206**

The age profile of trade receivables is a result of how the contractual payment profile is structured in many equipment sales, in line with industry practice, where a minor final payment is not due until after final customer acceptance and commissioning. Typically, this occurs a number of months after initial installation. These payments are not overdue, the timing is in line with contractual terms.

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses, which are based on quantitative and qualitative information and analysis, based on the Group's historical experience, an informed credit assessment and forward-looking information.

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

The movement in loss allowance for doubtful accounts is as follows:

	2021 €'000	2020 €'000
Balance at beginning of period	5,331	3,930
Changes in provisions during the year	694	1,518
Currency translation	280	(117)
Balance at end of period	**6,305**	**5,331**

13. Cash and cash equivalents

Cash includes cash on hand and in banks and investments in money market instruments totalling €169,812k and €124,231k at 31 December 2021 and 2020, respectively. The Group maintains cash deposits related to certain of its performance obligations for the manufacturing, delivery and installation of capital equipment sales. At 31 December 2021 and 2020, the amount of €801k and €832k were posted as cash bonds, respectively, and are included in cash and cash equivalents on the Group's balance sheet.

Adjustments for non-cash operating items:

	Note	2021 €'000	2020 €'000
Foreign exchange		(2,400)	280
Depreciation	9	4,612	5,075
Depreciation of right-of-use assets	9,10	6,111	7,101
Amortisation of intangibles	8	8,928	10,378
Impairment of goodwill and other intangibles	7,8	–	38,485
Increase in provisions:			
Restructuring	15	1,915	11,849
Warranty	15	1,509	535
Difference between net finance costs paid and charge		–	218
Total		**20,675**	**73,921**

14. Debts

Changes to interest-bearing debts are as follows:

	Borrowings €'000	Lease liabilities €'000	Total €'000
Balance at 31 December 2019	334,355	25,064	359,419
Repayment	–	(8,674)	(8,674)
New facilities	–	2,305	2,305
Amortisation of debt issuance costs	1,617	–	1,617
Currency translation	31	(394)	(363)
Balance at 31 December 2020	336,003	18,301	354,304
Repayment	–	(8,275)	(8,275)
New facilities	–	3,845	3,845
Amortisation of debt issuance costs	1,617	–	1,617
Currency translation	(27)	357	330
Balance at 31 December 2021	**337,593**	**14,228**	**351,821**

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

	2021 €'000	2020 €'000
Senior secured notes due 2023	340,000	340,000
Other	–	–
	340,000	340,000
Debt issuance costs	(2,407)	(3,997)
Total debt	**337,593**	**336,003**

All of the outstanding borrowings are denominated in euros at 31 December 2021.

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

On 17 May 2017, the Group issued €340,000k 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 Group has entered in to a €55,000k revolving credit facility (the "Revolver") with availability from 21 December 2021 to 28 February 2023. Cash availability within the Revolver is €55,000k and interest on the Revolver is variable based on N-BOR and the performance of the Group. There is no cash amount outstanding under the Revolver as of 31 December 2021. Commercial guarantees have been issued at 31 December 2021 which reduced the availability of the Revolver by €22,644k.

Previous to this facility, the Group had entered in to a €75,000k revolving credit facility (the "Revolver") with availability from 31 May 2017 to 30 October 2022. Cash availability within the Revolver was limited to €55,000k. Interest on the Revolver was variable based on LIBOR and the performance of the Group. There was no cash amount outstanding under the Revolver as of 31 December 2020; however commercial guarantees had been issued at 31 December 2020 which reduced the availability of the Revolver by €20,022k.

The Notes and Revolver are secured by first-priority pledges of the shares of certain significant subsidiaries of the Group and a first-priority security interest over the intra-group receivables between certain subsidiaries in addition to the majority of assets of Group guarantors, 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 have been paid in full.

Interest on the Notes is payable semi-annually in arrears on 15 November and 15 May each year. The Notes mature on 15 May 2023. The Group 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.

The Group may, from time to time, depending on market conditions and other factors, repurchase outstanding Notes, whether or not such indebtedness trades above or below its face amount, for cash in open market purchases, in privately negotiated transactions or otherwise.

Scheduled repayments of the Group's borrowings are as follows at 31 December 2021:

	€'000
Within one year	–
Between two and five years (2023)	340,000
Total	**340,000**

The Notes are due for redemption on 15 May 2023. The Group may seek to refinance the debt ahead of the maturity date.

Finance income is comprised of:

	2021 €'000	2020 €'000
Interest income	1,128	1,295
Foreign exchange gains	3,632	3,921
Total	**4,760**	**5,216**

Finance cost is comprised of:

	2021 €'000	2020 €'000
Interest expense	18,587	19,296
Debt issuance costs	1,617	1,617
Foreign exchange losses	3,010	4,137
Total	**23,214**	**25,050**

Foreign exchange gains and losses are presented after offset of balances within countries.

15. Accrued liabilities and provisions

Accrued liabilities and provisions on the balance sheet include the following:

	2021 €'000	2020 €'000
Warranty		
Balance at beginning of period	8,583	10,431
Additional provisions	905	535
Reductions through utilisation	(1,365)	(2,199)
Transfers	604	–
Foreign exchange adjustment	402	(184)
Balance at end of period	**9,129**	**8,583**

Due to the uncertain nature in the timing of utilisation of the warranty provision, it is not possible to estimate the amount of provision that will be utilised within the next year.

Restructuring		
Balance at beginning of period	4,370	3,535
Additional provisions	1,915	11,849
Reductions through utilisation	(4,797)	(7,685)
Transfers	270	(2,951)
Foreign exchange adjustment	85	(378)
Balance at end of period	**1,843**	**4,370**

All of the remaining current balance of the restructuring provision is expected to be utilised within the next year.

16. Retirement benefit plans

Background

The Group and most of its subsidiaries offer retirement plans which cover the majority of employees in the Group. The Group's policy is to provide defined contribution (DC) orientated pension provision to its employees unless otherwise compelled by local regulation. As a result, many of these retirement plans are DC, where the Group contribution and resulting charge is fixed at a set level or is a set percentage of employees' pay.

However, the Group has multiple plans which are defined benefit (DB), where benefits are based on employees' length of service and linked to their salary. The major defined benefit plans are in Switzerland, the UK, the US, Germany and India, and have broadly similar risk profiles. They are largely legacy arrangements that are closed to new entrants and are funded through separate, fiduciary-administered assets. The cash funding of the plans, which may from time to time involve special Group payments, is designed, in consultation with independent qualified actuaries, to ensure that the assets are sufficient to meet future obligations as and when they fall due. The funding level is monitored rigorously by the Group and by local fiduciaries, who take into account the strength of the Group's covenant, local regulation, cash flows, and the solvency and maturity of the relevant pension scheme.

Ninety per cent of the Group's total defined benefit obligations at 31 December 2021 are in schemes in Switzerland and the UK.

Pension costs

The costs associated with the Group's DB schemes are as follows:

	2021 €'000	2020 €'000
Components of net periodic pension cost:		
Service cost	849	1,155
Interest cost	1,131	1,503
Expected return on plan assets	(738)	(1,050)
Past service cost gain	-	(696)
Net periodic pension cost	**1,242**	**912**

The Group's estimate of employer contributions to be paid to defined benefit plans for the year ended 31 December 2022 is €2,135k. 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 2022.

Accumulated actuarial (losses) / gains

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

	2021 €'000	2020 €'000
Balance at beginning of period	(4,505)	3,250
Actuarial losses for the year, net of deferred tax	13,318	(8,273)
Currency translation	(1,048)	518
Balance at end of year	**7,765**	**(4,505)**

Pension scheme obligations and assets

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

	2021 €'000	2020 €'000
Change in benefit obligation		
Benefit obligation at beginning of period	151,347	155,052
Service cost	849	1,155
Interest cost	1,131	1,503
Plan participants' contributions	240	354
Actuarial (gain) / loss	(11,421)	4,639
Benefits paid	(10,005)	(7,645)
Past service gain	–	(696)
Impact of foreign currency changes	7,188	(3,015)
Benefit obligation at end of period	139,329	151,347
Change in plan assets		
Fair value of plan assets at beginning of period	115,933	127,805
Actual return on plan assets	4,448	(4,522)
Company contributions	1,893	1,912
Participant contributions	240	354
Benefits paid and expenses	(10,005)	(7,645)
Other	–	–
Impact of foreign currency changes	6,180	(1,971)
Fair value of plan assets at end of period	118,689	115,933
Accrued benefit liability per balance sheet at end of period	**20,640**	**35,414**
Of which arising from:		
Funded plans	10,816	25,081
Unfunded plans	9,824	10,333

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

	2021 Fair value €'000	%	2020 Fair value €'000	%
Equities	40,734	34%	39,386	34%
Property	27,861	24%	28,114	24%
Bonds	36,018	30%	34,389	30%
Other assets	14,078	12%	14,044	12%
Fair value of assets	**118,691**	**100%**	**115,933**	**100%**

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

Actuarial assumptions

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

	2021	2020
Benefit cost:		
Discount rate	1.6%	1.1%
Rate of compensation increase	2.1%	2.0%
Benefit obligation:		
Discount rate	1.2%	0.8%
Rate of compensation increase	1.9%	1.8%
Future pension increase	1.4%	1.2%

DISA Pension Scheme – Switzerland

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 Swiss defined benefit pension fund represents approximately 48% of the Group's defined benefit obligations at 31 December 2021.

The average duration of the defined benefit obligation at 31 December 2021 is 10.8 years (2020: 12 years)

The IAS 19 actuarial valuation of the pension fund was carried out by a qualified actuary as at 31 December 2021.

The key assumptions from this actuarial valuation were as follows:

Discount rate at 0.35% per annum
Rate of inflation at 0.7% per annum
Salary increases at 1.5% per annum
Pension increases at 0% per annum

The resulting valuation of the Fund's liabilities on that basis was €67,022k (2020: €78,086k) compared to a market value of assets at 31 December 2021 of €71,327k (2020: €71,976k). The accrued benefit attributed to the Swiss pension is an asset of €4,305k and a liability of €6,110k as of 31 December 2021 and 2020, respectively.

Sensitivity analysis: The approximate impact of a 1.0% reduction in the Discount rate (from +0.35% to -0.65%) is that scheme liabilities would increase by €7,326k.

Wheelabrator Group Pension Scheme – UK

Norican Group, through its UK subsidiary, operates a defined benefit scheme in the UK which is a final salary plan and provides benefits linked to salary at retirement or earlier date of leaving service. The Scheme closed to future accrual on 31 August 2016. Trustees have the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and Scheme assets are held in trusts which are governed by UK regulation. Responsibility for governance of the Scheme, including setting contribution rates, lies jointly with the Company and Trustee Board. The Trustees are comprised of nominations from the Company and members in accordance with the Trust Deed and Rules.

The UK defined benefit pension fund represents approximately 43% of the Group's defined benefit obligations at 31 December 2021.

The average duration of the defined benefit obligation at 31 December 2021 is 15 years (2020: 15 years)

The IAS 19 actuarial valuation of the pension fund was carried out by a qualified actuary as at 31 December 2021.
The key assumptions from this actuarial valuation were as follows:

Discount rate at 1.95% per annum
Rate of inflation at 2.65% per annum
Salary increases at 2.65% per annum
Pension increases at 3.2 – 3.7% per annum (members have differing rights to pension increases)

The resulting valuation of the Fund's liabilities on that basis was €59,327k (2020: €59,874k) compared to a market value of assets at 31 December 2021 of €45,151k (2020: €41,945k). The accrued benefit attributed to the UK pension is a liability of €14,176 and €17,929k as of 31 December 2021 and 2020, respectively.

Sensitivity analysis: the table below gives a broad indication of the impact on aggregate scheme valuations for changes in the key assumptions:

Assumption	Change in assumption	Approximate impact on scheme liabilities
Discount rate	Increase by 0.25% p.a.	-€2,254k
Rate of inflation increase	Increase by 0.25% p.a.	+€1,543k
Rate of mortality	Member assumed to live 1 year longer	+€2,610k

17. Financial instruments and related disclosures

Financial risk management

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The Group's financial risk exposures have not changed significantly in 2021.

Foreign exchange risk

The Group 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 Group'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 Group has a contractual obligation that is recorded on the balance sheet is primarily managed through the use of forward foreign exchange contracts.

The Group's Notes, which make up substantially all of the outstanding debt balances at 31 December 2021, are denominated in euros; therefore, most of the Group's debt is not exposed to foreign currency risk. However, translation exposure arises from consolidation of foreign currency-denominated financial statements of the Group's subsidiaries. A 10% change in the currency translation rate between the U.S. dollar and the euro could positively or negatively affect revenue by approximately €7,315k, and the net income impact on equity is approximately €6k based on results for the year ended 31 December 2021.

Commodity price risk

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

The Group 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 Group 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 Group is exposed to fluctuations in interest rates on its Revolver borrowings. While there are no outstanding borrowings under the Revolver at 31 December 2021, to the extent the Group 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 Group monitors the credit ratings of its customers, changes in the financial position of its customers can adversely affect the Group's future collection of the receivables and the Group's cash flows.

Liquidity risk

The Group's principal source of liquidity consists of cash and cash equivalents, cash generated from operations, and borrowings available under the Revolver. See Note 14.

Capital risk management

The Group's objectives in managing capital are to safeguard the Group'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 and to support long-term profitable growth.

Other risk

At 31 December 2021, €29,700k (2020: €24,893k) in commercial guarantees related to equipment orders were outstanding that are not reflected on the balance sheet but expose the Group to a potential, albeit minimal 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 at fair value through profit and loss.

Derivatives that are designated and effective as hedging instruments carried at fair value:

	2021 €'000	2020 €'000
Foreign currency swaps	(1)	(158)

The Group utilises forward currency delivery contracts to hedge future transactions and cash flows. The Group 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 Group's principal markets and are designated and effective as hedging instruments carried at fair value. All forward contracts outstanding at 31 December 2021 mature within a period of one year.

The fair value of derivatives is determined based on observable market data using generally accepted methods (level 2 in the fair value hierarchy).

18. Litigation

Silicosis

Subsidiaries of the Group 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 Indemnifica-tion 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 expired 19 August 2018. With respect to 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 Group has been named in litigation arising in the ordinary course of business. In the opinion of legal counsel and management, the Group 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 Group 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 Group.

19. Equity

Share capital

The Parent Company has one class of ordinary shares, each with a par value of one Danish krone. Shares are entitled to one vote per share.

	2021 Number	2020 Number
Authorised:		
Common shares of one Danish krone each	12,992,604	12,992,604
Issued and fully paid:		
At 1 January common shares of one Danish krone each	11,579,604	11,579,604
Issued during the year	—	—
At 31 December common shares of one Danish krone each	**11,579,604**	**11,579,604**

There are 11,579,604 shares issued and outstanding at 31 December 2021. Total shares held in treasury are 41,135 at 31 December 2021 (45,961 at 31 December 2020), the reduction arising from the purchase of shares at fair market value by management.

Other Reserves

Other reserves consist of the following:

	Share premium	Pension reserve	Hedging reserve	Revaluation reserve	Currency translation reserve	Total other reserves
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 December 2019	152,236	3,250	(2,145)	(3,081)	4,755	155,015
Employee share transactions	–	–	–	310	–	310
Actuarial (losses) / gains on pension benefit obligation, net of deferred tax	–	(8,273)	–	–	–	(8,273)
Unrealised holding (losses) / gains on derivatives designated as cash flow hedges, net of deferred tax	–	–	2,893	–	–	2,893
Currency translation	–	518	(1)	–	(8,436)	(7,919)
Balance at 31 December 2020	152,236	(4,505)	747	(2,771)	(3,681)	142,026
Employee share transactions	–	–	–	75	–	75
Actuarial (losses) / gains on pension benefit obligation, net of deferred tax	–	13,318	–	–	–	13,318
Unrealised holding (losses) / gains on derivatives designated as cash flow hedges, net of deferred tax	–	–	(156)	–	–	(156)
Currency translation	–	(1,048)	(1)	–	8,347	7,298
Balance at 31 December 2021	**152,236**	**7,765**	**590**	**(2,696)**	**4,666**	**162,561**

Non-controlling interest

The Group's majority owned Indian subsidiary, DISA India Ltd. ("DIL"), is listed on the Bombay Stock Exchange. As a result, the Group recognises the non-controlling interest's share of the net asset value of DIL as a component of equity.

20. Common stock warrants

The Company has issued 1,175,790 (2020: 1,162,212) common stock warrants to management and directors of the Group. 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 1,175,790 (2020: 1,162,212) shares in the Company with a par value of one Danish Krone, by cash contribution at exercise. The common stock warrants are exercisable (i) in the event of a change of control of the Group or an IPO or (ii) during the period 1 - 31 December 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 years ended 31 December 2021 and 2020, 13,578 and 71,154 warrants were issued to management, respectively, at fair market value and therefore no compensation expense has been recognised.

21. Related parties

Executive board

The remuneration of the executive board, is as follows:

	2021 €'000	2020 €'000
Short-term benefits	1,282	1,543
Pension costs – defined contribution	17	19
Post-employment benefits	—	324
Total	**1,299**	**1,886**

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 2021, Altor Fund IV Holding AB has controlling shareholding positions in the Parent Company. Costs for strategic advisory and management services of €60k were accrued to the benefit of Altor Fund IV Holding AB for each of the years ended 31 December 2021 and 2020.

Fees paid to directors during the years ended 31 December 2021 and 2020 are €160k and €120k, respectively.

As of 31 December 2021, the Company has issued 115,905 (2020: 115,905) and 68,466 (2020: 68,466) common stock warrants to the executive board and board of directors, respectively.

Joint taxation agreement

The Group participates in a Danish joint taxation arrangement in which Nortre Administration ApS serves as the administration company (see Note 6). Notre Administration ApS and Norican Group share common owners through the Group's controlling shareholder.

22. List of 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
Norican Holdings ApS	Denmark	100%	Holding
DISA Holding A/S	Denmark	100%	Holding
DISA Holding II A/S	Denmark	100%	Holding
DISA Industries A/S	Denmark	100%	Manufacturing
Wheelabrator Group NV	Belgium	100%	Sales
WGH Holding Corp.	British Virgin Islands	100%	Holding
Wheelabrator Group (Canada) ULC	Canada	100%	Sales
DISA (Changzhou) Machinery Ltd.	China	100%	Manufacturing
Italpresse Industrie (Shanghai) Co. Ltd.	China	100%	Sales
Kunshan Italpresse Die-casting Equipment Co., Ltd	China	100%	Inactive
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
Walther Trowal S.à.r.l	France	100%	Sales
Italpresse France S.à.r.l	France	100%	Sales
Wheelabrator Group GmbH	Germany	100%	Manufacturing
Wheelabrator Group Holding GmbH	Germany	100%	Holding
Wheelabrator-Berger Stiftung GmbH	Germany	100%	Dormant
OT Oberflachentechnik Maschinen und Werkzeuge Handels GmbH	Germany	100%	Dormant
DISA Industrieanlagen GmbH	Germany	100%	Inactive
Wheelabrator OFT GmbH	Germany	100%	Inactive
Nolten GmbH	Germany	100%	Dormant
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%	Sales
DISA Limited Hong Kong	Hong Kong	100%	Sales
DISA India Ltd.	India	75%	Manufacturing
DISA Technologies Private Ltd.	India	100%	Manufacturing
Bhadra Castalloys Private Limited	India	100%	Manufacturing
Italpresse Gauss S.p.A.	Italy	100%	Manufacturing
DISA K.K.	Japan	100%	Sales

WG Plus de Mexico S de RL de CV	Mexico	100%	Manufacturing
WG Plus Servicios S de RL de CV	Mexico	100%	Sales
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
Blast Cleaning Techniques Ltd	United Kingdom	100%	Holding
Castalloy Europe Ltd	United Kingdom	100%	Manufacturing
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%	Sales
Striko UK Ltd.	United Kingdom	100%	Dormant
Abrasive Developments Ltd	United Kingdom	100%	Dormant
Spencer & Halstead Ltd	United Kingdom	100%	Dormant
Impact Finishers Ltd.	United Kingdom	100%	Dormant
Vacu-Blast International	United Kingdom	100%	Dormant
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
Castalloy Inc	United States	100%	Manufacturing
Wheelabrator (Delaware) LLC	United States	100%	Holding
StrikoWestofen Dynarad Furnace Corp.	United States	100%	Sales
Italpresse of America Inc	United States	100%	Sales
Schmidt Manufacturing, Inc	United States	100%	Manufacturing
Bob Schmidt, Inc	United States	100%	Sales

* Ownership percentage corresponds to voting rights.

23. Post-balance sheet events

Ukraine

Norican is fully compliant with all sanction protocols that have been put in place and has suspended all business activities with Russian and Belarussian companies until further notice.

The Group generated approximately 1% of 2021 revenues in Russia, Belarus and Ukraine, with the 2022 pipeline anticipated to be at similar levels. There are no production or suppliers based in these countries and disruption to our business from the ongoing crisis in Ukraine is very limited.

Parent Company Income Statement

	Note	2021 €'000	2020 €'000
Operating profit / (loss)		–	–
Finance cost		(9)	(1)
Profit / (loss) before taxation		**(9)**	**(1)**
Tax credit	B	2	–
Profit / (loss) for the year		(7)	(1)

Proposed distribution of result for the year:		
Proposed dividend for the year	–	–
Transfer to retained earnings	(7)	(1)
	(7)	(1)

Parent Company Statement of Financial Position

	Note	2021 €'000	2020 €'000
Non-current assets			
Investment in subsidiary companies	C	153,291	153,291
Current assets			
Cash		1,395	1,329
Current tax receivable		2	–
Net assets		**154,688**	**154,620**
Equity			
Share capital		1,555	1,555
Additional paid-in capital		152,934	152,859
Retained earnings		199	206
Total equity	**D**	**154,688**	**154,620**

Parent Company Statement of Cash Flows

	Note	2021 €'000	2020 €'000
Cash flows from operating activities			
Operating profit / (loss) for the year		(7)	(1)
Changes in working capital:			
Accrued income tax receivable		(2)	(3)
Net cash from / (used in) operating activities		**(9)**	**(4)**
Cash flows used in investing activities			
Investments in subsidiaries		–	–
Net cash used in investing activities		**–**	**–**
Cash flows used in financing activities			
Net proceeds / (payments) from share transactions	D	75	310
Net cash used in financing activities		**75**	**310**
Net increase in cash		**66**	**306**
Cash at beginning of year		1,329	1,023
Cash at end of year		**1,395**	**1,329**

Parent Company Notes to Financial Statements

A. Summary of significant accounting policies income

The Parent Company's accounting policies remain unchanged from last year. Significant accounting policies are identical to those applied by the Group except for those mentioned below.

Foreign currencies

Income statement items in foreign currencies are translated into Euros at average rates for the relevant accounting periods. Monetary assets and liabilities are translated at exchange rates prevailing at the date of the Company Balance Sheet. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within 'Finance cost'. Exchange differences on all other foreign currency transactions are recognised in Operating profit.

Investments in subsidiaries

Investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Dividends

Dividends on investments in subsidiaries are recognised in the Parent Company's income statement in the financial year in which the dividend is declared.

B. Income tax

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

Tax credit consists of the following:

	2021 €'000	2020 €'000
Current tax credit	(2)	–
Total income tax credit	**(2)**	**–**

Income tax credit attributable to loss before income taxes is computed by applying the Danish income tax rate of 22% for the years ended 31 December 2021 and 2020.

C. Investment in subsidiary companies

	2021 €'000	2020 €'000
Cost at 1 January	153,291	153,291
Additions	–	–
Disposals	–	–
Cost at 31 December	153,291	153,291
Impairment losses at 31 December	–	–
Carrying amount at 31 December	**153,291**	**153,291**

Investments in subsidiary companies, with a carrying value of €153,291k at 31 December 2021 and 2020, have been provided as security for loans to the Company.

D. Shareholders' equity

	Share capital €'000	Retained reserves €'000	Total €'000
Equity at 31 December 2019	154,104	207	154,311
Transfer to retained earnings	–	(1)	(1)
Employee share purchase	310	–	310
Equity at 31 December 2020	154,414	206	154,620
Transfer to retained earnings	–	(7)	(7)
Employee share transactions	75	–	75
Equity at 31 December 2021	**154,489**	**199**	**154,688**

Common shares

The Company is authorised to issue up to 12,992,604 common shares, each with a par value of one Danish krone. Shares are entitled to one vote per share. There are 11,579,604 shares issued and outstanding at 31 December 2021.

Further details on the Parent Company's equity and related party transactions are provided in notes 19, 20 and 21, to the Group's consolidated financial statements, respectively.

E. Audit fees

Services provided by the Company's Auditor

	2021 €'000	2020 €'000
Fees payable for the audit of the parent company	2	2

No fees were paid for non-audit services in 2021 and 2020.

Definitions of Financial Highlights and Ratios

EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses
EBITDA margin	EBITDA as a % of net revenue
Non-underlying items	Items relating to costs which are not incurred in the normal course of business or, due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core trading performance of the Group
Underlying gross margin	Gross margin after adjusting for non-underlying items
Underlying SG&A	Selling, general and administrative costs after adjusting for non-underlying items
Underlying EBITDA	EBITDA after adjusting for non-underlying items
Equipment order backlog	Equipment order backlog is the cumulative sum of the awarded contracts, with firm commitments, that are not fulfilled at the end of the reporting period
Net debt	Interest bearing debt, excluding lease liabilities and debt issuance costs, less cash at bank and in hand
DIC – Debt Issuance Cost	Costs associated with issuing loans and bonds, such as fees and commissions paid to investment banks, law firms, auditors and regulators
Net working capital	Inventories + receivables – current liabilities, excluding corporation tax receivable / payable as well as repayment of borrowings and lease liabilities

Forward Looking Statements

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.

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