
Gertsen & Olufsen A/S

Lundtoftegårdsvej 95, 3., DK-2800 Kongens Lyngby

Annual Report for 2024

CVR No. 16 31 48 97

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 16/5 2025

Thomas Kastrup
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Gertsen & Olufsen A/S for the financial year 1 January - 31 December 2024.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2024 of the Company and of the results of the Company operations for 2024.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Kongens Lyngby, 9 May 2025

Executive Board

Anders Egehus
CEO

Henning Høgh
COO

Thomas Kastrup
CFO

Board of Directors

Jesper Teddy Lok
Chairman

Bo Kristensen

Kristian Verner Mørch

Thomas Synnestvedt Knudsen

Rune Lillie Gornitzka

Bernd Bertram

Independent Auditor's report

To the shareholder of Gertsen & Olufsen A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Gertsen & Olufsen A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (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 Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 9 May 2025

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Groth Hansen
State Authorised Public Accountant
mne33228

Mathias Skovdahl Hansen
State Authorised Public Accountant
mne50609

Company information

The Company	Gertsen & Olufsen A/S Lundtoftegårdsvej 95, 3. DK-2800 Kongens Lyngby CVR No: 16 31 48 97 Financial period: 1 January - 31 December Municipality of reg. office: Lyngby
Board of Directors	Jesper Teddy Lok, chairman Bo Kristensen Kristian Verner Mørch Thomas Synnestvedt Knudsen Rune Lillie Gornitzka Bernd Bertram
Executive Board	Anders Egehus Henning Høgh Thomas Kastrup
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2024	2023	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK 18 months	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	46,259	27,059	38,967	26,462	35,099
Profit/loss of primary operations	-10,229	-20,241	-16,692	-1,941	8,030
Profit/loss of financial income and expenses	21,091	25,868	-9,771	-3,164	25,957
Net profit/loss for the year	14,636	11,037	-21,402	-4,502	32,482
Balance sheet					
Balance sheet total	891,733	518,172	512,690	193,318	278,612
Investment in property, plant and equipment	2,116	304	1,036	154	488
Equity	486,419	163,119	153,592	70,914	132,385
Number of employees	58	44	44	35	38
Ratios					
Return on assets	-1.1%	-3.9%	-3.3%	-1.0%	2.9%
Solvency ratio	54.5%	31.5%	30.0%	36.7%	47.5%
Return on equity	4.5%	7.0%	-19.1%	-4.4%	27.9%

In connection with changes to accounting policies, the comparative figures for 2019/20, 2020/21 and 2021/22 have not been restated. See the description under accounting policies.

Management's review

Key activities

The Company's key activities comprise production and development of vibration compensators and bioreactors.

Development in the year

The income statement of the Company for 2024 shows a profit of TDKK 14,636, and at 31 December 2024 the balance sheet of the Company shows a positive equity of TDKK 486,419.

The Company's profit for the year is assessed as satisfactory by the management.

Particular risks

Business risks

The Company's most important business risk is linked to its ability to be strongly positioned on the markets in which the Company sells its products.

Currency risks

The Company does most of its trade abroad, and a significant part of its revenue is invoiced in foreign currencies. The Company evaluates on a current basis the need for use of financial instruments to hedge net positions and future transactions.

Liquidity

Management assesses that the Company has the necessary funds available to meet the continued development of its activities.

Use of financial instruments

Gertsen & Olufsen A/S has in 2023 entered into FX contracts for one large contract denominated in USD to secure the currency exposure against USD. Excess liquidity is deposited in money market account or the like. Gertsen & Olufsen A/S is not exposed to material financial risks. Gertsen & Olufsen A/S is among other things using steel and other metals as raw materials in its products; thus Gertsen & Olufsen A/S is exposed to the development in various raw material prices.

Knowledge resources

Compared to the Company's operating risk, it is important to maintain a market leadership. This is done by attraction and continuous training and education of intellectual capital resources in accordance with market requirements as well as focused sale and marketing.

Environmental performance

The Company is eco-conscious and works on a current basis to improve the environmental impact of both its own operating activities as well as its customers. After end of 2024, the G&O Maritime Group has published its sustainability report. The report, which covers 2024, is available on the company homepage.

Targets and expectations for the year ahead

For 2025 Management expects to realize net profit at the same level as in 2024.

Research and development

It is important to the Company to remain a market-leading manufacturer. This is done by current product development taking the market requirements into consideration.

Management's review

Reporting guidelines of Active Owners

The Company is partly owned by private equity and follows certain reporting guidelines issued by the Danish Venture Capital and Private Equity Association. You may find the guidelines here: www.aktiveejere.dk

Income statement 1 January - 31 December

	Note	2024	2023
		TDKK	TDKK
Gross profit		46,259	27,059
Staff expenses	2	-50,896	-42,804
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-5,523	-4,496
Other operating expenses	3	-69	0
Profit/loss before financial income and expenses		-10,229	-20,241
Income from investments in subsidiaries		35,000	40,000
Financial income	4	917	0
Financial expenses	5	-14,826	-14,132
Profit/loss before tax		10,862	5,627
Tax on profit/loss for the year	6	3,774	5,410
Net profit/loss for the year	7	14,636	11,037

Balance sheet 31 December

Assets

	Note	2024	2023
		TDKK	TDKK
Completed development projects		4,382	4,905
Acquired licenses		6,707	3,980
Goodwill		25,086	26,606
Development projects in progress		1,507	1,174
Intangible assets	8	37,682	36,665
Plant and machinery		251	0
Other fixtures and fittings, tools and equipment		1,996	869
Leasehold improvements		182	209
Property, plant and equipment	9	2,429	1,078
Investments in subsidiaries	10	424,770	424,370
Fixed asset investments		424,770	424,370
Fixed assets		464,881	462,113
Raw materials and consumables		17,931	14,010
Work in progress		2,287	1,266
Finished goods and goods for resale		6,404	9,577
Inventories		26,622	24,853
Trade receivables		22,594	13,078
Contract work in progress	11	14,615	0
Receivables from group enterprises		295,029	1,274
Other receivables	16	7,528	1,195
Corporation tax receivable from group enterprises		2,349	6,228
Prepayments	12	2,037	3,036
Receivables		344,152	24,811
Cash at bank and in hand		56,078	6,395
Current assets		426,852	56,059
Assets		891,733	518,172

Balance sheet 31 December

Liabilities and equity

	Note	2024	2023
		TDKK	TDKK
Share capital		6,000	6,000
Reserve for development costs		4,594	5,406
Reserve for hedging transactions		-24	489
Retained earnings		415,849	91,224
Proposed dividend for the year		60,000	60,000
Equity		486,419	163,119
Provision for deferred tax	13	2,321	1,136
Other provisions	14	1,619	1,502
Provisions		3,940	2,638
Credit institutions		53,632	100,000
Lease obligations		759	0
Other payables		2,771	1,968
Long-term debt	15	57,162	101,968
Credit institutions	15	2,780	28,561
Lease obligations	15	339	0
Prepayments received from customers		5,174	5,967
Trade payables		29,878	16,643
Payables to group enterprises		289,375	186,010
Other payables	15,16	6,006	6,051
Deferred income	17	10,660	7,215
Short-term debt		344,212	250,447
Debt		401,374	352,415
Liabilities and equity		891,733	518,172
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Subsequent events	20		
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Statement of changes in equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	6,000	5,406	489	94,233	60,000	166,128
Net effect from change of accounting policy	0	0	0	-3,010	0	-3,010
Adjusted equity at 1 January	6,000	5,406	489	91,223	60,000	163,118
Ordinary dividend paid	0	0	0	0	-60,000	-60,000
Contribution from group	0	0	0	369,178	0	369,178
Fair value adjustment of hedging instruments, end of year	0	0	-513	0	0	-513
Other equity movements	0	-666	0	666	0	0
Development costs for the year	0	990	0	-990	0	0
Depreciation, amortisation and impairment for the year	0	-1,136	0	1,136	0	0
Net profit/loss for the year	0	0	0	-45,364	60,000	14,636
Equity at 31 December	6,000	4,594	-24	415,849	60,000	486,419

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
1. Other operating income		
Other income	800	0
	800	0
	2024	2023
	TDKK	TDKK
2. Staff expenses		
Wages and salaries	45,441	36,847
Pensions	3,218	2,581
Other social security expenses	428	377
Other staff expenses	1,809	2,999
	50,896	42,804
Including remuneration to the Executive Board and Board of Directors:		
Executive board	7,116	5,666
Board of directors	850	850
	7,966	6,516
Average number of employees	58	44
	2024	2023
	TDKK	TDKK
3. Other operating expenses		
Other expenses	69	0
	69	0
	2024	2023
	TDKK	TDKK
4. Financial income		
Other financial income	65	0
Exchange gains	852	0
	917	0

Notes to the Financial Statements

8. Intangible fixed assets

	Completed development projects	Acquired licenses	Goodwill	Develop- ment projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	19,508	14,135	33,405	1,174
Additions for the year	1,269	4,578	0	0
Transfers for the year	-333	0	0	333
Cost at 31 December	20,444	18,713	33,405	1,507
Impairment losses and amortisation at 1 January	14,606	10,155	6,799	0
Amortisation for the year	1,456	1,851	1,520	0
Impairment losses and amortisation at 31 December	16,062	12,006	8,319	0
Carrying amount at 31 December	4,382	6,707	25,086	1,507

BIO reactor:

Continuing in 2024, retrofit tasks for especially 1 customer, have been utilizing the majority of our R&D resources. Retrofit task that have been including both visits at customers to get all specifications settled, manufacturing as well as acceptance test within our factories. We continue the development of our next generation BIO reactor, to meet our customers' high-quality demand as well as our internal drive on the cleanest non-chemical BIO reactor in the marked.

Compensator:

Data collection and interconnective have been a major driver for our compensator R&D during 2024. Together with a suite of vibration sensors, detection, collection and data handling have enabled us to identify where and with what our products can assist our customers to ensure crew welfare and reduce mechanical stress on onboard equipment. Additionally, we have participated in engine type approvals test together with our biggest customers. During that we have collected data and knowledge to continue developing even more flexible solutions for the future need of vibration compensators.

Notes to the Financial Statements

9. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK	TDKK
Cost at 1 January	0	2,818	402
Additions for the year	59	1,875	181
Disposals for the year	0	-118	-113
Transfers for the year	1,163	-1,013	-150
Cost at 31 December	<u>1,222</u>	<u>3,562</u>	<u>320</u>
Impairment losses and depreciation at 1 January	0	1,949	193
Depreciation for the year	130	478	49
Reversal of impairment and depreciation of sold assets	0	-66	-58
Transfers for the year	841	-795	-46
Impairment losses and depreciation at 31 December	<u>971</u>	<u>1,566</u>	<u>138</u>
Carrying amount at 31 December	<u>251</u>	<u>1,996</u>	<u>182</u>

10. Investments in subsidiaries

	2024	2023
	TDKK	TDKK
Cost at 1 January	424,370	424,370
Additions for the year	400	0
Cost at 31 December	<u>424,770</u>	<u>424,370</u>
Carrying amount at 31 December	<u>424,770</u>	<u>424,370</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital
Atlas Incinerators ApS	Vordingborg	19.797.230
Pres-Vac Engineering ApS	Allerød	5.500.000
HECO International A/S	Hedensted	3.000.000
HECO China A/S	Hedensted	4.000.000
HJ Lubricators A/S	Hadsund	8.000.000
Global Boiler Services A/S	Aalborg	400.000

Notes to the Financial Statements

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
11. Contract work in progress		
Selling price of work in progress	24,908	0
Payments received on account	<u>-10,293</u>	<u>0</u>
	<u>14,615</u>	<u>0</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	<u>14,615</u>	<u>0</u>
	<u>14,615</u>	<u>0</u>
	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
12. Prepayments		
Other prepayments	<u>2,037</u>	<u>3,036</u>
	<u>2,037</u>	<u>3,036</u>
	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
13. Provision for deferred tax		
Deferred tax liabilities at 1 January	1,136	318
Amounts recognised in the income statement for the year	<u>1,185</u>	<u>818</u>
Deferred tax liabilities at 31 December	<u>2,321</u>	<u>1,136</u>

Notes to the Financial Statements

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
14. Other provisions		
The Company provides warranties of on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 1,619 (2023: TDKK 1,105) have been recognised for expected warranty claims.		
Other provisions	1,619	1,502
	<u>1,619</u>	<u>1,502</u>
The provisions are expected to mature as follows:		
Between 1 and 5 years	1,619	1,502
After 5 years	0	0
	<u>1,619</u>	<u>1,502</u>
	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
15. Long-term debt		
Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.		
The debt falls due for payment as specified below:		
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	53,632	100,000
Long-term part	53,632	100,000
Other short-term debt to credit institutions	2,780	28,561
	<u>56,412</u>	<u>128,561</u>
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	759	0
Long-term part	759	0
Within 1 year	339	0
	<u>1,098</u>	<u>0</u>

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
15. Long-term debt		
Other payables		
After 5 years	0	0
Between 1 and 5 years	2,771	1,968
Long-term part	2,771	1,968
Other short-term payables	6,006	6,051
	<u>8,777</u>	<u>8,019</u>

	2024	2023
	TDKK	TDKK
16. Derivative financial instruments		
Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:		
Assets	0	489
Liabilities	-24	0

Forward exchange contracts have been concluded to hedge future sale of goods in USD. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK -24k, which has been recognised through equity.

17. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

	2024	2023
	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with Bond issuers		
Business mortgage deeds registered to the mortgagor totalling kDKK 10,000, providing security on goodwill, other fixtures and fittings, tools and equipment, accounts receivables and inventory at a total carrying amount of:	76,298	0

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Within 1 year	339	280
Between 1 and 5 years	759	1,538
Guarantee obligations		
The Company has provided guarantees to customers totaling TUSD 227 as of 31 December 2024. This amounts to TDKK 1,619 with the exchange rate as of 31 December 2024.	1,619	1,105

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of P-G&O 2021 A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

19. Related parties and disclosure of consolidated financial statements

Basis

Controlling interest

Other related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(6) of the Danish Financial Statements Act.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
P-G&O 2021 A/S	Copenhagen
G&O Maritime Group A/S	Kongens Lyngby

Notes to the Financial Statements

20. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

21. Accounting policies

The Annual Report of Gertsen & Olufsen A/S for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2024 are presented in TDKK.

Changes in accounting policies

The company has decided to apply the recognition and measurement principles from IFRS 15 to align with the Group accounting policies. The change in principle has resulted in a decrease of gross profit of DKK910k (2023: 3,010) and net result of DKK 910k (2023: 3,010k). Furthermore, opening equity has been impacted by DKK 3,010k. Comparative figures has been adjusted accordingly.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2024 of G&O Maritime Group A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of G&O Maritime Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Notes to the Financial Statements

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income statement

Revenue

Revenue is recognised when customers obtain control of promised goods or services, at an amount that reflects the consideration that G&O expects to receive in exchange for those goods or services. Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Notes to the Financial Statements

Revenue from the services is recognised over time as the customer simultaneously receive and consume the service rendered by G&O. Revenue is recognised by measuring a percentage of completion, using an output-based method.

The transaction price includes a fixed fee. Ad hoc services are invoiced upon completion of the service and long term services are prepaid for one year at a time.

G&O has larger project-based solutions tailoring products to specific customer needs and commissioning/installing, quality testing on a premiss directed by the customer. Such projects contain an extended warranty.

The nature of the project-based solutions is to deliver a combined output to which the promised deliverables are inputs. The group provides a significant service of integrating the deliverables into a bundle and the nature of the promise is to provide a full functioning customer specific solution and installation.

The transaction price is fixed and does not include any forms of variable consideration.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Notes to the Financial Statements

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with the Parent company. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 30 years, determined on the basis of Management's experience with the individual business areas.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 4-7 year.

Other intangible fixed assets

Licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Software licences are amortised over the period of the agreements, which is 5-8 years.

Notes to the Financial Statements

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Notes to the Financial Statements

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$