Deloitte.

Gertsen & Olufsen A/S

Solvang 22
3450 Allerød
CVR No. 16314897

Annual report 01.07.2020 - 30.06.2021

The Annual General Meeting adopted the annual report on 31.08.2021

Karsten Lindved
Chairman of the General Meeting

Contents

Entity details

Entity

Gertsen & Olufsen A/S

Solvang 22

3450 Allerød

Business Registration No.: 16314897

Registered office: Allerød

Financial year: 01.07.2020 - 30.06.2021

URL: www.g-o.dk

E-mail: info@g-o.dk

Board of Directors

Søren Klarskov Vilby, chairman

Bo Kristensen

Thomas Marstrand

Kristian la Cour

Executive Board

Karsten Lindved

Morten Pilnov

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

6701 Esbjerg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Gertsen & Olufsen A/S for the financial year 01.07.2020 - 30.06.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2021 and of the results of its operations for the financial year 01.07.2020 - 30.06.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Allerød, 31.08.2021

Executive Board

Karsten Lindved

Morten Pilnov

Board of Directors

Søren Klarskov Vilby
chairman

Bo Kristensen

Thomas Marstrand

Kristian la Cour

Independent auditor's report

To the shareholders of Gertsen & Olufsen A/S

Opinion

We have audited the financial statements of Gertsen & Olufsen A/S for the financial year 01.07.2020 - 30.06.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 30.06.2021 and of the results of its operations for the financial year 01.07.2020 - 30.06.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 31.08.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Lasse Lynggaard Wolff
State Authorised Public Accountant
Identification No (MNE) mne35802

Management commentary

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

Development in activities and finances
Result for the year 2020/21 amounted to a profit of DKK 22,503k compared to a profit of DKK 32,482k in 2019/20. Management considers the performance for the year acceptable.

Income statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Gross profit/loss		**25,754**	**35,099**
Staff costs	1	(22,376)	(24,732)
Depreciation, amortisation and impairment losses	2	(2,671)	(2,337)
Operating profit/loss		**707**	**8,030**
Income from investments in group enterprises		23,482	27,173
Other financial income from group enterprises		880	1,420
Other financial income		1,224	1,139
Financial expenses from group enterprises		(1,118)	(1,096)
Other financial expenses		(3,007)	(2,679)
Profit/loss before tax		**22,168**	**33,987**
Tax on profit/loss for the year	3	335	(1,505)
Profit/loss for the year		**22,503**	**32,482**
Proposed distribution of profit and loss			
Retained earnings		22,503	32,482
Proposed distribution of profit and loss		**22,503**	**32,482**

Balance sheet at 30.06.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Completed development projects	5	4,309	523
Acquired licences		835	1,356
Development projects in progress	5	726	5,384
Intangible assets	4	**5,870**	**7,263**
Other fixtures and fittings, tools and equipment		295	279
Leasehold improvements		419	548
Property, plant and equipment	6	**714**	**827**
Investments in group enterprises		198,916	174,993
Financial assets	7	**198,916**	**174,993**
Fixed assets		**205,500**	**183,083**
Raw materials and consumables		14,529	11,013
Work in progress		846	0
Manufactured goods and goods for resale		160	417
Inventories		**15,535**	**11,430**
Trade receivables		23,840	9,357
Contract work in progress		0	6,292
Receivables from group enterprises		55,942	66,229
Other receivables		1,450	1,084
Prepayments		1,088	1,079
Receivables		**82,320**	**84,041**
Cash		**33**	**57**
Current assets		**97,888**	**95,528**
Assets		**303,388**	**278,611**

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		6,000	6,000
Reserve for net revaluation according to the equity method		69,730	45,807
Reserve for development expenditure		4,593	4,028
Retained earnings		75,005	76,550
Equity		**155,328**	**132,385**
Deferred tax		763	1,693
Other provisions		970	964
Provisions		**1,733**	**2,657**
Other payables		2,143	1,645
Non-current liabilities other than provisions	8	**2,143**	**1,645**
Current portion of non-current liabilities other than provisions	8	277	0
Bank loans		32,260	51,133
Prepayments received from customers		783	1,528
Trade payables		13,375	10,495
Payables to group enterprises		86,705	69,227
Joint taxation contribution payable		2,961	2,366
Other payables		6,323	6,400
Deferred income		1,500	775
Current liabilities other than provisions		**144,184**	**141,924**
Liabilities other than provisions		**146,327**	**143,569**
Equity and liabilities		**303,388**	**278,611**
Contingent liabilities	9		
Assets charged and collateral	10		
Group relations	11		

Statement of changes in equity for 2020/21

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	6,000	45,807	4,028	76,550	132,385
Exchange rate adjustments	0	440	0	0	440
Transfer to reserves	0	0	565	(565)	0
Profit/loss for the year	0	23,483	0	(980)	22,503
Equity end of year	**6,000**	**69,730**	**4,593**	**75,005**	**155,328**

Notes

1 Staff costs

	2020/21 DKK'000	2019/20 DKK'000
Wages and salaries	19,939	22,299
Pension costs	1,653	1,772
Other social security costs	283	188
Other staff costs	1,103	1,553
	22,978	**25,812**
Staff costs classified as assets	(602)	(1,080)
	22,376	**24,732**

Average number of full-time employees	35	38

2 Depreciation, amortisation and impairment losses

	2020/21 DKK'000	2019/20 DKK'000
Amortisation of intangible assets	2,403	2,004
Depreciation of property, plant and equipment	268	265
Profit/loss from sale of intangible assets and property, plant and equipment	0	68
	2,671	**2,337**

3 Tax on profit/loss for the year

	2020/21 DKK'000	2019/20 DKK'000
Current tax	595	788
Change in deferred tax	(930)	717
	(335)	**1,505**

4 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Development projects in progress DKK'000
Cost beginning of year	2,899	8,384	5,384
Transfers	5,383	0	(5,383)
Additions	0	285	725
Cost end of year	**8,282**	**8,669**	**726**
Amortisation and impairment losses beginning of year	(2,376)	(7,028)	0
Amortisation for the year	(1,597)	(806)	0
Amortisation and impairment losses end of year	**(3,973)**	**(7,834)**	**0**
Carrying amount end of year	**4,309**	**835**	**726**

5 Development projects

New bioreactor:

The capitalised development costs relate to the development of a new bioreactor. The development project was completed in H1 2017, and the new product has been placed on the market. The aim of the development project was to launch a more competitive product and to comply with tightened regulatory requirements for waste water discharges from ships.

We expect that the launch of the new bioreactor will help ensure that Gertsen & Olufsen's products remain among the leading in the market.

New compensator:

The capitalised development costs relate to the development of a new generation of vibration compensators. The new portfolio holds improved design and automation of the products to the effect that our products can remedy vibration problems in ships even further. Expectations are also that the new design will lead to reduced production costs.

The aim of the development project is to ensure that Gertsen & Olufsen's vibration compensators remain leading in the market and that the market share remains high. We expect the development project to be completed in Q4 2021.

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	638	761
Additions	128	27
Cost end of year	**766**	**788**
Depreciation and impairment losses beginning of year	(359)	(213)
Depreciation for the year	(112)	(156)
Depreciation and impairment losses end of year	**(471)**	**(369)**
Carrying amount end of year	**295**	**419**

7 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	129,186
Cost end of year	**129,186**
Revaluations beginning of year	45,807
Exchange rate adjustments	440
Amortisation of goodwill	(786)
Share of profit/loss for the year	24,269
Revaluations end of year	**69,730**
Carrying amount end of year	**198,916**

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Pres-Vac Engineering ApS	Allerød	ApS	100
Heco International A/S	Hedensted	A/S	100
Heco China A/S	Hedensted	A/S	100
Heco Mechanical Seals Technology (Suzhou) Co,.Ltd	China, Suzhou	Ltd	100
Atlas Incinerators A/S	Vordingborg	A/S	100
Atlas Incinerators Invest ApS	Vordingborg	ApS	100

8 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK'000	Due after more than 12 months 2020/21 DKK'000	Outstanding after 5 years 2020/21 DKK'000
Other payables	277	2,143	1,548
	277	**2,143**	**1,548**

9 Contingent liabilities

	2020/21 DKK'000	2019/20 DKK'000
Recourse and non-recourse guarantee commitments	19,951	19,200
Contingent liabilities	**19,951**	**19,200**
Recourse and non-recourse guarantee commitments	19,951	19,200
Contingent liabilities to group enterprises	**19,951**	**19,200**

The above mentioned figure comprises guarantee commitments for credit max on overdraft facility for group enterprises. Carrying amount for group enterprises total bank loans comprises DKK 5,383K at 30.06.2021.

The Entity participates in a Danish joint taxation arrangement where G&O Investment serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

10 Assets charged and collateral

Bank debt is secured by way of mortgage on shares in the group enterprises.

The carrying amount of mortgaged shares amounts to DKK 198,916k.

The amount owed to Nykredit is secured by way of a deposited letter of indemnity (company charge) of DKK 10.000k nominal.

The company charge comprises operating equipment, inventories of raw materials and semimanufactured products, unsecured claims arising from trade receivables as well as goodwill, domain names and rights according to the Danish legislation on patents, trademarks, designs, utility models, copyright and protection of the design of semiconductor products.

The carrying amount of assets covered by the company charge amounts to DKK 45,959k and is intangible assets of DKK 5,870k, property, plant and equipment of DKK 714k, inventories of DKK 15,535k and trade receivables of DKK 23,840k.

11 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
G&O Investment A/S, Charlottenlund, Denmark.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Non-comparability

During the financial year, the company has changed the presentation of accrued revenue from other payables to deferred income. The change in last years figures results in deferred income being changed by +775k and other liabilities by -775k. The change has no effect on total liabilities.

The comparative figures are therefore not directly comparable.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

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

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

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

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

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

Balance sheet

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 20 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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

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

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

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

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

Cash
Cash comprises cash in hand and bank deposits.

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable
Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.