
Hans Jensen Lubricators A/S

Smedevænget 3, DK-9560 Hadsund

Annual Report for 2023

CVR No. 11 22 10 33

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 10/5 2024

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 Hans Jensen Lubricators A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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.

Hadsund, 3 May 2024

Executive Board

Anders Egehus
CEO

Board of Directors

Jesper Teddy Lok
Chairman

Thomas Kastrup Sørensen
Vice chairman

Anders Egehus

Independent Auditor's report

To the shareholder of Hans Jensen Lubricators 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hans Jensen Lubricators A/S for the financial year 1 January - 31 December 2023, 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.

Aalborg, 3 May 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Toft Kristensen

State Authorised Public Accountant

mne27727

Company information

The Company	Hans Jensen Lubricators A/S Smedevænget 3 9560 Hadsund Telephone: 98 57 19 11 Website: www.hjlibri.dk CVR No: 11 22 10 33 Financial period: 1 January - 31 December Incorporated: 1 June 1987 Municipality of reg. office: Hadsund
Board of Directors	Jesper Teddy Lok, chairman Thomas Kastrup Sørensen, vice chairman Anders Egehus
Executive Board	Anders Egehus
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg

Financial Highlights

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

	2023	2021/22	2020/21	2019/20	2018/19
	TDKK 12 months	TDKK 15 months	TDKK 12 months	TDKK 12 months	TDKK 12 months
Key figures					
Profit/loss					
Gross profit	87,314	86,427	59,597	65,239	58,713
Profit/loss of primary operations	43,147	34,718	20,483	27,574	20,729
Profit/loss of financial income and expenses	-413	79	-586	739	-297
Net profit/loss for the year	33,103	27,512	15,741	22,067	15,925
Balance sheet					
Balance sheet total	89,057	84,808	81,361	97,439	84,048
Equity	39,711	46,608	35,096	59,355	53,288
Number of employees	76	79	80	75	77
Ratios					
Return on assets	48.4%	40.9%	25.2%	28.3%	24.7%
Solvency ratio	44.6%	55.0%	43.1%	60.9%	63.4%
Return on equity	76.7%	67.3%	33.3%	39.2%	30.8%

Management's review

Key activities

The Company's key activities comprises of development, production and service related to cylinder lubrication solutions for large two-stroke marine engines.

Development in the year

The income statement of the Company for 2023 shows a profit of DKK 33,103,117, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 39,710,931.

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

The Company's loans are primarily denominated in DKK. The Company does not apply financial instruments for the purpose of speculating. Excess liquidity is deposited in money market account or the like. Consequently the Company is not exposed to material financial risks. The Company is among other things using steel as raw material in its products, thus the Company is exposed to the development in steel 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 2022, the G&O Maritime Group has published its first sustainability report. The report, which covers 2022, is available on the company homepage.

Targets and expectations for the year ahead

For 2024 Management expects to realize positive EBITDA in the range of TDKK 30,000 - 40,000.

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

Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this Annual Report.

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	2023	2021/22
		DKK 12 months	DKK 15 months
Gross profit		87,313,942	86,427,047
Staff expenses	1	-42,117,355	-49,142,965
Earnings Before Interest Taxes Depreciation and Amortization		45,196,587	37,284,082
Depreciation and impairment losses of property, plant and equipment		-2,049,475	-2,566,362
Profit/loss before financial income and expenses		43,147,112	34,717,720
Financial income		31,159	88,647
Financial expenses		-443,808	-10,043
Profit/loss before tax		42,734,463	34,796,324
Tax on profit/loss for the year	2	-9,631,346	-7,284,714
Net profit/loss for the year	3	33,103,117	27,511,610

Balance sheet 31 December

Assets

	Note	2023	2021/22
		DKK	DKK
Completed development projects		385,790	0
Acquired patents		2,357,662	0
Development projects in progress		3,567,781	0
Intangible assets	4	6,311,233	0
Land and buildings		7,707,653	7,967,152
Plant and machinery		5,849,781	6,851,624
Other fixtures and fittings, tools and equipment		868,875	1,283,454
Property, plant and equipment	5	14,426,309	16,102,230
Investments in subsidiaries	6	1,856,060	1,856,060
Fixed asset investments		1,856,060	1,856,060
Fixed assets		22,593,602	17,958,290
Inventories	7	28,613,618	27,748,409
Trade receivables		27,109,122	29,904,553
Contract work in progress	8	1,734,624	2,059,545
Other receivables		782,822	1,175,158
Prepayments		674,568	562,435
Receivables		30,301,136	33,701,691
Cash at bank and in hand		7,548,873	5,399,328
Current assets		66,463,627	66,849,428
Assets		89,057,229	84,807,718

Balance sheet 31 December

Liabilities and equity

	Note	2023	2021/22
		DKK	DKK
Share capital		8,000,000	8,000,000
Reserve for development costs		3,083,785	0
Retained earnings		3,627,146	23,607,814
Proposed dividend for the year		25,000,000	15,000,000
Equity		39,710,931	46,607,814
Provision for deferred tax	9	3,774,466	3,069,915
Other provisions	10	450,000	450,000
Provisions		4,224,466	3,519,915
Credit institutions		5,066,129	5,545,962
Other payables		3,653,993	3,495,359
Long-term debt	11	8,720,122	9,041,321
Credit institutions	11	485,273	480,119
Prepayments received from customers		5,178,038	0
Trade payables		9,864,778	9,436,328
Payables to group enterprises		330,993	0
Corporation tax		1,571,401	4,246,402
Payables to group enterprises relating to corporation tax		8,926,795	1,463,569
Other payables	11	10,044,432	10,012,250
Short-term debt		36,401,710	25,638,668
Debt		45,121,832	34,679,989
Liabilities and equity		89,057,229	84,807,718
Contingent assets, liabilities and other financial obligations	12		
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	8,000,000	0	23,607,814	15,000,000	46,607,814
Ordinary dividend paid	0	0	0	-15,000,000	-15,000,000
Extraordinary dividend paid	0	0	-25,000,000	0	-25,000,000
Development costs for the year	0	3,083,785	-3,083,785	0	0
Net profit/loss for the year	0	0	8,103,117	25,000,000	33,103,117
Equity at 31 December	8,000,000	3,083,785	3,627,146	25,000,000	39,710,931

Notes to the Financial Statements

	2023	2021/22
	DKK 12 months	DKK 15 months
1. Staff Expenses		
Wages and salaries	38,584,274	45,169,162
Pensions	2,853,007	3,176,224
Other social security expenses	680,074	797,579
	<u>42,117,355</u>	<u>49,142,965</u>
Including remuneration to the Board of Directors	<u>2,369</u>	<u>3,646</u>
Average number of employees	<u>76</u>	<u>79</u>
	2023	2021/22
	DKK 12 months	DKK 15 months
2. Income tax expense		
Current tax for the year	8,926,795	7,498,379
Deferred tax for the year	704,551	105,513
Adjustment of tax concerning previous years	0	-319,178
	<u>9,631,346</u>	<u>7,284,714</u>
	2023	2021/22
	DKK	DKK
3. Profit allocation		
Extraordinary dividend paid	25,000,000	0
Proposed dividend for the year	25,000,000	15,000,000
Retained earnings	-16,896,883	12,511,610
	<u>33,103,117</u>	<u>27,511,610</u>
Extraordinary dividend after year end	<u>10,000,000</u>	<u>0</u>

Notes to the Financial Statements

4. Intangible fixed assets

	Completed development projects	Acquired patents	Develop- ment projects in progress
	DKK	DKK	DKK
Cost at 1 January	0	0	0
Additions for the year	0	2,357,662	3,953,571
Transfers for the year	385,790	0	-385,790
Cost at 31 December	385,790	2,357,662	3,567,781
Carrying amount at 31 December	385,790	2,357,662	3,567,781

Most R&D resources have been used to optimise HJ Smartlube 4.0. The injection valve has been released, the electronics have been updated, the software has gone through an overhaul on the user interface to improve user-friendliness. Progress in other key projects has also been realised e.g. new sensors for mechanical lubricators have been designed, produced, and tested. A new lubrication solution for 4-stroke ferries has been developed, documented, tested, and delivered. Further, The HJ X-tronic software has been overhauled, including new features.

5. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	20,712,971	35,425,648	6,589,425
Additions for the year	0	217,514	363,223
Disposals for the year	0	0	-561,995
Cost at 31 December	20,712,971	35,643,162	6,390,653
Impairment losses and depreciation at 1 January	12,745,820	28,574,024	5,305,971
Depreciation for the year	259,498	1,219,357	570,529
Impairment and depreciation of sold assets for the year	0	0	-354,722
Impairment losses and depreciation at 31 December	13,005,318	29,793,381	5,521,778
Carrying amount at 31 December	7,707,653	5,849,781	868,875

Notes to the Financial Statements

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK
6. Investments in subsidiaries		
Cost at 1 January	1,856,060	1,856,060
Cost at 31 December	<u>1,856,060</u>	<u>1,856,060</u>
Carrying amount at 31 December	<u>1,856,060</u>	<u>1,856,060</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes	Ownership
Hans Jensen Lubricators Singapore Pte. Ltd.	Singapore	100%	100%

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK
7. Inventories		
Raw materials and consumables	11,020,682	13,675,997
Work in progress	9,135,384	6,762,882
Finished goods and goods for resale	<u>8,457,552</u>	<u>7,309,530</u>
	<u>28,613,618</u>	<u>27,748,409</u>

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK
8. Contract work in progress		
Contract work in progress is recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	<u>1,734,624</u>	<u>2,059,545</u>
	<u>1,734,624</u>	<u>2,059,545</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK
9. Provision for deferred tax		
Deferred tax liabilities at 1 January	3,069,915	2,964,402
Amounts recognised in the income statement for the year	<u>704,551</u>	<u>105,513</u>
Deferred tax liabilities at 31 December	<u>3,774,466</u>	<u>3,069,915</u>

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK

10. 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 450 (2021/22: TDKK 450) have been recognised for expected warranty claims.

Other provisions	<u>450,000</u>	<u>450,000</u>
	<u>450,000</u>	<u>450,000</u>

The provisions are expected to mature as follows:

After 5 years	<u>450,000</u>	<u>450,000</u>
	<u>450,000</u>	<u>450,000</u>

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK

11. 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	2,962,581	3,484,396
Between 1 and 5 years	<u>2,103,548</u>	<u>2,061,566</u>
Long-term part	5,066,129	5,545,962
Within 1 year	<u>485,273</u>	<u>480,119</u>
	<u>5,551,402</u>	<u>6,026,081</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK
11. Long-term debt		
Other payables		
After 5 years	0	0
Between 1 and 5 years	3,653,993	3,495,359
Long-term part	<u>3,653,993</u>	<u>3,495,359</u>
Other short-term payables	10,044,432	10,012,250
	<u>13,698,425</u>	<u>13,507,609</u>

	<u>2023</u>	<u>2021/22</u>
	DKK	DKK
12. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Land and bouldings with a carrying amount of	7,707,653	7,967,152

Rental and lease obligations

The Company has operational leases with a total commitment of TDKK 76 (31 December 2022: TDKK 236) within the next year.

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.

Notes to the Financial Statements

13. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
G&O Holding 2021 A/S	Parent Company

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)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
G&O Holding 2021 A/S	Allerød
P-G&O 2021 A/S	Copenhagen

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Hans Jensen Lubricators A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

Correction of material misstatements

The company has identified that, in last year's presentation of the company, there was an error in the classification between salary expenses and gross profit within the profit and loss statement.

The comparative figures for 2022 have been corrected accordingly, resulting personnel costs being increased by DKK 8,366k, and gross profit being increased by DKK 8,366k. The changes affect neither the year's result, tax, equity nor the financial position.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of G&O Holding 2021 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 Holding 2021 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.

Notes to the Financial Statements

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.

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.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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.

Notes to the Financial Statements

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.

Amortisation, depreciation and impairment losses

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

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

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

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 10 year.

Other intangible fixed assets

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

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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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:

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.

Notes to the Financial Statements

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.

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.

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.

Notes to the Financial Statements

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.

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.

Financial Highlights

Explanation of financial ratios

Return on assets $\frac{\text{Profit/loss of ordinary primary operations} \times 100}{\text{Total assets at year end}}$

Solvency ratio $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

Return on equity $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$