

HAWE Energy Solutions A/S

Roskildevej 8, 2620 Albertslund

CVR no. 46 05 93 28

Annual report for 2024

This annual report has been adopted at the
annual general meeting on 8 July 2025

Markus Oberhuber
Chairman of the meeting

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The company

HAWE Energy Solutions A/S
Roskildevej 8
2620 Albertslund
CVR no.: 46 05 93 28
Financial year: 01.01 - 31.12

Executive Board

Markus Oberhuber

Board of Directors

Wolfgang Dieter Sochor, Chairman
Stefan Schmid
Sebastian Brand
Jiang Ye

Auditors

Rödl & Partner Danmark, Godkendt Revisionsaktieselskab

Parent company

HAWE Holding GmbH

Statement by the Executive Board and Board of Directors

The executive board and board of directors have today discussed and approved the annual report of HAWE Energy Solutions A/S for the financial year 1 January - 31 December 2024.

The annual report is prepared in accordance with the Danish Financial Statements Act. (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities, and financial position as per 31 December 2024 and of the results of the company's operations for the financial year 1 January - 31 December 2024.

In our opinion, Management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be submitted for adoption by the company's shareholders at the annual general meeting.

Albertslund, July 8, 2025

Executive Board

Markus Oberhuber

Board of Directors

Wolfgang Dieter Sochor
Chairman

Jiang Ye

Stefan Schmid

Sebastian Brand

To the shareholders of Hawe Energy Solutions A/S**Opinion**

We have audited the financial statements of HAWE Energy Solutions A/S for the financial year 1 January – 31 December 2024, which comprise a summary of income statement, balance sheet, statement of changes in equity and notes to the financial statements, including 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 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.

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' 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 and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We refer to note 1 in the financial statements, which reflects that the Company recorded a loss of th. DKK 15,613 in the financial year ended 31st December 2024. This, combined with the other matters mentioned in note 1, indicates that the Company's ability to remain a going concern is associated with material uncertainty. We have not modified our opinion in respect of this matter.

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 the financial statements that are free from 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.

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 skepticism 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.

Statement on the 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, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, July 8, 2025

Rödl & Partner Danmark
Godkendt Revisionsaktieselskab
CVR no. 39 18 86 78

Bjarne Flyvbjerg Erichsen
State Authorized Public Accountant
mne47907

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2024	2023	2022	2021	2020
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Profit/loss

Operating profit/loss	-16,630	-17,203	-79,190	500	5,505
Index	107	110	507	-3	-35

Total net financials	1,017	9,427	4,328	3,367	-1,555
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Profit/loss for the year	-15,613	-5,926	-78,653	1,779	3,066
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Balance

Total assets	105,917	114,041	103,729	130,576	227,743
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Investments in property, plant and equipment	2,314	69	550	758	488
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Equity	64,118	58,102	19,180	61,980	61,503
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Ratios

	2024	2023	2022	2021	2020
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Equity ratio

Solvency ratio	61%	51%	18%	47%	27%
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Ratios definitions

Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$
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Primary activities

The company is a leading provider of highly profiled products and solutions that drive the development of sustainable solutions for our customers. The company's primary activities are engineering, trade and production.

Development in activities and financial affairs

In the Annual Report 2023 the Company realized a loss after tax of th.DKK 5,926, in 2024 the Company expected a loss of approx. th. DKK 20,000. Instead, the Company realized a loss after tax of th. DKK 15,613 which is better than expected. Main positive impacts to the result are:

- Low depreciations due to delay on finalizing autotester,
- Cost cutting in general, lower spending on data support on site, lower insurance on Liability, lower consulting fees
- Business change resulting in low service charge from HAWE Holding GmbH,
- However, the release of guaranteed provision are below expectations due to unclear claim with Goldwind,
- And there has been low activity in the worldwide OEM Wind market and approval and qualification process to new customers and products takes several years,

The equity of the company amounted to th. DKK 64,118 at the end of the financial year, as a result of capital increase in April 2024 of th. DKK 21,628 is made from HAWE Holding GmbH.

The result for the year is considered not satisfactory overall.

Outlook

The company has, for the financial year, ended 31st December 2024, realized a loss of th. DKK 15,613. The company expects to realize a loss of th. DKK 7,300 in the financial year 2025, hence the company received a letter of support from the parent company.

Annual wind power installed power in 2030 is expected to triple compared to 2023 in Europe, and major growth is expected within offshore installations. HAWE Energy Solutions aims to be innovative and technology leader as a development partner for the Wind OEMs.

With the short-term outlook for sustainable/Wind Energy in a global perspective, the company considers 2025 to be the last year with a negative result, which is driven by a warranty accrual adjustment. The rest of the operative business aims to be neutral.

The positive development in the increase in sales is still mainly driven by the aftermarket sales. On the OEM sales side HAWE has entered a purchase agreement that spans several years with a market leader in the Western World, as the technology partner in hydraulics with deliveries starting in 2025 and hydraulics system from 2026 /2027.

The first half year 2025 is below plan in sales due to delayed ramp-up in 2025 and warranty release which was planned but not executed.

Total year 2025 will be in line with Budget because of a very strong order intake which ensures strong sales in the second half year and additional income from a profit-sharing agreement with the parent company.

The company expects a positive EBIT from 2026 due to the strategic initiatives such as new product lines and the acquisition of the company WRS GmbH. The acquisition has strengthened HAWE's position in the important region UK / Ireland.

Knowledge resources

To secure the continued competitiveness of the company, the resources necessary for the maintenance and development of the competencies of the company are applied. Also, the company has access to knowledge and resources from HAWE Group.

Research and development activities

The company continuously applies resources for developing and improving products and systems. This work is done internally as well as in collaboration with customers and suppliers.

Change in accounting estimates

In 2024, HAWE Energy Solutions A/S revised its warranty accounting method to better reflect actual risks and historical claim trends. The new approach, based on weighted average revenue and failure likelihood, resulted in a general provision of 7.6m DKK. The updated 2024 method offers a more realistic estimate of liabilities, especially considering the OEM activity and clearer trends in early-stage component failures.

If the 2023 method would have been applied, then the provision for the current period would have been 10.3m DKK.

Subsequent events

As of 1. January 2025 the Company include the WRS Company, price th. DKK 15,645, the main reason for getting into the UK market. In 2024 WRS revenue was th. DKK 29,800, with expectations of this to increase to th. DKK 33,525 in 2025.

Besides the above-mentioned, no events materially affecting the financial position of the company have occurred after the end of the financial year

Income statement 1. January – 31. December

Note	2024 DKK '000	2023 DKK '000
Gross result	29,293	21,847
2 Staff costs	-45,525	-38,706
Profit/loss before depreciation, amortisation, write-downs and impairment losses	-16,233	-16,859
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-396	-344
Other operating expenses	0	0
Operating profit/loss	-16,630	-17,203
3 Income from equity investments in group enterprises	495	11,507
4 Financial income	2,054	489
5 Financial expenses	-1,532	-2,570
Profit/loss before tax	-15,613	-7.777
6 Tax on profit or loss for the year	0	1.851
Profit/loss for the year	-15,613	-5,926
7 Proposed appropriation account		

Balance sheet 31. December

ASSETS		2024	2023
Note		DKK '000	DKK '000
	Leasehold improvements	277	188
	Plant and machinery	2,271	383
	Other fixtures and fittings, tools and equipment	88	147
	⁸ Total property, plant and equipment	2,636	718
	⁹ Equity investments in group enterprises	0	16,253
	¹⁰ Deposits	231	191
	Total investments	231	16,444
	Total non-current assets	2,867	17,162
	Raw materials and consumables	0	7,649
	Manufactured goods and goods for resale	46,959	37,808
	Total inventories	46,959	45,457
	Trade receivables	26,733	2,068
	Receivables from group enterprises	8,171	30,737
	Deferred tax asset	0	0
	Other receivables	1,436	2,517
	¹¹ Prepayments	96	763
	Total receivables	36,436	36,085
	Cash	19,655	15,337
	Total current assets	103,050	96,879
	Total assets	105,917	114,041

Balance sheet 31. December

EQUITY AND LIABILITIES		2024	2023
Note		DKK '000	DKK '000
12	Share capital	614	611
	Reserve for net revaluation according to the equity method	0	11,681
	Retained earnings	63,504	45,810
	Total equity	64,118	58,102
13	Deferred tax	0	0
14	Other provisions	7,659	15,524
	Total provisions	7,659	15,524
15	Payables to group enterprises	13,428	13,415
15	Other payables	5,472	5,747
	Total long-term payables	18,900	19,162
	Trade payables	8,249	12,884
	Payables to group enterprises	2,972	2,942
	Other payables	4,017	5,427
	Total short-term payables	15,238	21,253
	Total payables	34,139	40,415
	Total equity and liabilities	105,916	114,041
16	Contingent liabilities		
17	Related parties		
18	Accounting policies		

Statement of changes in equity 1. January - 31. December

	Share capital	Reserve for net revaluation according to the equity method	Cash flow hedging reserve	Retained earnings	Total equity
Figures in DKK '000					
Balance as at 01.01.23	605	12,100	0	6,475	19,180
Effect of demerger	0	0	0	-5,000	5,000
Foreign currency translation adjustment of foreign enterprises	0	-849	0	0	-849
Capital increase	6	0	0	50,691	50,697
Disposal	0	616	0	-616	0
Net profit/loss for the year	0	-186	0	-5,740	-5,926
Balance as at 31.12.23	611	11,681	0	45,810	58,102
Balance as at 01.01.24	611	11,681	0	45,810	58,102
Foreign currency translation adjustment of foreign enterprises	0	0	0	0	0
Capital increase	3	0	0	21,626	21,628
Disposal	0	-12,174	0	12,174	0
Net profit/loss for the year	0	493	0	-16,106	-15,613
Balance as at 31.12.24	614	0	0	63,504	64,118

1. Material uncertainty related to going concern

The company has for the financial year, ended 31st December 2024, realized a loss of th. DKK 15,613. The company expects to realize a loss of th. DKK 7,300 in the financial year 2025, hence the company received a letter of support from the parent company.

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The company expects a positive EBIT from 2026 due to the strategic initiatives such as new product lines and the acquisition of the company WRS GmbH. The acquisition has strengthened HAWE's position in the important region UK / Ireland.

	2024 DKK '000	2023 DKK '000
2. Staff costs		
Wages and salaries	38,900	33,213
Pensions	3,460	2,927
Other social security costs	794	541
Other staff costs	2,371	2,025
Total	45,525	38,706
Average number of employees during the year	67	55
Remuneration for the Executive Board	2,344	
3. Income from equity investments in group enterprises		
Share of profit or loss of group enterprises	495	-186
Profit of sale of equity investment	0	11,693
Total	495	11,507
4. Financial income		
Other interest income	487	82
Other financial income	1,567	407
Total	2,054	489

	2024 DKK '000	2023 DKK '000
5. Financial expenses		
Interest, group enterprises	403	822
Other interest expenses	46	46
Other financial expenses	1,083	1,702
Total	1,532	2,570
6. Tax on profit or loss for the year		
Adjustment of deferred tax for the year	0	0
Adjustment of tax in respect of previous years	0	-1.851
Total	0	-1.851
7. Proposed appropriation account		
Reserve for net revaluation according to the equity method	493	-186
Other reserves	0	0
Retained earnings	-16,106	-5,740
Total	-15,613	-5,926

8. Property, plant, and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.24	463	6,282	678
Additions during the year	184	2,130	0
Disposals during the year	0	0	0
Cost as at 31.12.24	647	8,412	678
Depreciation and impairment losses as at 01.01.24	-275	-5,899	-531
Depreciation during the year	-95	-242	-59
Depreciation and impairment losses as at 31.12.24	-370	-6,141	-590
Carrying amount as at 31.12.24	277	2,271	88

9. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.01.24	4,572
Disposals during the year	-4,572
Cost as at 31.12.24	0
Revaluations as at 01.01.24	11,681
Foreign currency translation adjustment of foreign enterprises	0
Disposals	-12,174
Net profit/loss from equity investments	493
Revaluations as at 31.12.24	0
Carrying amount as at 31.12.24	0

10. Other non-current financial assets

Figures in DKK '000	Deposits	
Cost as at 01.01.24		191
Additions during the year		40
Disposals during the year		0
Cost as at 31.12.24		231
Carrying amount as at 31.12.24		231
	31.12.24 DKK '000	31.12.23 DKK '000

11. Prepayments

Prepaid insurance premiums	42	665
Prepaid administrative costs	0	44
Other prepayments	54	54
Total	96	763

12. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	614	614
Capital increase during the financial year	3	3

	31.12.24	31.12.23
	DKK '000	DKK '000

13. Deferred tax

The Company has net deferred tax assets with a tax value of DKK 23,7 million that has not been recognized due to uncertainty regarding future use.

	31.12.24	31.12.23
	DKK '000	DKK '000

14. Other provisions

Warranty provision	7,659	15,524
Total	7,659	15,524

The Company provides a 1-5 year warranty on certain products and undertakes to repair or replace items that are not satisfactory. Other provisions have been recognized for expected warranty claims, which have been calculated on the basis of experience regarding the level of repairs.

In 2024, HAWE Energy Solutions A/S revised its warranty accounting method to better reflect actual risks and historical claim trends. The new approach, based on weighted average revenue and failure likelihood, resulted in a general provision of 7.6m DKK. The updated 2024 method offers a more realistic estimate of liabilities, especially considering the OEM activity and clearer trends in early-stage component failures.

If the 2023 method would have been applied, then the provision for the current period would have been 10.3m DKK.

15. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.24	Total payables at 31.12.23
Payables to group enterprises	0	11,175	13,428	13,415
Other payables	0	5,472	5,472	5,747
Total	0	16,647	18,900	19,162

16. Contingent liabilities

Lease commitments

- The company has concluded lease agreements with terms to maturity of 3-35 months and average lease payments of th.DKK 60, a total of th.DKK 1,416.
- The company has entered service agreement with Group entities with a termination period of 0-6 months with a total payment of th.DKK 640.
- The company has entered rent obligations with a period of up to 6 months of non-terminability with a total payment of th.DKK 2,420.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and serves as the administration company. The company has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

The company makes ongoing provisions for any product claims that may arise.

17. Related parties

Controlling influence		Basis of influence	
HAWE Hydraulik SE	(Ultimate Parent)	Ownership	
HAWE Holding GmbH	(Parent)	Ownership	
Transactions	Relation	2024 DKK '000	2023 DKK '000
Purchase of goods	Group enterprises	-30,799	-23,086
Sale of goods	Group enterprises	31,602	54,010
Purchase of services	Group enterprises	-2,102	-1,881
Sale of service	Group enterprises	8,535	3,916
Interest income	Group enterprises	403	0
Interest liabilities	Group enterprises	-490	-822
Sales of shares	Group enterprises	0	18,684

Remuneration for the management is specified in note 1. Staff costs.

Balances	31.12.2024 DKK '000	31.12.2023 DKK '000
Receivables from group enterprises	8,171	30,737
Payables to group enterprises	-16,400	-16,357

The company is included in the consolidated financial statements of the ultimate parent HAWE Hydraulik SE. Consolidated financial statements for HAWE Hydraulik SE can be requested directly from the company and at CVR.dk.

18. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

The annual report is presented in Danish kroner (DKK).

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of HAWE Hydraulik SE, which prepares consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statement Act and to the cash flow statement included in the consolidated financial statement of HAWE Hydraulik SE, the Company has not prepared a cash flow statement.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, accounts are taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

18. Accounting policies - continued -**INCOME STATEMENT****Gross result**

Gross result comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

The company has chosen ISA 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognized under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

18. Accounting policies - continued -**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Acquired rights	3-5	0
Leasehold improvements	3-5	0
Plant and machinery	5-8	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

Leases

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

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group enterprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

18. Accounting policies - continued -**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

18. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

18. Accounting policies - continued -

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

The company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

18. Accounting policies - continued -

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

18. Accounting policies - continued -

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

The company has chosen IAS 39 as interpretation for liabilities.

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.