

HAWE Energy Solutions A/S

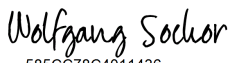
Roskildevej 8, 2620 Albertslund

CVR no. 46 05 93 28

Annual report for 2023

This annual report has been adopted at the annual general meeting on 28.06.2024.

DocuSigned by:


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Wolfgang Sochor

Chairman of the meeting

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Company information etc.

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
Axel Schwerdtfeger
Jiang Ye

Auditors

EY Godkendt Revisionspartnerselskab

Parent company

HAWE Holding GmbH

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for HAWE Energy Solutions A/S.

The annual report is presented 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 at 31.12.23 and of the results of the company's activities and cash flows for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Albertslund, June 28, 2024

Executive Board

DocuSigned by:
Markus Oberhuber
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Markus Oberhuber

Board of Directors

DocuSigned by:
Wolfgang Socher
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Wolfgang Dieter Socher
Chairman

DocuSigned by:
Stefan Schmid
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Stefan Schmid

DocuSigned by:
Sebastian Brand
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Sebastian Brand

DocuSigned by:
Axel Schwerdtfeger
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Axel Schwerdtfeger

DocuSigned by:
Jiang Ye
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Jiang Ye

Independent auditor's report

Independent auditor's report

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 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, 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 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.

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

Independence

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.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Independent auditor's report

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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

Independent auditor's report

- ▶ 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 note 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 the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the 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, June 28, 2024

EY Godkendt Revisionspartnerselskab

CVR no. 30700228

Claus Tanggaard Jacobsen

State Authorized Public Accountant

mne23314

Management review

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000

Profit/loss

Operating profit/loss	-17,203	-79,190	500	5,505	-15,612
Index	110	507	-3	-35	100

Total net financials	9,427	4,328	3,367	-1,555	-1,408
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Profit/loss for the year	-5,926	-78,653	1,779	3,066	-13,526
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Balance

Total assets	114,041	103,729	130,576	227,743	138,524
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Investments in property, plant and equipment	69	550	758	488	516
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Equity	58,102	19,180	61,980	61,503	58,276
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Ratios

	2023	2022	2021	2020	2019
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Equity ratio

Solvency ratio	51%	18%	47%	27%	42%
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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

With effect as of 1 January 2023 the company has demerged into two companies called HAWE Energy Solutions A/S and HAWE Hydraulik Denmark A/S. The business unit demerged to HAWE Hydraulik Denmark A/S was the technical business, what remains within HAWE Energy Solutions A/S is the Energy Business. Consequently, this year's financial figures are not comparable with 2022.

In the Annual Report 2022 the Company expected a loss between th. DKK 25,000 and th. DKK 30,000. Instead, the Company realized a loss after tax of th. DKK 5,926 which is better than expected. Main positive impacts to the result are

- Sale of HAWE Energy Solutions Inc, subsidiary of HAWE Energy Solutions to HAWE Holding GmbH by end of 2023,
- A reversal of warranty provision which has a positive impact on the result.
- Slightly higher Sales and Production activities in 2023 compared to 2022, driven by better utilization of available capacity in DK within the HAWE Group,
- However, there is still a very low activity in the worldwide OEM Wind market and approval and qualification process to new customers and products takes several years,

The result for the year is overall considered not satisfactory.

The equity of the company amounted to th. DKK 58,102 at the end of the financial year, as a result of capital increases: August 2023 of th. DKK 5,962, December 2023 of th. DKK 9.695 and also in December 2023 as an IC Loan conversion of th. DKK 35.038 into equity made from HAWE Holding GmbH.

Outlook

With the short-term outlook for sustainable/Wind Energy in a global perspective, the company considers 2024 to be another transition year, in which the result is expected to be a deficit between th. DKK 20,000 and th. DKK 25,000.

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 innovation and technology leader as development partner of the Wind OEMs.

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.

Management review

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.

Subsequent events

As of 30 April 2024 the Company received a capital increase of th. DKK 21,628 and further capital increases are planned during the year 2024 from the sole shareholder HAWE Holding GmbH, to ensure the continuation of the company.

Income statement 1. January – 31. December

Note	2023 DKK '000	2022 DKK '000
	21,847	-28,202
Gross result		
1 Staff costs	-38,706	-50,271
	-16,859	-78,473
Profit/loss before depreciation, amortisation, write-downs and impairment losses		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-344	-655
Other operating expenses	0	-62
	-17,203	-79,190
Operating profit/loss		
2 Income from equity investments in group enterprises	11,507	10,104
3 Financial income	489	2,909
4 Financial expenses	-2,570	-8,685
	-7.777	-74,862
Profit/loss before tax		
5 Tax on profit or loss for the year	1.851	-3,791
	-5,926	-78,653
Profit/loss for the year		
6 Proposed appropriation account		

Balance sheet 31. December

ASSETS		2023	2022
Note		DKK '000	DKK '000
	Leasehold improvements	188	179
	Plant and machinery	383	640
	Other fixtures and fittings, tools and equipment	147	231
	7 Total property, plant and equipment	718	1,050
	8 Equity investments in group enterprises	16,253	19,422
	9 Deposits	191	187
	Total investments	16,444	19,609
	Total non-current assets	17,162	20,659
	Raw materials and consumables	7,649	10,604
	Manufactured goods and goods for resale	37,808	29,951
	Total inventories	45,457	40,555
	Trade receivables	2,068	15,841
	Receivables from group enterprises	30,737	12,471
	Deferred tax asset	0	0
	Other receivables	2,517	543
	10 Prepayments	763	210
	Total receivables	36,085	29,065
	Cash	15,337	13,450
	Total current assets	96,879	83,070
	Total assets	114,041	103,729

Balance sheet 31. December

EQUITY AND LIABILITIES		2023	2022
Note		DKK '000	DKK '000
11	Share capital	611	605
	Reserve for net revaluation according to the equity method	11,681	12,100
	Retained earnings	45,810	6,475
	Total equity	58,102	19,180
12	Deferred tax	0	0
13	Other provisions	15,524	28,102
	Total provisions	15,524	28,102
14	Payables to group enterprises	13,415	26,028
15	Other payables	5,747	5,963
	Total long-term payables	19,162	31,991
	Trade payables	12,884	10,805
	Payables to group enterprises	2,942	4,571
	Other payables	5,427	8,870
	Deferred income	0	210
	Total short-term payables	21,253	24,456
	Total payables	40,415	56,447
	Total equity and liabilities	114,041	103,729
16	Contingent liabilities		
17	Related parties		

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
<i>Figures in DKK '000</i>					
Balance as at 01.01.22	600	1,742	-2,127	61,765	61,980
Foreign currency translation adjustment of foreign enterprises	0	254	0	0	254
Capital increase	5	0	0	33,467	33,472
Dissolution of fair value reserve on realization	0	0	2,127	0	2,127
Fair value adjustment of hedging instruments	0	0	0	-2,127	-2,127
Net profit/loss for the year	0	10,104	0	-90,884	-80,780
Balance as at 31.12.22	605	12,100	0	6,475	19,180
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

Notes

	2023 DKK '000	2022 DKK '000
1. Staff costs		
Wages and salaries	33,213	43,809
Pensions	2,927	3,863
Other social security costs	541	844
Other staff costs	2,025	1,755
Total	38,706	50,271
Average number of employees during the year	55	74
Remuneration for the Executive Board	1,194	
2. Income from equity investments in group enterprises		
Share of profit or loss of group enterprises	-186	10,104
Profit of sale of equity investment	11,693	0
Total	11,507	10,104
3. Financial income		
Other interest income	82	266
Other financial income	407	2,643
Total	489	2,909

Notes

	2023 DKK '000	2022 DKK '000
4. Financial expenses		
Interest, group enterprises	822	1,039
Other interest expenses	46	230
Other financial expenses	1,702	7,416
Total	2,570	8,685
5. Tax on profit or loss for the year		
Adjustment of deferred tax for the year	0	3,791
Adjustment of tax in respect of previous years	-1.851	0
Total	-1.851	3,791
6. Proposed appropriation account		
Reserve for net revaluation according to the equity method	-186	10,104
Other reserves	0	2,127
Retained earnings	-5,740	-90,884
Total	-5,926	-78,653

7. Property, plant, and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	440	6,417	1,331
Additions during the year	69	0	0
Disposals during the year	-46	-135	-653
Cost as at 31.12.23	463	6,282	678
Depreciation and impairment losses as at 01.01.23	-261	-5,777	-1,100
Depreciation during the year	-62	-198	-84
Reversal of depreciations in respect of previous years	48	76	653
Depreciation and impairment losses as at 31.12.23	-275	-5,899	-531
Carrying amount as at 31.12.23	188	383	147

8. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.01.23	7,322
Disposals during the year	-2,750
Cost as at 31.12.23	4,572
Revaluations as at 01.01.23	12,100
Foreign currency translation adjustment of foreign enterprises	-849
Disposals	616
Net profit/loss from equity investments	-186
Revaluations as at 31.12.23	11,681
Carrying amount as at 31.12.23	16,253
Name and registered office:	Ownership interest
Subsidiaries:	
Sirodan China ApS, Copenhagen	100%

9. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.23	187
Additions during the year	4
Disposals during the year	0
Cost as at 31.12.23	191
Carrying amount as at 31.12.23	191

	31.12.23 DKK '000	31.12.22 DKK '000
10. Prepayments		
Prepaid insurance premiums	665	125
Prepaid administrative costs	44	53
Other prepayments	54	32
Total	763	210

11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	611	611
Capital increase during the financial year	6	6

Notes

	31.12.23 DKK '000	31.12.22 DKK '000
12. Deferred tax		
Provisions for deferred tax as at beginning of the year	0	4,797
Deferred tax recognised in the income statement	0	-4,197
Deferred tax recognised in equity	0	-600
Provisions for deferred tax as at the end of the year	0	0

The Company has net deferred tax assets with a tax value of DKK 20,3 million that has not been recognized due to uncertainty regarding future use.

13. Other provisions

Warranty provision	15,524	28,102
Total	15,524	28,102

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 past experience regarding the level of repairs.

14. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Payables to group enterprises	0	11,175	13,415	26,028
Other payables	400	5,362	6,148	5,963
Total	400	16,537	19,563	31,991

15. Contingent liabilities*Lease commitments*

The company has concluded lease agreements with terms to maturity of 1-24 months and average lease payments of th.DKK 42, a total of th.DKK 1,065.

The company has entered into rent obligations with a period of 17-31 months of non-terminability with a total payment of th.DKK 3,723.

16. Contingent liabilities - continued -*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 on going 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	2023 DKK '000	2022 DKK '000
Purchase of goods	Group enterprises	-23,086	-8,367
Sale of goods	Group enterprises	54,010	24,272
Purchase of services	Group enterprises	-1,881	-483
Sale of service	Group enterprises	3,916	8,051
Reimbursements	Group enterprises	0	120
Interest liabilities	Group enterprises	-822	0
Sales of shares	Group enterprises	18,684	0

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

Balances	31.12.2023 DKK '000	31.12.2022 DKK '000
Receivables from group enterprises	30,737	12,471
Payables to group enterprises	-16,357	-30,599

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.

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, account is 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

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

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 recognised 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.

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