HOVE A/S

INTERIM FINANCIAL REPORT

1 January 2024 - 30 June 2024

Hove A/S
CVR no. 25804821

Herstedøstervej 7
2600 Glostrup

HOVE

1. CONTENTS

2. COMPANY INFORMATION

Company
Hove A/S
Herstedøstervej 7
DK - 2600 Glostrup

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Website: www.hove-as.com
E-mail: hove@hove-as.com
Municipality of registered office: Glostrup
CVR no.: 25804821
Financial period: 1 January 2024– 30 June 2024

Bank
Nordea Bank Denmark

Lawyer
Lundgrens Law Firm P/S

Auditor
Dansk Revision Hillerød
Godkendt Revisionsaktieselskab
Vølundsvej 6B, 3400 Hillerød
Contact: Dennis Mielcke

Board of Directors

Knud Andersen
Chairman

Michael Gaarmann

Jesper Bregendahl

Dennis Schade Forchhammer

Mette Søs Lassesen

Executive Board

Hans Christian Hansen
CEO

Thomas Alexander Kjeldbæk
COO

Thomas Cramer
CCO

Patrick Bentsen
CFO

3. STATEMENTS

3.1. Management's statements

The Executive Board and the Board of Directors have today considered and approved the interim financial report of Hove A/S for the period 1 January - 30 June 2024.

The consolidated interim financial report has not been subject to an audit.

The interim financial report was prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated interim financial report give a true and fair view of the group's financial position at 30 June 2024 as well as of the results of the operations and consolidated cash flows for the period of 1 January - 30 June 2024.

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

Glostrup, 29 August 2024

Executive Board

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Hans Christian Hansen
CEO

DocuSigned by:
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Thomas Alexander Kjeldbæk
COO

Signed by:
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Thomas Cramer
CCO

Signed by:
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Patrick Bentsen
CFO

Board of Directors

Signed by:
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Knud Andersen
Chairman

DocuSigned by:
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Michael Gaarmann

DocuSigned by:
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Jesper Bregendahl

Signed by:
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Dennis Schade Forchhammer

Mette Søs Lassesen

4. MANAGEMENT'S REVIEW

Revenue

In the first half of 2024, HOVE reported a revenue decline of 10% compared to the same period last year, with DKK 86 million recorded in H1 2024 down from DKK 96 million in H1 2023.

The Group's revenue continues to be largely driven by sales to the wind turbine market, focusing on two primary product areas: pump and lubricant. The revenue decline is primarily due to a reduction in lubricant sales. However, management believes this decrease in lubricant sales is a temporary timing issue, as there is no indication that customers are sourcing lubricants from alternative suppliers.

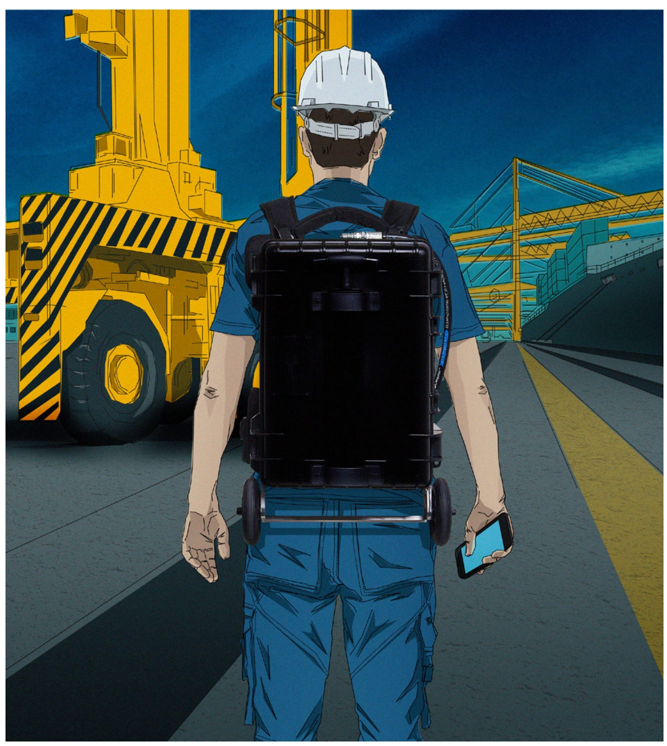
HOVE is actively expanding into a new growth area involving the sale of lubricants, lubrication pumps, and the IoT solution HSL (HOVE Smart Lube) for cranes in port terminals. Significant investments have been made to enter this market. HOVE has successfully completed field tests in port terminals during 2024, however this has not materialized in the first order as expected, but the first delivery agreement is expected in the near future.

EBITDA

EBITDA for H1 2024 declined, compared to the same period last year, from DKK 13.5 million in H1 2023 to DKK 7.6 million in H1 2024. This decrease in EBITDA is driven by the following:

- Lower than expected sales of lubricants, which had a negative impact of DKK 2.3 million on gross profit and EBITDA.
- Personnel costs have risen significantly in recent years (DKK 2 million in H1 2024) primarily due to an expansion of the global sales team.
- Lower revenue and challenges faced by the Brazilian subsidiary, which reported an increase in negative EBITDA of DKK 1.6 million in H1 2024 compared to H1 2023.

Brazil continues to present a challenging market, with significant unexpected issues arising from local customs and tax regulations. In response management has terminated its collaboration with the Brazilian General Manager and engaged a Brazilian consulting firm to manage finances and provide legal advice on customs and taxes regulations.



To enhance operational efficiency, management has decided to strengthen the collaboration between subsidiaries and the parent company. This entails more direct involvement between the three key functions: sales/marketing, production, and finance, which are now led by the CCO, COO, and CFO respectively. Because of this strategic shift, there is no longer a General Manager for the U.S. subsidiary.

The organizational changes that management has implemented will result in a reduction of personnel expenses by DKK 3 million over the next 12 months.

Finance

Cash flow decreased significantly in H1 2024, compared to the same period last year, from DKK 13.6 million in H1 2023 to DKK 4.0 million in H1 2024. Several factors attributed to the decline:

- HOVE prioritized debt repayment, particularly targeting high-interest debt with a total of DKK 3 million repaid during H1 2024. Termination of factoring agreements has also significantly affected cash flow.

- Inventory levels increase in H1 2024, due to lower-than-expected sales, a strategic build-up of stock, and increased customer demands for delivery security and availability.

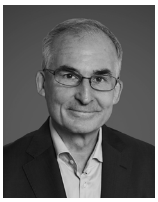
- A general increase in trade receivables, has contributed to a DKK 10 million increase in receivables.

Overall, HOVE continues to focus on a balanced approach to debt reduction and cash flow improvement through strategic financial management and working capital optimization.

HOVE in short

HOVE is a supplier of lubrication solutions for mechanical bearings, primarily in the wind turbine industry. HOVE's solutions provide customers with significant annual operating cost savings, while at the same time ensuring that lubrication is performed and documented correctly, which extends the life of the bearings. Over the past 20 years, HOVE has set new standards for lubrication in the wind turbine industry, while generating profits throughout the journey. The Company's patented IoT solution will strengthen HOVE's position as market leader. With its unique product and an experienced team, HOVE has achieved a strong market position in the wind turbine industry and an international presence.

Management



Hans Christian Hansen

CEO, HOVE A/S

Thomas Alexander Kjeldbæk

COO, HOVE A/S

Thomas Cramer

CCO, HOVE A/S

Patrick Bentsen

CFO, HOVE A/S

Board of Directors

Knud Andersen

Chairman
Regional Partner, DK,
Alder Private Equity

Michael Gaarmann

Vice Chairman
Professional
Board Member

Mette Søs Lassesen

Europe Director,
Rambøll

Jesper Bregendahl

Strategy Director,
Wrist Ship Supply A/S

Dennis Schade Forchhammer

Professional Board Member

5. INTERIM FINANCIAL STATEMENTS

5.1. Financial highlights

	2024 (6 mos.) 1,000 DKK	2023 (6 mos.) 1,000 DKK	2022 (6 mos.) 1,000 DKK	2021 (6 mos.) 1,000 DKK
Revenue	85,653	96,310	66,669	56,769
EBITDA	7,669	13,437	1,864	4,686
Operating profit/loss	6,926	12,893	1,322	4,280
Net financials	-509	-2,779	-105	-174
Profit/loss for the period	4,752	7,584	596	3,265
Balance sheet				
Fixed assets	26,262	32,909	31,424	20,958
Total assets - balance sheet total	104,540	107,919	100,847	58,226
Equity	76,413	72,741	61,474	21,876
Investment in property, plant and equipment	143	1,146	1,020	472
Profit margin *Profit/loss before financials as a percentage of revenue*	8.1 %	13.4 %	2.0 %	7.5 %
Acid test ratio *Current assets as a percentage of short-term liabilities other than provisions*	391 %	319 %	284,4 %	187,7 %
Solvency ratio *Equity at the end of the year as a percentage of total assets*	73.1 %	67.4 %	61.0 %	34.1 %
Numbers of shares outstanding	24,420	24,004	24,000	-
Earnings per share (EPS) *Profit/loss for the year compared to total number of average shares*	0.19	0.32	0.02	-
Number of shares outstanding, including warrants	25,363	25,777	25,813	-
Earning per share, diluted (EPS) *Profit/loss for the year compared to a total number of average shares and warrants*	0.19	0.29	0.02	-
Return on equity *Income or loss from ordinary activities after tax as a percentage of average equity*	6.2 %	10.4 %	1.0 %	14.9 %
Employees				
Average number of employees	52	46	39	34

5.2. Income statement

Notes		GROUP 01.01-30.06 **2024** DKK	01.01.-30.06 **2023** DKK
	The period 1 January – 30 June		
	Revenue	85,653,108	96,310,001
	Cost of Goods Sold	-52,660,991	-59,789,073
	Other operating income	-	2,785
	Other external expenses	-7,878,274	-7,339,070
	Gross profit	**25,113,843**	**29,184,643**
1	Staff costs	-17,444,409	-15,746,970
2	Amortisation, depreciation and impairment losses	-743,170	-544,094
	Other operating expenses	-	-888
	Operating profit/loss	**6,926,263**	**12,892,691**
	Other financial income	741,144	515,814
	Other financial expenses	-1,249,776	-3,294,494
	Profit/loss before tax	**6,417,631**	**10,114,011**
3	Tax on profit/loss for the period	-1,665,150	-2,529,673
4	**Profit/loss for the period**	**4,752,482**	**7,584,338**

5.3. Assets

Notes		30.06 2024 DKK	GROUP 30.06 2023 DKK
	Assets as at 30 June 2024		
	Completed development projects	6,901,254	5,618,037
	Development projects in progress	2,315,106	8,726,735
5	**Intangible assets**	**9,216,359**	**14,344,772**
	Land and buildings	13,204,036	13,688,239
	Plant and machinery	2,702,576	2,689,535
	Operating equipment, fixtures and fittings	478,897	421,799
	Property, plant and equipment in progress	506,144	1,611,038
6	**Property, plant and equipment**	**16,891,653**	**18,410,611**
	Deposits	154,087	153,734
	Fixed asset investments	**154,087**	**153,734**
	Total fixed assets	**26,262,099**	**32,909,116**
	Raw materials and consumables	29,615,831	23,196,528
	Finished goods	8,867,759	6,442,513
	Inventories	**38,483,589**	**29,639,041**
	Trade receivables	31,754,556	29,919,407
	Other receivables	2,783,418	4,484,350
	Tax receivables	-	-
7	Prepayments	1,301,490	2,137,088
	Receivables	**35,839,464**	**36,540,845**
	Cash and cash equivalents	**3,954,633**	**8,830,110**
	Total current assets	**78,277,686**	**75,009,996**
	Total assets	**104,539,786**	**107,919,112**

5.4. Equity and liabilities

Notes		GROUP 30.06 **2024** DKK	30.06 **2023** DKK
	Equity and liabilities as at 30 June 2024		
	Contributed capital	2,442,000	2,404,000
	Share premium	33,017,042	32,217,542
	Reserve for revaluation	3,973,404	4,011,947
	Reserve for development costs	7,122,370	7,030,615
	Foreign currency translation reserves	43,735	40,399
	Retained earnings	29,814,700	27,036,308
	Equity	**76,413,250**	**72,740,811**
8	Provision for deferred tax	2,375,985	2,300,992
	Provisions	**2,375,985**	**2,300,992**
	Debt to mortgage credit institutions	3,800,954	4,053,807
	Credit institutions	-	2,700,542
	Other payables	1,698,519	773,941
10	Deferred income	238,678	1,828,666
9	**Long-term liabilities other than provisions**	**5,738,151**	**9,356,957**
	Debt to mortgage credit institutions	297,188	296,747
	Credit institutions	-	385,229
	Trade payables	13,693,791	18,825,137
	Income tax payables	3,626,944	1,685,745
	Other payables	2,444,672	1,966,894
10	Deferred income	362,306	360,600
	Short-term liabilities other than provisions	**20,424,901**	**23,520,351**
	Total liabilities and provisions	**28,126,538**	**35,178,301**
	Total equity and liabilities	**104,539,786**	**107,919,112**

11 Contractual obligations
12 Contingent liabilities
13 Charges and security
14 Related parties

5.5. Statement of changes in equity

Notes	Balance	30.06 **2024** DKK	GROUP 30.06 **2023** DKK
	Equity as at 30 June 2024		
	Balance at the beginning of the year	2,442,000	2,400,000
	Capital increases	-	4,000
	Total contributed capital	**2,442,000**	**2,404,000**
	Balance at the beginning of the year	33,017,042	32,133,842
	Share premium	-	96,000
	Issue costs	-	-12,300
	Total share premium	**33,017,042**	**32,217,542**
	Balance at the beginning of the year	3,990,960	4,029,503
	Disposals for the year	-17,556	-17,556
	Total reserve for revaluation	**3,973,404**	**4,011,947**
	Balance at the beginning of the year	7,124,579	6,684,710
	Additions for the year	134,261	345,905
	Disposals for the year	-136,471	-
	Total reserve for development costs	**7,122,370**	**7,030,615**
	Balance at the beginning of the year	-193,205	106,667
	Additions for the year	236,940	-
	Disposals for the year	-	-66,268
	Foreign currency translation reserves	**43,735**	**40,399**
	Balance at the beginning of the year	25,042,453	19,454,727
	Retained earnings for the year	4,752,481	7,587,760
	Depreciation for the year of revaluations	17,556	17,556
	Development costs	2,210	-345,905
	Other equity movements	-	322,170
	Total retained earnings	**29,814,700**	**27,036,308**

5.5. Statement of changes in equity

Notes	Balance	30.06 2024 DKK	GROUP 30.06 2023 DKK
	Balance at the beginning of the year	-	-
	Dividends distributed	-	-
	Proposed dividends for the period	-	-
	Total proposed dividend	**-**	**-**
	Total equity	**76,413,250**	**72,740,811**

5.6. Cash flow statement

Notes		01.01-30.06 2024 DKK	GROUP 01.01-30.06 2023 DKK
	Profit/loss for the period	**4,752,482**	**7,584,338**
	Depreciation/amortisation, including gain and loss	743,170	544,094
	Financial income	-741 ,144	-515,814
	Financial expenses	1,249,776	3,294 ,494
	Tax on profit/loss for the year	1,665,150	2,529,673
	Other adjustments	2,780,937	-2,243,000
	Total adjustments	**5,697,889**	**3,609,448**
	Change in inventories	-8,016,784	-8,344,041
	Change in receivables	-10,240,117	-10,466,845
	Change in provisions	-	459,000
	Change in trade payables and other payables	3,252,466	3,337,377
	Change in working capital	**-15,004,435**	**-15,014,509**

5.6. Cash flow statement

Notes		01.01-30.06 2024 DKK	GROUP 01.01-30.06 2023 DKK
	Financial items, received	741,144	515,814
	Financial items, paid	-1,249,776	-3,294,494
	Total financial items	**-508,632**	**-2,778,680**
	Income tax	**-924,000**	**-934,374**
	Cash flows from operating activities	**-5,986,697**	**-7,533,778**
	Purchase of intangible assets	-441,614	-443,468
	Purchase of fixed assets	-142,583	-1,146 ,396
	Sale of fixed assets	-	350,000
	Cash flows from investing activities	**-584,196**	**-1,239,864**
	Settlement of long-term debt	-2,560,662	-1,419,296
	Incurrence/settlement of short-term debt	-542,813	-634,771
	Cash flows from financing activities	**-3,103,475**	**-2,054,066**
	Change in cash and cash equivalents	**-9,674,368**	**-10,827,708**
	Cash and cash equivalents at the beginning of the year	**13,629,001**	**19,658,000**
	Cash and cash equivalents at the end of the period	**3,956,633**	**8,830,292**

5.7. Notes

1. Staff costs

Staff costs	GROUP 30.06 **2024** DKK	 30.06 **2023** DKK
Wages, salaries and remuneration	15,619,585	13,640,442
Pensions	1,417,479	1,911,659
Other social security expenses	91,974	102,238
Payroll costs internally capitalised	-70,316	-48,799
Other staff costs	385,687	141,430
Total staff costs	**17,444,409**	**15,746,970**
Average number of employees	52	46
Remuneration to the Executive Board	2,530,150	2,052,268
Remuneration to the Board of Directors	337,500	62,500

The Board of Directors has been authorised to issue up to 2,790,000 warrants to members of management of employees of the Company or its subsidiaries. One warrant entitles the recipient to subscribe for one company share of DKK 0,10. The exercise price is set by the Board of Directors, and the authorisation expires on 31 May 2026.

At 30 June 2024, the Executive Board, the Board of Directors and other employees held the following number of shares in the Company:

	No. of shares	No. of warrants
Executive Board	7,126,090	863,333
Board of Directors	1,482,950	-
Other employees	16,260	80,000
Total	**8,625,300**	**943,333**

2. Amortisation, depreciation and impairment losses

	GROUP	
Amortisation, depreciation and impairment losses	30.06 **2024** DKK	30.06 **2023** DKK
Land and buildings	111,316	112,780
Plant and machinery	425,604	563,735
Operating equipment, fixtures and fittings	27,216	47,877
Completed development projects	359,331	-
Accrued profit/loss from sale and leaseback	-180,297	-180,297
Total amortisation, depreciation and impairment losses	**743,170**	**544,094**

3. Tax on profit for the period

	GROUP	
Tax on profit for the period	30.06 **2024** DKK	30.06 **2023** DKK
Tax on taxable profit for the period	1,645,106	2,426,986
Change in deferred tax for the period	20,044	102,687
Total tax on profit for the period	**1,665,150**	**2,529,673**

4. Proposal for distribution of net profit

	GROUP	
Proposal for distribution of net profit	30.06 **2024** DKK	30.06 **2023** DKK
Retained earnings	4,752,482	7,584,338
	4,752,482	**7,584,338**

5. Intangible assets

Intangible assets	Completed development projects DKK	Development projects in progress DKK
Cost at the beginning of the year	6,926,644	9,236,259
Additions for the period	99,484	342,130
Disposals for the period	-	-
Transfers	660,287	-660,287
Cost at the end of the period	**7,686,415**	**8,918,102**
Amortisation at the beginning of the year	425,830	6,603,055
Amortisation for the period	359,331	-
Amortisation at the end of the period	**785,161**	**6,603,055**
Carrying amount as at 30 June 2024	**6,901,254**	**2,315,047**

Development projects comprise the development of various new pumps, as well as the subsidiary Hafnia Pumps, whose activities consist of developing a water gear pump. The products are functional and are expected to be ready for marketing and sales during 2024.

6. Property, plant and equipment

Property, plant and equipment	Land and buildings DKK	Plant and machinery DKK	Operating equipment, fixtures and fittings DKK	Property, plant and equipment in progress DKK
Cost at the beginning of the year	9,660,764	8,791,762	485,315	442,823
Additions for the period	-	-	79,261	63,322
Disposals for the period	-	-	-	-
Exchange rate adjustments	-	45,258	-	-
Cost as at 30 June	**9,660,764**	**8,837,020**	**564,576**	**506,145**
Revaluation at the beginning of the year	5,445,780	-	-	-
Revaluation for the year	-	-	-	-
Revaluation as at 30 June	**5,445,780**	**-**	**-**	**-**

6. Property, plant and equipment

Property, plant and equipment	Land and buildings DKK	Plant and machinery DKK	Operating equipment, fixtures and fittings DKK	Property, plant and equipment in progress DKK
Depreciation at the beginning of the year	1,791,193	5,688,711	58,463	-
Depreciation for the period	111,316	425,604	27,216	-
Disposals for the period	-	-	-	-
Depreciation on assets disposed of	-	-	-	-
Exchange rate adjustments	-	20,129	-	-
Depreciation as at 30 June	**1,902,509**	**6,134,444**	**85,679**	**-**
Carrying amount as at 30 June	**13,204,035**	**2,702,576**	**478,897**	**506,145**
Of this, finance lease assets	-	666,666	-	-
Carrying amount of property, plant and equipment, exclusive of revaluations	7,758,256	2,702,576	478,897	506,144

7. Prepayments

Prepayments constitute prepaid costs relating to subsequent years.

8. Deferred tax

Deferred tax	30.06 **2024** DKK	GROUP 30.06 **2023** DKK
Balance at the beginning of the year	2,355,941	2,387,711
Adjustment for the period, income statement	20,044	102,690
Adjustment for the period, equity	-	-
	2,375,985	**2,490,400**

9. Long-term liabilities other than provisions

Share of long-term debt falling due after five years:

	GROUP	
Long-term liabilities	30.06 **2024** DKK	30.06 **2023** DKK
Debt to mortgage credit institutions	2,537,847	2,834,550
Mortgage loans	-	1,012,445
Other payables	-	-
	2,537,847	**3,846,995**

10. Deferred income

Deferred income under equity and liabilities cosists of accrued profit from a sale and leaseback transaction made in the financial year 2019. The profit is recognised over the term of lease.

11. Contractual obligations

The Parent has entered into five leases with remaining terms of 4, 8, 7, 12 months and 3 months, respectively. The monthly payments constitute DKK 5,975, DKK 3,726, DKK 2,114, DKK 2,039 and DKK 2,800, respectively. The total lease liability is DKK 101,374.

In addition, the Parent has entered into finance leases recognised as property, plant and equipment, see note 6.

The subsidiaries have entered into tenancy agreements which expire on 31 December 2026 and 30 April 2025, respectively. The total rental obligation amounts to DKK 930,000.

12. Contingent liabilities

The Parent is jointly taxed with Hafnia Pumps ApS and constitutes the administration company of the jointly taxed group. Consequently, the Company and Hafnia Pumps ApS are jointly and severally liable for Danish corporation taxes and withholding taxes on dividend, interest and royalties arising in the jointly taxed group.

13. Charges and security

As security for mortgage debt, a charge has been granted on the Company's property. At the balance sheet date, the mortgage debt was DKK 4,098,142. At the balance sheet date, the property was recognised and measured at DKK 13,204,000.

As security for balances with Nordea Bank, mortgages registered to the mortgagor have been registered on the property by nominally DKK 3,000,000 and nominally DKK 1,098,142, respectively. At the balance sheet date, the property was recognised and measured at DKK 13,204,000.

As security for balances with Nordea Bank, a company charge of DKK 5,000,000 has been registered secured on unsecured claims attributable to the sale of goods and services, operating fixtures and equipment, inventories of raw materials, semi-manufactures and finished products, goodwill, domain names and rights under the Patents Act, the Trade Marks Act, the Design Act, the Utility Model Act, the Registered Designs Act, the Copyright Act and the Act on the Legal Protection of Topographies of Semiconductor Products, propellants and other intermediary products. At the balance sheet date, total assets of DKK 104,539,786 were recognised and measured.

14. Related parties

During the financial year, transactions have been carried out between the Group/Parent company and its related parties. Controlling transactions between related parties have taken place on an arm's length basis.

No related parties have control at 30 June 2024.

5.8. Accounting policies

Basis of preparation

The interim Report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

In addition, the Interim Report has been prepared under the same accounting policies as last year.

Recognition and measurement

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 resources 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the accumulated amortisation of any difference between cost and the nominal amount.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

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, expenses incurred to achieve the earnings for the year are recognised, 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.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Receivables, payables and other items denominated in foreign currency which have not been settled at the balance sheet date are translated at the closing rate.

Realised and unrealised foreign currency translation adjustments are recognised in the income statement under financial income and expenses.

Foreign subsidiaries are regarded as separate entities. Income statement items are translated at average exchange rates, and balance sheet items are translated at the exchange rates at the balance sheet date. Exchange differences arising on the translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on the translation of income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustment of balances with separate foreign subsidiaries which are regarded as part of the total investment in the subsidiary is recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments entered into to hedge a net investment in foreign subsidiaries are recognised directly in equity.

Consolidated financial statements

The consolidated financial statements comprise the Parent Hove A/S and subsidiaries in which Hove A/S holds more than 50% of the voting rights or otherwise exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

Upon consolidation, elimination is made of intercompany income and expenses, shareholdings, intercompany balances and dividends as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Investments in subsidiaries are set off against the proportionate share of the fair value of net assets and liabilities of subsidiaries at the time of acquisition.

Newly acquired or newly established enterprises are recognised in the Consolidated Financial Statements as of the date of acquisition. Enterprises sold or wound up are recognised in the consolidated income statement up until the date of disposal. Comparative figures are not restated for newly acquired, sold or wound-up enterprises.

Gains or losses on disposal of subsidiaries and associates are calculated as the difference between the consideration received and the carrying amount of net assets at the time of sale, including non-amortised goodwill and estimated expenses to sell or wind up.

Derivative financial instruments

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

Changes in fair values of derivative financial instruments that are meant to hedge recognised assets or liabilities are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability.

Changes in fair values of derivative financial instruments that are meant to hedge recognised assets or liabilities are recognised in receivables or payables as well as in equity. If the future transaction results in the recognition of assets or liabilities, amounts recognised in equity are transferred from equity and recognised in the cost of the asset or the liability, respectively. If the future transaction results in income or expenses, amounts recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

In terms of derivative financial instruments that do not qualify as hedges, changes in fair value are recognised in the income statement.

Income statement

Revenue

Revenue is recognised in the income statement where delivery and transfer of risk have been made to the buyer by the end of the financial year. Revenue 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 the Company's revenue.

Other external expenses

Other external expenses include expenses for distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.

Other operating expenses

Other operating expenses comprise items of a secondary nature to the activities of the enterprise, including losses from the sale of intangible assets and property, plant and equipment.

Leases
Lease payments related to contracts which are not finance leases as well as other leases are recognised in the income statement over the lease term. The Company's total liability relating to leases and rental agreements is disclosed under contractual obligations and contingent assets and liabilities, etc.

Staff costs
Staff costs include wages and salaries as well as social security costs, pensions etc. for the Company's staff.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, financial expenses related to finance leases, realised and unrealised exchange gains and losses in respect of securities, debt and transactions in foreign currencies, amortisation of loans as well as extra payments and repayment under the on-account taxation scheme.

Profit/loss from group enterprises
Profit/loss from group enterprises is recognised in the income statement with the proportionate share of the enterprises' profit/loss after adjustment of internal profit or loss.

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

During part of the financial year, the Company was subject to the Danish rules on compulsory joint taxation of the parent and its Danish subsidiaries.

Upon settlement of joint taxation contributions, the current Danish corporation tax is allocated to the jointly taxed enterprises in proportion to their taxable incomes. In that connection, enterprises showing tax losses receive joint taxation contributions from enterprises that have been able to utilise these losses (full distribution).

Balance sheet

Intangible assets
Costs incurred on development projects comprise, for example, wages, salaries and amortisation which are directly or indirectly attributable to the Company's development activities and which meet the recognition criteria. Development costs are measured at cost. Capitalised development costs are, as of the date of completion, amortised on a straight-line basis over ten years. 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 Company can be demonstrated, and for which it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if cost can be measured reliably, and sufficient certainty exists that future earnings can cover cost of sales, distribution and administrative expenses.

Other development costs are recognised in the income statement as incurred.

Expected useful lives and residual values are as follows:	Useful life	Residual value
Completed development projects	10 years	0

Property, plant and equipment
Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives and residual values of the individual assets.

The basis of depreciation is fair value less estimated residual value at the end of the useful life. Fair value is determined based on a third-party assessment.

Revaluation of land and buildings less deferred tax is tied to the equity item "revaluation reserve".

Other fixed assets are measured at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives and residual values of the individual assets.

The basis of depreciation is cost less estimated residual value at the end of the useful life. Cost comprises the cost of acquisition as well as expenses directly related to the acquisition up until the time when the asset is ready for use.

The depreciation period and the residual value are determined at the date of acquisition and are reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued. If the period of depreciation or the residual value changes, the effect on depreciation is recognised prospectively as a change in the accounting estimate.

The following expected useful lives and residual values are applied:	Useful life	DKK Residual value
Buildings	50 years	3,975,000
Plant and machinery	5-7 years	725,0000
Other fixtures and fittings, tools and equipment	5 years	27,500

Gains or losses from the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the time of disposal. Profit or losses are recognised in the income statement under other operating income or other operating expenses.

Property, plant and equipment held under leases, and which qualify as finance leases, are accounted for in accordance with the guidelines related to assets owned.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are assessed annually to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out of each individual asset or group of assets. Write-down is made to the lower of the recoverable amount or carrying amount.

The recoverable amount used is the higher of net selling price and value in use. The value in use is determined as the present value of expected net income from the use of the asset or asset group.

Fixed asset investments

Investments in group enterprises are recognised according to the equity method, which is used as a method of consolidation. A share of profit/loss for the year is recognised in the income statement. In the balance sheet, the proportionate ownership interest of the equity value is measured in accordance with the accounting policies of the Parent, adjusted for unrealised intercompany gains and losses.

Deposits are measured at cost.

Inventories

Inventories are measured at cost under the FIFO method. If cost exceeds the net realisable value, write-down is made to this lower value.
The cost of goods for resale, raw materials and consumables comprises cost plus delivery costs.
The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management in addition to capitalised development costs related to the products.

The net realisable value of inventories is calculated at selling price with deduction of costs of completion and costs incurred to execute sales. The value is determined allowing for marketability, obsolescence and development in expected selling price.

Receivables

In the balance sheet, receivables are measured at amortised cost usually corresponding to nominal value. The value is reduced by provisions for estimated bad debts following an assessment of each receivable.

Prepayments

Prepayments that are recognised under assets include expenses related to subsequent reporting periods.

Other securities and equity investments

Other current asset investments are measured at their fair values (market price) at the balance sheet date. Unlisted shares are measured at cost or their value at the balance sheet date, if lower. Dividends and/or interest received as well as realised capital gains and losses are recognised in the item "Financial income".

Cash

Comprises cash and cash equivalents.

Reserve for net revaluation under the equity method

Reserve for net revaluation under the equity method includes net revaluation of investments in subsidiaries and associates relative to cost. The reserve may be eliminated in case of loss, realisation of investments or changes in accounting estimates. This reserve cannot be recognised at a negative amount.

Reserve for development costs

Reserve for development costs includes recognised development costs. The reserve cannot be used for dividends or payment of loss. If the recognised development costs are amortised or withdrawn from the Company's operations, the reserve will be reduced or dissolved. This is done by direct transfer to the distributable reserves of equity.

Dividends

Dividend which Management proposes be paid for the year is disclosed as a separate equity item. Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting.

Debt

Mortgage debt is measured at amortised cost which in respect of cash loans corresponds to the debt outstanding on the loan. Amortised cost in respect of bond loans corresponds to an outstanding debt calculated as the underlying cash value of the loan at the date of borrowing adjusted by amortisation of the market value of the loan at the date of borrowing made over the period of repayment.

Other debt is measured at amortised cost corresponding to nominal value.

Tax payable and deferred tax

Current tax liabilities and receivables are measured in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on the taxable income of previous years and for taxes paid on account.

Deferred tax is measured under the balance sheet liability method on the basis of temporary differences between the carrying amount and the tax base of assets and liabilities.

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

Deferred income

Deferred income recognised in equity and liabilities comprises payments received in respect of income in subsequent years.

Cash flow statement

The cash flow statement is prepared according to the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items and change in working capital.

Cash flows from investing activities comprise the purchase and sale of fixed assets.

Cash flows from financing activities include the raising and repayment of long-term debt, short-term debt to credit institutions, dividend distributions and net proceeds from the IPO.

Cash and cash equivalents comprise cash at bank and in hand as well as current asset investments that can readily be turned into cash and are subject only to an insignificant risk of value changes.

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