



Annual Report

2024

KEEP MOVING PARTS MOVING

This annual report has been adopted at the annual general meeting on 24 April 2025.

Chair: Peter Bruun Nikolajsen

HOVE A/S

Herstedøstervej 7
DK - 2600 Glostrup

Company reg. no.: 25804821

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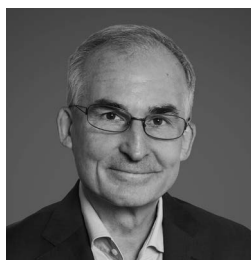
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MANAGEMENT'S REVIEW

01





CONTINUED SOLID EARNINGS, BUT SLIGHTLY WEAKER REVENUE. PROPOSAL TO PAY DIVIDEND

LETTER FROM THE CEO

HIGHLIGHTS 2024

The turnover reached DKK 169.3 million and EBITDA DKK 13.5 million. Compared to 2023, revenue fell by DKK 17.7 million (-9%), which can be broadly explained by the fact that 2023 was a good year with high sales in the US, when large amounts of grease were used for replacement in large wind farms ("purging") and due to a one-off project with a large customer.

Our activities with the lubrication of cranes in port terminals - including the introduction of our IT solution "Hove Smart Lube" - have been intensive for a few years with many successful field tests, but the commercialization of the product is progressing at a slower pace than expected. Though, we entered one small port terminal in 2025, and management remains optimistic.

Despite the drop in turnover, the gross margin only fell from DKK 62.6 million to DKK 61.5 million. This is because the gross margin increased from 33.5% in 2023 to 36.3% in 2024. Primarily due to better pump sales and a lower share of private label.

The announced savings of DKK 3 million in staff costs as outlined in the half-year report for 2024 have been fully implemented with the departures of the GMs in the US and Brazil. These cost reductions will take full effect from 2025. Instead, investments have been directed towards new hires in sales, which is why personnel costs before capitalization in 2024 are DKK 0.4 million higher than in 2023.

External costs increased by DKK 4.8 million primarily due to higher admin costs and investments in sales and marketing.

EBITDA fell by DKK 7 million, but despite the drop in EBITDA, the 2024 profit after tax increased to DKK 5.7 million. An increase of 58% compared to 2023 (DKK 3.6 million). The improvement is due, among other things, to an extraordinary write-down in Hafnia Pumps in 2023, and that the net financial costs (interest and F/X impact) were significantly lower in 2024.

The second half of 2024 compared to the first half saw a slightly lower revenue and EBITDA. Thus, H2 revenue amounted to DKK 83.6 million compared to DKK 85.7 million in H1 and EBITDA was DKK 5.8 million in H2 compared to DKK 7.7 million in H1.

MIXED COUNTRY PERFORMANCE

The US subsidiary performed satisfactorily despite the decline from 2023 mentioned above. HOVE India continued its positive development, and both the US and India contribute with positive cash flows.

Despite investments HOVE Turkey has not quite lived up to expectations. However, a break-even is expected in 2026.

HOVE Brazil has disappointed again, which led to the dismissal of the GM in 2024. The outlook remains uncertain even though Brazil has a large wind turbine market and several of HOVE's customers are present. Brazil is a complex market, and the management follows the development closely.

Hafnia Pumps also disappointed in 2024, as the company did not manage to complete the development of the new pump for test runs. But the exciting new Water Gear Pump - a silent pump for sailboats and mobile homes - is expected to be field tested during 2025. A sales resource has been hired to launch the product.

The overall conclusion is that HOVE has a strong core business.

EXCITING NEW PRODUCTS

The wind market remains crucial to HOVE, and therefore innovation and product development of lubrication pumps and cartridges remains a top of mind for HOVE. HOVE has completed and continued the development of both new pump variants and grease cartridges in 2024.

A new pump for a special type of grease was fully developed and launched with several customers in 2024. In addition, HOVE has further developed its grease cartridges, and these will also be launched in 2025.

HOVE has several development projects in progress including new pump variants for both the wind turbine and crane segments as well as pumps for central lubrication systems.

SETTLEMENT OF DEBT DUE TO POSITIVE CASH FLOW

Despite a positive EBITDA of DKK 13.5 million, HOVE's cash flow

was negative by DKK 9.3 million in 2024. The main reasons are:

- We continued our debt settlement and repaid a bank loan of DKK 3.4 million.
- Termination of factoring, whereby trade receivables increased by DKK 8.9 million.
- Increased inventory levels by DKK 6.2 million to ensure faster delivery to customers.

HOVE's cash position fell from DKK 13.6 million at the end of 2023 to DKK 6.3 million at the end of 2024. Total debt is DKK 7.5 million, giving HOVE a healthy resilience.

PROPOSED DIVIDEND

As no larger increase in working capital is expected in 2025, the board of directors proposes an extraordinary dividend of DKK 0.14 per share at the annual general meeting in April equaling a total dividend of DKK 3.45 million.

HOVE has not determined a future dividend policy, and as such future dividend payments will depend on the company's cash position, cash flow forecasts and financial results.

STRATEGY

HOVE continues to follow the stated strategy in the IPO from 2021:

- We use the experience from Europe and the US to develop our existing markets and subsidiaries.
- We use our technology platform and expertise to retain and develop our wind turbine customers as well as enter new markets for lubrication.
- We set new standards for the lubrication of mechanical bearings with our mobile, app-based lubrication and documentation solution: HOVE Smart Lube.

When HOVE was listed in 2021, the turnover was DKK 103 million and EBITDA DKK 6.5 million. Since then, HOVE's revenue has grown by 60% and EBITDA more than doubled. The objective that 50% of our revenue should come from subsidiaries has also been achieved.

ENVIRONMENT

Hove is committed to continuously reducing the climate impact of its operations and will, during the upcoming strategy period, work actively to further minimize its environmental footprint.

Hove is a participant in the UN Global Compact and is aligned with its principles, supporting the advancement of the company's sustainability agenda.

SUBSEQUENT EVENTS

No events of significant importance to the company's financial position have occurred after the balance sheet date.

I would like to thank all customers for their good cooperation this year. Thanks to our passionate and flexible employees. And thanks to our shareholders for their support for HOVE.

Hans Christian Hansen
CEO



KEY FIGURES AND RATIOS

	2024	2023	2022	2021	2020
1,000 DKK					
INCOME STATEMENT					
Revenue	169,331	186,965	151,502	103,187	102,962
Gross profit	61,462	62,596	51,317	35,421	33,884
EBITDA	13,488	20,436	11,204	6,528	9,696
EBIT	10,513	11,789	10,026	5,686	8,880
Net financials	-1,527	-4,258	-950	-575	-1,095
Net profit	5,662	3,575	7,117	3,968	5,734
BALANCE SHEET					
Non-current assets	25,880	26,720	32,228	30,511	19,575
Assets	103,425	96,416	115,381	91,344	54,411
Equity	79,324	71,424	67,223	59,956	21,015
Net working capital	63,667	56,563	53,255	49,431	24,372
Net interest-bearing debt	7,529	9,437	16,061	18,804	21,492
Invested capital	89,547	83,283	85,483	79,942	43,947
CASH FLOW					
Cash flow from operations	-4,072	3,369	-59	2,922	2,189
Cash flow from investments	-2,052	-3,163	-3,038	-8,556	-2,434
Cash flow from financing	-3,136	-6,236	-2,742	28,805	1,110
Net cash flow	-9,260	-6,030	-5,839	23,171	865
Cash, end of year	6,340	13,630	19,660	25,499	2,328
KEY RATIOS					
Gross margin	36.3%	33.5%	33.9%	34.3%	32.9%
EBITDA-margin	8.0%	10.9%	7.4%	6.3%	9.4%
Return on invested capital (ROIC)	12.2%	14.0%	12.1%	9.2%	22.3%
Return on equity	7.5%	5.2%	11.2%	9.8%	31.0%
Solvency ratio	77%	74%	58%	66%	39%
Average number of employees	49	46	40	34	32
SHARERELATED RATIOS					
Shares outstanding end of period	24,654,838	24,420,000	24,000,000	24,000,000	-
Share price end of period (DKK)	3.03	6.38	3.65	4.20	-
Market cap (million)	74.7	155.8	87.6	100.8	-
Earnings per share (EPS) (DKK)	0.23	0.15	0.30	0.17	-

See ratio definitions in Note 21

OUR BUSINESS

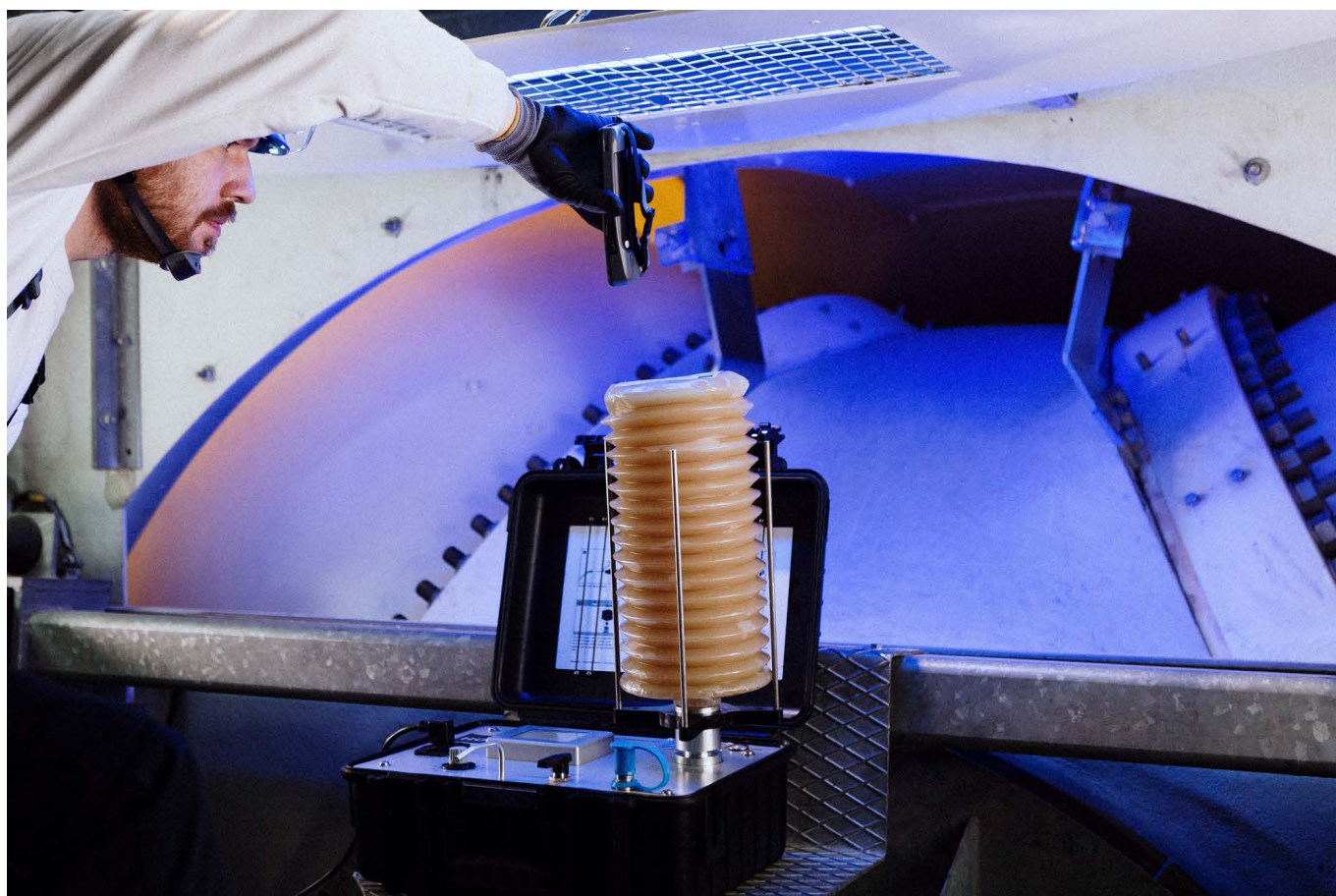
02



HOVE IN SHORT

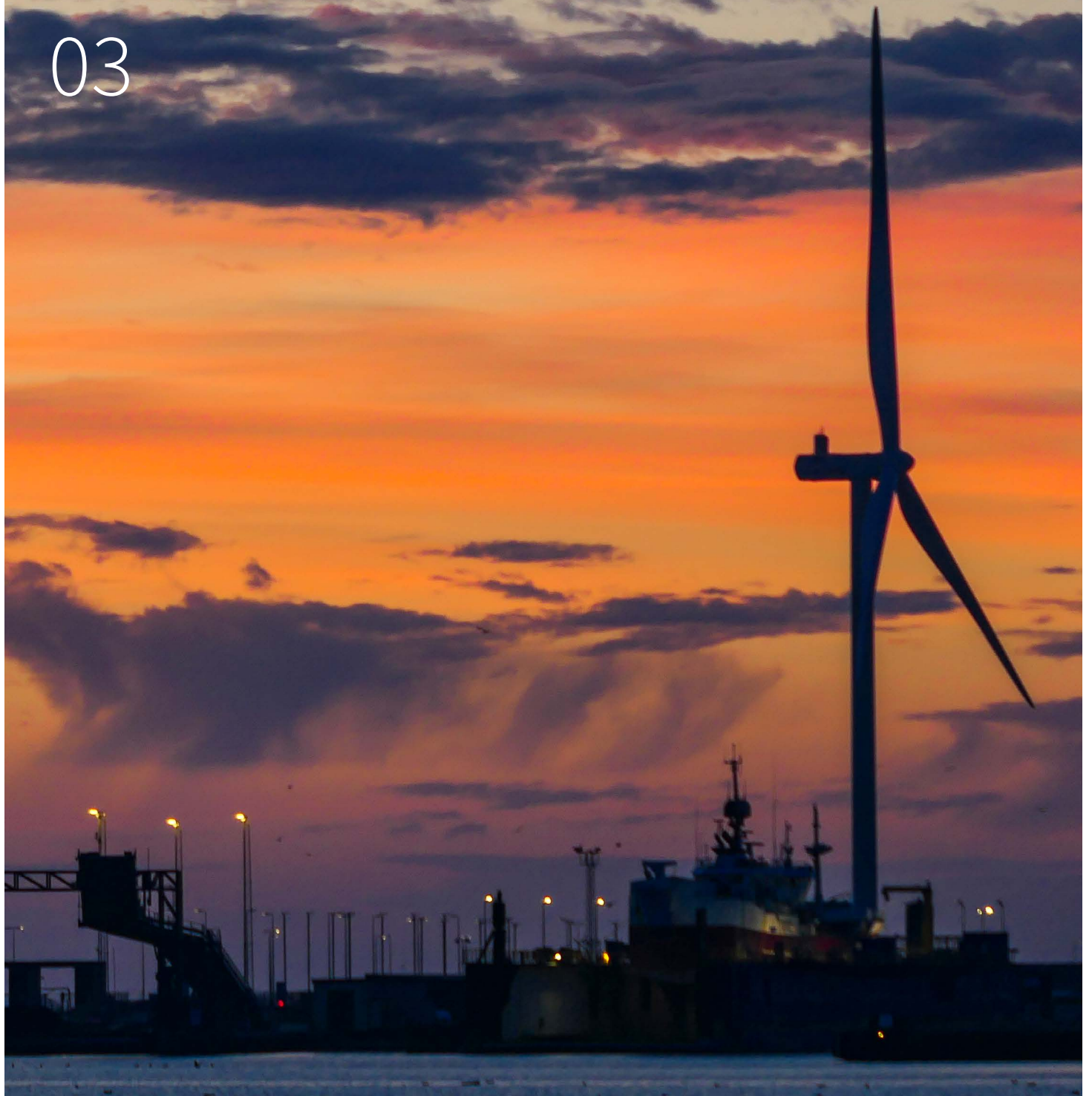
Hove is a supplier of lubrication solutions for mechanical bearings, primarily in the wind turbine industry. Hove's solutions provide customers with significant annual operating cost savings, while at the same time ensuring that lubrication is performed and documented correctly, which extends the life of the bearings. Over the past 20 years, Hove has set new standards for lubrication in the wind turbine industry. Hove'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.

The company's patented IoT solution will strengthen HOVE's market position. With unique products and an experienced team, HOVE has achieved a strong market position in the wind turbine industry and established an international presence. HOVE continues to leverage experiences from Europe and the USA to explore new markets and industries.



COMPANY INFORMATION

03



THE COMPANY

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DK - 2600 Glostrup
Company reg. no.: 25804821

Phone: +45 70221022
Website: www.hove-as.com
Email: hove@hove-as.dk

Financial year: 1 January - 31 December

AUDITORS

Dansk Revision Hillerød
Godkendt Revisionsaktieselskab

EXECUTIVE BOARD



Hans Christian Hansen
CEO



Thomas Alexander Kjeldbæk
COO



Thomas Cramer
CCO



Bent Faurskov
CFO

BOARD OF DIRECTORS



Knud Andersen
Chair of the Board



Michael Gaarmann
Vice Chair of the Board



Jesper Bregendahl
Board Member



Dennis Schade Forchhammer
Board Member



Mette Søs Lassen
Board Member

GUIDANCE 2025

HOVE expects more moderate growth in 2025 due to margin pressure in the wind energy market and increased sales & marketing costs in new markets. Market data indicates continued growth in the global wind energy market.

HOVE expects uncertainty in the US market in 2025.

Market research shows that HOVE’s pump portfolio remains technologically at the forefront. In 2025, HOVE will launch new pump types and updated versions of existing pumps. Combined with an intensified commercial focus, we expect to see increasing pump sales. Grease sales are also expected to increase slightly in the coming year.

HOVE continues to expect to penetrate the global crane market after several successful field tests.

The guidance for 2025 is based on the following assumptions:

- the OEM segment continues to grow
- the business conditions for HOVE’s clients will not significantly change due to macroeconomic trends or the geopolitical situation
- the USD exchange rate remains close to the current level.

Based on the above, HOVE’s guidance for 2025 is:

Guidance	2025
	DKK million
Revenue	160-190
EBITDA	11 - 18

FINANCIAL CALENDAR

2025	
28 March	Annual Report 2024
24 April	Annual general meeting
29 August	Interim Financial Report First Half 2025

The annual general meeting is on the 24 April 2025 at Glostrup Park Hotel.

2026	
27 March	Annual Report 2025
23 April	Annual general meeting

SHAREHOLDER INFORMATION

Share information

The Hove share is listed on Nadsaq First North GM Denmark since 2021. The share is listed under the ticker: HOVE with a denomination of DKK 0.10. Each share carries one vote.

Share capital

HOVE's share capital on 31 December 2024 comprised 2,465,483.80 shares of DKK 0.10 nominal value each, totaling DKK 24,654,838. The size of the share capital was changed from DKK 2,442,000 to 2,465,483.80 in the past financial year.

Share price

At year end, the share was priced at DKK 3.03, compared with DKK 6.38 at year end 2023.



HOVE's market capitalization at year-end 2024 was DKK 74.7 million, down by DKK 81.1 million from DKK 155.8 million at year end 2023 (-52%). By way of comparison, the Nasdaq OMX Copenhagen GR DKK index was down 2.8% in the same period.

In 2024, approximately 12 million HOVE shares were traded via Nasdaq, corresponding to 49% of the share capital. The turnover was close to DKK 55 million, which was a reduction of 62% compared with the year before.

Ownership

The following shareholders hold 5% or more of the Company's share capital:

- Hansen 5751H ApS
- Strategic Investments A/S
- Dennis Forchhammer ApS

The number of registered shareholders increased from 1,838 at the beginning of 2024 to 1,913 at the end of 2024.

The Board of Directors is still authorized on behalf of the Company to acquire treasury shares of up to 10% in HOVE. On 31 December 2024, HOVE held no treasury shares.

BOARD RESOLUTIONS AND PROPOSALS FOR THE ANNUAL GENERAL MEETING

Appropriation of profit

The Board of Directors proposes that the profit for the year of TDKK 5,662 be carried forward to next year, however, see below.

Dividend

At the annual general meeting, the Board of Directors will propose that a dividend of DKK 0.14 per share to be distributed for the 2024 financial year, corresponding to a dividend payout of DKK 3.45 million.

As stated in the CEO letter, the proposed dividend is extraordinary.

HOVE has not determined a future dividend policy, and considerations regarding any future dividend payments will take place considering the company's cash position, cash flow forecasts and financial results.

Investor relations

HOVE's ambition is to provide a reliable level of information. We are committed to publishing relevant information to the shareholders and to engaging in active dialogue with them.

Questions to HOVE can be sent to CEO Hans Christian Hansen, investor@hove-as.dk.

FINANCIAL STATEMENT

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STATEMENT BY EXECUTIVE BOARD

The Board of Directors and Executive Board have today reviewed and approved the annual report for January 1, 2024 – December 31, 2024, for HOVE A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the annual financial statements give a true and fair view of the group's and the parent's assets, liabilities, and financial position as at December 31, 2024, as well as the results of the group's and the parent's activities

and the group's cash flows for the financial year January 1, 2024 – December 31, 2024.

In our opinion, the management report contains a fair review of the matters covered in the report.

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

Glostrup, March 28, 2025


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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Bent Faurskov
CFO


BOARD OF DIRECTORS


Signed by:

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Knud Andersen
Chair of the Board

Signed by:

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Michael Gaarmann
Vice Chair of the Board

DocuSigned by:

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Jesper Bregendahl
Board Member

Signed by:

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Mette Søs Lassen
Board Member

Signed by:

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Dennis Schade Forchhammer
Board Member

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of HOVE A/S

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Hove A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2024, and of the results of the Group and Parent Company operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

Basis for Conclusion

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 Consolidated Financial Statements and the Parent Company Financial Statements" section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Consolidated Financial Statements and Parent Company Financial Statements that are free from material mis-statement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for

assessing the Group's and the Parent 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 of accounting information taken on the basis of these Consolidated Financial Statements and Parent Company Financial Statements.

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company 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 Group's and the Parent 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 Consolidated Financial Statements and the Parent Company Financial Statements and, based on the audit evidence obtained, wheth-

er a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Consolidated Financial Statements and the Parent Company 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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group Financial Statements [and the Parent Company Financial Statements]. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements or the Parent Company 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 Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Management's Review.

Hillerød, 28 March 2025

Dansk Revision Hillerød

Approved Audit Firm, CVR No. 26580390

DocuSigned by:

 **Dennis Mettke**

State-Authorized Public Accountant

MNE No. 36030



INCOME STATEMENT

GROUP

PARENT

Note 1,000 DKK

2024

2023

2024

2023

PERIOD

01 JANUARY - 31 DECEMBER 2024

	Revenue	169,331	186,965	125,830	130,984
	Cost of Goods Sold	-107,869	-124,369	-79,337	-81,040
	Gross profit	61,462	62,595	46,493	49,944
	Other operating income	457	452	457	452
1	Other external costs	-16,832	-11,990	-11,837	-8,986
2	Staff costs	-31,599	-30,566	-24,502	-22,809
	Other operating costs	0	-56	0	-56
	EBITDA	13,488	20,436	10,612	18,545
3, 4	Depreciation, amortisation and impairment	-2,975	-8,647	-1,289	-1,569
	EBIT	10,513	11,789	9,323	16,976
	Income from equity investments in group enterprises	0	0	-1,071	-7,757
5	Financial income	1,539	293	351	133
6	Financial expenses	-3,065	-4,552	-860	-2,443
	Profit before tax	8,987	7,530	7,743	6,910
7	Tax on profit for the year	-3,325	-3,955	-2,081	-3,334
	Profit for the year	5,662	3,575	5,662	3,575
8	Proposed appropriation account				
	Earnings per share (DKK)				
	Earnings per share	0.23	0.15		
	Diluted earnings per share	0.22	0.14		

BALANCE SHEET AT 31 DECEMBER 2024

		GROUP		PARENT	
Note	1,000 DKK	2024	2023	2024	2023
ASSETS					
	Completed development projects	6,658	6,501	6,658	6,501
	Development projects in progress	1,752	2,633	752	660
9	Intangible assets	8,409	9,134	7,409	7,161
	Land and buildings	14,000	13,315	14,000	13,315
	Plant and machinery	2,561	3,103	1,770	2,308
	Other equipment, fixtures and fittings	690	427	0	0
	Property, plant and equipment in progress	0	443	0	443
10	Property, plant and equipment	17,251	17,288	15,770	16,066
11	Equity investments in group enterprises	0	0	17,097	12,180
	Deposits	220	298	0	0
	Financial assets	220	298	17,097	12,180
	Non-current assets	25,880	26,720	40,276	35,407
	Raw materials and consumables	19,949	17,061	19,949	14,760
	Finished goods	16,733	13,405	3,331	6,443
	Inventories	36,682	30,467	23,279	21,202
	Trade receivables	30,933	20,467	17,632	9,956
	Receivables from group enterprises	0	0	16,981	22,458
	Other receivables	2,784	3,885	2,006	1,827
12	Prepayments	805	1,248	646	782
	Receivables	34,523	25,599	37,266	35,024
	Cash	6,340	13,630	1,263	3,623
	Total current assets	77,545	69,696	61,808	59,849
	Total assets	103,425	96,416	102,084	95,256

BALANCE SHEET AT 31 DECEMBER 2024

		GROUP		PARENT	
Note	1,000 DKK	2024	2023	2024	2023
EQUITY AND LIABILITIES					
	Share capital	2,465	2,442	2,465	2,442
	Share premium	33,258	33,017	33,258	33,017
	Reserve revaluation	4,660	3,991	4,660	3,991
	Reserve for net revaluation according to the equity method	0	0	1,051	545
	Reserve for development costs	6,559	7,125	5,779	5,586
	Foreign currency translation reserve	917	-193	-700	-234
	Retained earnings	28,012	25,042	29,359	26,077
	Proposed dividend	3,452	0	3,452	0
	Total equity	79,324	71,424	79,324	71,424
13	Deferred tax	2,694	2,423	3,293	2,978
	Provisions	2,694	2,423	3,293	2,978
	Debt to mortgage institutions	3,734	3,860	3,734	3,860
	Credit institutions	0	3,515	0	3,515
	Other payables	1,152	800	1,152	800
	Deferred income	60	421	60	421
14	Long-term liabilities other than provisions	4,946	8,596	4,946	8,596
	Debt to mortgage institutions	246	357	246	357
	Credit institutions	2,337	484	2,337	484
	Trade payables	10,164	7,807	9,061	6,433
	Income tax payable group enterprises	182	231	182	231
	Income tax payable	1,468	2,688	1,702	2,730
15	Other payables	1,704	2,046	632	1,662
16	Deffered income	361	361	361	361
	Short-term liabilities other than provisions	16,461	13,974	14,521	12,258
	Total liabilities and provisions	24,101	24,993	22,761	23,832
	Total equity and liabilities	103,425	96,416	102,084	95,256
17	Contractual obligations				
18	Contingent liabilities				
19	Pledges and collateral				
20	Related parties				
21	Ratio definitions				
22	Accounting policies				

STATEMENT OF CHANGES IN EQUITY

GROUP

1,000 DKK	Share capital	Share premium	Reserve for revaluation	Reserve for net revaluation according to the equity method	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Proposed dividend	Total equity
1 JANUARY - 31 DECEMBER 2024									
Equity at 1 January 2024	2,442	33,017	3,991	0	7,125	-193	25,042	0	71,424
Capital increase	23	241	0	0	0	0	0	0	265
Additions for the year	0	0	669	0	193	1,111	0	0	1,973
Disposals for the year	0	0	0	0	-759	0	0	0	-759
Transfer	0	0	0	0	0	0	759	0	759
Net profit for the year	0	0	0	0	0	0	2,210	3,452	5,662
Equity at 31 December 2024	2,465	33,258	4,660	0	6,559	917	28,012	3,452	79,324

GROUP

1,000 DKK	Share capital	Share premium	Reserve for revaluation	Reserve for net revaluation according to the equity method	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Proposed dividend	Total equity
1 JANUARY - 31 DECEMBER 2023									
Equity at 1 January 2023	2,400	32,134	4,030	0	6,685	107	21,869	0	67,223
Capital increase	42	883	0	0	0	0	0	0	925
Additions for the year	0	0	0	0	1,578	243	0	0	1,821
Disposals for the year	0	0	-39	0	-1,138	-543	0	0	-1,720
Transfer	0	0	0	0	0	0	-401	0	-401
Net profit for the year	0	0	0	0	0	0	3,575	0	3,575
Equity at 31 December 2023	2,442	33,017	3,991	0	7,125	-193	25,042	0	71,424

Share capital consists of 24,654,838 shares of DKK 0.10 each.

STATEMENT OF CHANGES IN EQUITY

PARENT

1,000 DKK	Share capital	Share premium	Reserve for revaluation	Reserve for net revaluation according to the equity method	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Proposed dividend	Total equity
1 JANUARY - 31 DECEMBER 2024									
Equity at 1 January 2024	2,442	33,017	3,991	545	5,586	-234	26,077	0	71,424
Capital increase	23	241	0	0	0	0	0	0	265
Additions for the year	0	0	669	1,577	193	0	0	0	2,439
Disposals for the year	0	0	0	0	0	-467	0	0	-467
Transfer	0	0	0	0	0	0	0	0	0
Net profit for the year	0	0	0	-1,071	0	0	3,281	3,452	5,662
Equity at 31 December 2024	2,465	33,258	4,660	1,051	5,779	-700	29,359	3,452	79,324

PARENT

1,000 DKK	Share capital	Share premium	Reserve for revaluation	Reserve for net revaluation according to the equity method	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Proposed dividend	Total equity
1 JANUARY - 31 DECEMBER 2023									
Equity at 1 January 2023	2,400	32,134	4,030	8,367	4,007	0	16,285	0	67,223
Capital increase	42	883	0	0	0	0	0	0	925
Additions for the year	0	0	0	0	1,578	0	0	0	1,578
Disposals for the year	0	0	-39	0	0	-234	0	0	-273
Exchange rate adjustments	0	0	0	-272	0	0	0	0	-272
Other changes in equity	0	0	0	206	0	0	0	0	206
Transfer	0	0	0	0	0	0	-1,539	0	-1,539
Net profit for the year	0	0	0	-7,757	0	0	11,332	0	3,575
Equity at 31 December 2023	2,442	33,017	3,991	545	5,586	-234	26,077	0	71,424

Share capital consists of 24,654,838 shares of DKK 0.10 each.

CASH FLOW STATEMENT

GROUP

1,000 DKK	2024	2023
EBITDA	13,488	20,436
Change in inventories	-6,215	3,570
Change in receivables	-8,846	3,860
Change in trade payables	1,649	-17,732
Other payables	1,897	236
Change in working capital	-11,515	-10,066
Interest income and similar income received	1,539	293
Interest expenses and similar expenses paid	-3,065	-4,552
Total financial items	-1,527	-4,258
Income tax	-4,519	-2,742
Cash flows from operating activities	-4,072	3,369
Purchase of intangible assets	-1,423	-2,000
Purchase of fixed assets	-630	-1,513
Sale of fixed assets	0	350
Cash flows from investing activities	-2,052	-3,163
Raising of additional capital	265	0
Settlement of long-term debt	-3,400	-4,584
Raising/settlement of short-term debt	0	-1,652
Cash flow from financing activities	-3,136	-6,236
Total cash flow for the year	-9,260	-6,030
Cash, beginning of the year	13,630	19,660
Cash, end of year	4,370	13,630

Cash, end of year, comprises:

Cash	6,340	13,630
Short-term payables to credit institutions	-1,970	0
Total	4,370	13,630

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NOTES

1,000 DKK	GROUP		PARENT	
1. OTHER EXTERNAL COSTS	2024	2023	2024	2023
Sales and marketing	4,711	3,586	3,951	3,209
Research & Development	1,038	851	1,017	843
Premises	1,961	1,575	592	626
Administration	9,121	5,979	6,277	4,308
Total	16,832	11,990	11,837	8,986

1,000 DKK	GROUP		PARENT	
2. STAFF COSTS	2024	2023	2024	2023
Wages and salaries	27,940	27,683	22,230	21,106
Pensions	2,840	3,332	2,230	2,271
Other social security costs	591	289	295	288
Staff costs internally capitalised	-709	-1,359	-709	-1,359
Other staff costs	938	621	456	504
Total	31,599	30,566	24,502	22,809

Average number of employees	49	46	34	34
Remuneration for the Executive Board	5,251	4,851	5,251	4,851
Remuneration for the Board of Directors	841	675	841	675

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.

As of 31 December 2024, the Executive Board, the Board of Directors and other employees held the following number of shares in the Company:

	NO. OF SHARES	WARRANTS
Board of Directors	1,472,948	-
Executive Board	7,270,926	708,495
Other employees	96,262	-
Total	8,840,136	708,495

NOTES

1,000 DKK	GROUP		PARENT	
3. DEPRECIATION, AMORTISATION AND IMPAIRMENT	2024	2023	2024	2023
Land and buildings	224	222	224	222
Plant and machinery	897	1,257	652	1,082
Operating equipment, fixtures and fittings	66	72	0	29
Completed development projects	773	165	773	165
Profit from sale of assets	0	-3	0	-3
Write-downs of fixed assets exceeding normal write-downs	0	433	0	433
Write-downs of intangible assets exceeding normal write-downs	1,375	6,861	0	0
Accrued profit/loss from sale and leaseback	-361	-361	-361	-361
Total	2,975	8,647	1,289	1,569

4. SPECIAL ITEMS

In the financial year 2024, an impairment test was carried out on development projects under execution, in both the parent and the group. This has resulted in a total impairment of development projects under execution in the group for a total of DKK 1,375 thousand.

1,000 DKK	GROUP		PARENT	
	2024	2023	2024	2023
Impairment of development projects	1,375	6,861	0	0
Total	1,375	6,861	0	0

This has been recognised as impairment in the group and as income from investments in subsidiaries.

1,000 DKK	GROUP		PARENT	
5. FINANCIAL INCOME	2024	2023	2024	2023
Interest, group enterprises	0	0	65	60
Exchange rate adjustments	1,431	220	179	0
Other financial income	108	73	108	73
Total	1,539	293	351	133

1,000 DKK	GROUP		PARENT	
6. FINANCIAL EXPENSES	2024	2023	2024	2023
Exchange rate adjustments	2,205	2,108	0	763
Other financial expenses	860	2,443	860	1,681
Total	3,065	4,552	860	2,443

NOTES

1,000 DKK	GROUP		PARENT	
7. TAX ON PROFIT	2024	2023	2024	2023
Tax on profit before tax	3,129	3,403	1,842	2,746
Change in deferred tax for the year	271	219	315	591
Change in tax earlier years	-76	333	-76	-2
Total	3,325	3,955	2,081	3,334

1,000 DKK	GROUP		PARENT	
8. PROPOSED APPROPRIATION ACCOUNT	2024	2023	2024	2023
Reserve for net revaluation according to the equity method	0	0	-1,071	-7,757
Retained earnings	2,210	3,575	3,281	11,332
Proposed dividend	3,452	0	3,452	0
Total	5,662	3,575	5,662	3,575

1,000 DKK	GROUP		PARENT	
9. INTANGIBLE ASSETS	Completed development projects	Development projects in progress	Completed development projects	Development projects in progress
Cost at 1 January 2024	6,927	9,236	6,927	660
Additions for the period	0	1,423	0	1,021
Disposals for the period	0	0	0	0
Transfers	930	-930	930	-930
Cost at 31 December 2024	7,856	9,729	7,856	752
Depreciation and impairment at 1 January 2024	426	6,603	426	0
Depreciation, amortisation for the year	773	0	773	0
Write-downs	0	1,375	0	0
Depreciation and impairment at 31 December 2024	1,199	7,978	1,199	0
Carrying amount at 31 December 2024	6,658	1,752	6,658	752

The development projects relate to the development of software for the IoT product Hove Smart Lube, which ensures correct lubrication and complete documentation. The product was launched in 2024. A number of pilot projects and tests have been conducted for the product.

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 2025.

NOTES

GROUP

1,000 DKK

10. PROPERTY, PLANT, AND EQUIPMENT

	Land & Buildings	Plant and machinery	Operating equipment, fixtures and fittings	Property, plant and equipment in progress
Cost at 1 January 2024	9,661	8,792	485	443
Exchange rate adjustments	0	81	6	0
Additions for the year	0	315	315	0
Disposals for the year	0	0	0	-443
Transfers	0	0	0	0
Cost at 31 December 2024	9,661	9,188	806	0
Revaluation at 1 January 2024	5,446	0	0	0
Revaluation for the year	909	0	0	0
Revaluation at 31 December 2024	6,355	0	0	0
Depreciation and impairment at 1 January 2024	1,791	5,689	58	0
Depreciation for the year	224	896	59	0
Disposals for the year	0	0	0	0
Depreciation on disposed assets	0	0	0	0
Exchange rate adjustments	0	42	-1	0
Depreciation and impairment at 31 December 2024	2,015	6,627	116	0
Carrying amount at 31 December 2024	14,000	2,561	690	0
Of this, finance lease assets	0	667	0	0
Carrying amount of property, plant and equipment, exclusive of revaluations	7,645	2,561	690	0

NOTES

PARENT

1,000 DKK

10. PROPERTY, PLANT, AND EQUIPMENT

	Land & Buildings	Plant and machinery	Operating equipment, fixtures and fittings	Property, plant and equipment in progress
Cost at 1 January 2024	9,661	7,415	0	443
Additions for the year	0	115	0	0
Disposals for the year	0	0	0	-443
Transfers	0	0	0	0
Cost at 31 December 2024	9,661	7,530	0	0
Revaluation at 1 January 2024	5,446	0	0	0
Revaluation for the year	909	0	0	0
Revaluation at 31 December 2024	6,355	0	0	0
Depreciation and impairment at 1 January 2024	1,791	5,107	0	0
Depreciation for the year	224	652	0	0
Disposals for the year	0	0	0	0
Depreciation on assets disposed	0	0	0	0
Depreciation and impairment at 31 December 2024	2,015	5,759	0	0
Carrying amount at 31 December 2024	14,000	1,770	0	0
Of this, assets held under finance leases	0	667	0	0
Carrying amount of non-current assets excluding revaluations	7,645	1,770	0	0

Land and buildings are recognised at fair value. The fair value is determined on an assessment received from an independent broker (the latest fair value was made in the financial statements as of 31 December 2024).

NOTES

PARENT

1,000 DKK

11. EQUITY INVESTMENTS IN GROUP ENTERPRISES**2024****2023****Cost at 1 January****8,302****6,748**

Additions during the year

1,537

1,788

Exchange rate adjustments

-467

-234

Cost at 31 December**9,372****8,302****Revaluation at 1 January****3,878****8,367**

Profit for the year

-918

-1,296

Write-down goodwill

0

-5,144

Exchange rate adjustments

1,577

-272

Intercompany profits

-153

-1,317

Negative equity in subsidiaries - offset against receivables

3,340

3,334

Other changes in equity

0

206

Revaluation at 31 December**7,724****3,878****Carrying amount at 31 December****17,097****12,180**

Equity investments in group enterprises consist of:

NAME	Registered office	Ownership
Hove Americas Inc.	Colarado	100%
Hove Lubricants India Private Limited	Pune	100%
Hove Brasil Equipamentos e Servicos de Lubrificacao LTDA	Recife	100%
Hove Turkey Ithalat Ihracar Ve Ticaret Anomin Sirketi	Istanbul	100%
Hafnia Pumps ApS	Glostrup	100%

NOTES

12. PREPAYMENTS

Prepayments constitute prepaid costs relating to subsequent years.

1,000 DKK	GROUP		PARENT	
13. DEFERRED TAX	2024	2023	2024	2023
Balance at 1 January	2,423	2,198	2,978	2,388
Adjustment for the year, income statement	271	219	315	591
Adjustment for the year, equity	0	5	0	0
Total deferred tax	2,694	2,423	3,293	2,978

1,000 DKK			Outstanding	Total payables	Total payables
14. LONG-TERM PAYABLES	Repayment	Between 1-5	debt after 5	31.12.24	31.12.23
	first year	years	years		
GROUP					
Debt to mortgage credit institutions	246	1,080	2,654	3,980	4,217
Debt to credit institutions	0	0	0	0	2,947
Financial leasing (Sale & leaseback)	366	327	0	693	1,052
Other payables	0	0	825	825	800
Deferred income	361	60	0	421	781
Total long-term liabilities	973	1,467	3,479	5,919	9,797
PARENT					
Debt to mortgage credit institutions	246	1,080	2,654	3,980	4,217
Debt to credit institutions	0	0	0	0	2,947
Financial leasing (Sale & leaseback)	366	327	0	693	1,052
Other payables	0	0	825	825	800
Deferred income	361	60	0	421	781
Total long-term liabilities	973	1,467	3,479	5,919	9,797

NOTES

1,000 DKK	GROUP		PARENT	
15. OTHER PAYABLES	2024	2023	2024	2023
Payroll tax	0	465	0	465
Holiday accrual	590	1,086	526	999
Other payroll related payables	106	198	106	198
Other payables	1,008	298	0	0
Total	1,704	2,046	632	1,662

16. DEFERRED INCOME

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

17. CONTRACTUAL OBLIGATIONS

The parent has entered into 7 leases with less than 12 months and one 3 years contract. The monthly payments constitute DKK 47,341. The total lease liability is within one year of DKK 329,152. The total lease obligation is DKK 665,719.

In addition, the Parent has entered into finance leases recognised as property, plant and equipment, see note 10.

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

18. CONTINGENT LIABILITIES

The parent company has issued a statement of support to the subsidiary Hafnia Pumps ApS, stating that it will unconditionally provide the necessary financing and take responsibility for Hafnia Pumps ApS to continue operations and meet obligations as they fall due, including securing the necessary capital for the complete development and commercialization of the company's recorded development project.

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

19. PLEDGES AND COLLATERAL

Group and Parent Company

As security for the mortgage debt, a mortgage has been given on the company's property. The mortgage debt amounted to TDKK 3,992 on the balance sheet date. The property was recognised and measured at TDKK 14,000 on the balance sheet date.

As security for outstanding balances with Nordea Bank, owner mortgage deeds have been registered on the property with nominal values of DKK 3,000,000 and nominal values of DKK 1,230,000, respectively. The property is recognized and measured at TDKK 14,000 on the balance sheet date.

As security for current accounts with Nordea Bank, a registered business mortgage of DKK 11,000,000 has been secured by simple receivables arising from the sale of goods and services, operating equipment and supplies, stocks of raw materials, semi-finished products and finished goods, goodwill, domain names and rights pursuant to the Patent Act, the Trademark Act, the Design Act, the Utility Model Act, the Pattern Act, the Copyright Act and the Act on the Protection of the Design of Semiconductor Products (Topography) as well as propellants and other auxiliary materials. The total assets are recognised and measured at TDKK 102,162 on the balance sheet date.

20. RELATED PARTIES

Group and Parent Company

There have been transactions between the Group and its related parties during the financial year. Controlling transactions between related parties have taken place on market terms.

There are no related parties with controlling influence as of December 31, 2024.

NOTES

21. RATIO DEFINITIONS

RATIO	FORMULA
Gross margin (%)	(Gross profit * 100) / Revenue
EBITDA-margin (%)	(EBITDA * 100) / Revenue
Return of invested capital (ROIC) (%)	(EBIT * 100) / Average invested capital
Return on equity (%)	(Net profit * 100) / Average equity
Solvency ratio (%)	(Equity * 100) / Total assets
Number of shares	The total number of shares outstanding
Number of shares diluted	The total number of shares and warrants outstanding
Earnings per share (EPS)	(Net profit * 100) / Average number of shares
Diluted EPS	(Net profit * 100) / Average number of shares diluted
Net working capital (NWC)	Current assets minus current liabilities
Invested capital	Net working capital + intangible assets + fixed assets

NOTES

22. ACCOUNTING POLICIES**GENERAL**

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act for medium-sized Class C enterprises.

The financial statements have been prepared using the same accounting policies as the previous year.

Basis of Recognition and Measurement

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company, and the asset's value can be reliably measured.

Liabilities are recognized in the balance sheet when it is probable that future economic resources will be expended by the company, and the value of the liability can be reliably measured.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each accounting item below.

Certain financial assets and liabilities are measured at amortized cost, applying a constant effective interest rate over their term. Amortized cost is calculated as the original cost price, adjusted for repayments and the accumulated amortization of the difference between cost and nominal amount.

Recognition and measurement take into account foreseeable losses and risks that arise before the annual report is presented and that confirm or disprove conditions existing at the balance sheet date.

Revenue is recognized in the income statement as it is earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Expenses incurred to generate the year's revenue, including depreciation, impairment losses, and provisions, as well as reversals due to changes in accounting estimates, are also recognized in the income statement.

Consolidated Financial Statements

The consolidated financial statements include the parent company, HOVE A/S, and subsidiaries where HOVE A/S directly or indirectly holds more than 50% of the voting rights or otherwise exercises control. Companies in which the Group holds between 20% and 50% of the voting rights and exerts significant but not controlling influence are considered associates.

In the consolidation process, intra-group income and expenses, shareholdings, intercompany balances, dividends, and realized and unrealized gains and losses from transactions between consolidated entities are eliminated.

Investments in subsidiaries are offset against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

Newly acquired or newly established companies are included in the consolidated financial statements from the date of acquisition. Companies that are sold or liquidated are included in the consolidated income statement until the date of disposal. Comparative figures are not adjusted for newly acquired, sold, or liquidated companies.

Gains or losses from the disposal of subsidiaries and associated companies are calculated as the difference between the selling price and the carrying amount of net assets at the date of sale, including any unamortized goodwill and expected costs related to the sale or liquidation.

Foreign Currency Translation

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction date. Receivables, liabilities, and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date.

Realized and unrealized foreign exchange gains and losses are recognized in the income statement under financial items.

Foreign subsidiaries are considered independent entities. Their income statements are translated at the average exchange rate for the year, and balance sheet items are translated at the exchange rate at the balance sheet date. Exchange differences arising from the translation of foreign subsidiaries' equity at the beginning of the year and the translation of income statements from average exchange rates to balance sheet date exchange rates are recognized directly in equity.

Foreign exchange adjustments of intercompany balances with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary, are recognized directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments entered into to hedge net investments in foreign subsidiaries are recognized directly in equity.

NOTES

INCOME STATEMENT

Revenue

Revenue is recognized in the income statement when delivery and transfer of risk to the buyer have occurred before the end of the financial year. Revenue is recognized excluding VAT and net of sales-related discounts.

Cost of goods sold

This item includes the cost of raw materials and consumables used to generate the company's revenue.

Other operating income

Other operating income includes wage subsidies and other operating income of a secondary nature.

Other external costs

Other external costs include expenses for distribution, sales, advertising, administration, premises, bad debts, operational leasing costs, etc.

Other operating expenses

Other operating expenses include items of a secondary nature relative to the company's core activities, including losses from the sale of intangible and tangible fixed assets.

Lease agreements

Lease payments under contracts that are not classified as finance leases, as well as other rental agreements, are recognized in the income statement over the contract period. The company's total obligations regarding lease and rental agreements are disclosed under contractual obligations and contingencies.

Staff costs

Staff costs include wages and salaries, as well as social security costs, pensions, and other expenses related to the company's employees.

Financial income and expenses

Financial items include interest income and expenses, finance lease costs, realized and unrealized foreign exchange gains and losses on securities, debt, and foreign currency transactions, loan amortization, and adjustments related to pre-paid tax schemes.

Results from group companies

Results from group companies are included in the income statement based on the proportionate share of the companies' results, adjusted for internal gains or losses.

Tax on the year's profit

The tax expense for the year, consisting of current tax and changes in deferred tax, is recognized in the income statement as far as it relates to the year's result, and directly in equity for items affecting equity directly.

The company has been subject to mandatory joint taxation for part of the financial year, covering the parent company and its Danish subsidiaries.

The company has been subject to mandatory joint taxation for part of the financial year, covering the parent company and its Danish subsidiaries. The current Danish corporate tax is allocated by settlement of joint taxation contributions among the jointly taxed companies based on their taxable income. Companies with tax losses receive joint taxation contributions from companies that have utilized these losses (full allocation method).

NOTES

BALANCE SHEET

Intangible assets

Development projects include costs such as salaries, wages, and depreciation that can be directly or indirectly attributed to the company’s development activities and meet the criteria for recognition. Development costs are measured at cost.

Capitalized development costs are amortized on a straight-line basis over 10 years after the completion of the development work.

Development projects that are clearly defined and identifiable, where technical feasibility, sufficient resources, and a potential future market or business opportunity can be demonstrated, and where it is the company’s intention to produce, market, or use the project, are recognized as intangible assets if the cost can be reliably measured and there is sufficient certainty that future earnings will cover production, sales, and administrative expenses.

ther development costs are recognized in the income statement as incurred.

Tangible assets

Land and buildings are measured at fair value, less accumulated depreciation. Straight-line depreciation is applied based on an assessment of the expected useful lives and residual values of individual assets.

The depreciation base is the fair value at the beginning of the year, less the expected residual value after the useful life. The fair value is determined based on a third-party valuation.

Revaluation of land and buildings, less deferred tax, is allocated to the revaluation reserve under equity.

Other tangible assets are measured at cost, less accumulated depreciation. Straight-line depreciation is applied based on an assessment of the expected useful lives and residual values of individual assets.

The depreciation base is the cost price, less the expected residual value after the useful life. Cost includes the purchase price and any direct costs incurred in making the asset ready for use.

The depreciation period and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation ceases. Any changes in the depreciation period or residual value are recognized prospectively as a change in accounting estimate.

The expected useful lives and residual values are as follows:

Asset Type	Useful Life	Residual Value (DKK)
Buildings and solar panels	50 years	3,975,000
Production equipment and machines	5 - 7 years	265,000
Other equipment, operating assets, and inventory	5 years	0

Gains or losses from the disposal of tangible assets are calculated as the difference between the selling price, net of selling costs, and the carrying amount at the time of sale. Gains or losses are recognized in the income statement under other operating income or other operating expenses.

Leased tangible assets that meet the criteria for financial leasing are treated according to the same principles as owned assets.

Impairment of fixed assets

The carrying amount of both intangible and tangible fixed assets is assessed annually for indications of impairment beyond what is reflected in depreciation.

If indications of impairment exist, an impairment test is performed for each asset or asset group. The asset is written down to its recoverable amount if this is lower than the carrying amount.

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

Financial Assets

Investments in affiliated companies are recognized using the equity method as the consolidation method. The share of the annual result is included in the income statement. In the balance sheet, the proportionate ownership share of the affiliated company's book equity is measured according to the parent company’s accounting policies, adjusted for unrealized internal group gains or losses.

Deposits are measured at cost.

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Inventories

Inventories are measured at cost using the FIFO method. If the cost price is higher than the net realizable value, a write-down is made to the lower value.

- The cost price of trade goods, raw materials, and consumables includes the purchase price plus acquisition costs.
- The cost price of manufactured finished goods and goods under production includes the cost of raw materials, consumables, direct wages, and direct production costs. Indirect production costs include indirect materials and wages, maintenance and depreciation of production-related machinery, factory buildings, and equipment, as well as factory administration and management expenses. Capitalized development costs related to the products are also included.

The net realizable value of inventories is determined as the expected selling price, less costs of completion and sales costs, taking into account marketability, obsolescence, and expected price developments.

Receivables

Receivables are measured at amortized cost, which usually corresponds to nominal value. The value is reduced by write-downs to account for expected losses based on an assessment of individual receivables.

Prepayments

Prepayments recognized under assets include costs incurred that relate to subsequent financial years.

Cash

This category includes liquid assets.

Reserve for net revaluation according to the equity method

The reserve for net revaluation under the equity method includes net revaluations of investments in subsidiaries and associated companies relative to their cost price. The reserve may be reduced in case of losses, the realization of investments, or changes in accounting estimates. The reserve cannot be negative.

Reserve for development costs

The reserve for development costs includes recognized development expenses. This reserve cannot be used for dividends or to cover losses. It is reduced or dissolved if the recognized development costs are depreciated or removed from the company's

operations. This happens through a direct transfer to free reserves in equity.

Dividend

Proposed dividends for the year are presented as a separate item under equity. The proposed dividend is recognized as a liability at the time of approval at the general meeting.

Liabilities

Financial liabilities are recognized at the time of borrowing at the received proceeds, net of transaction costs. In subsequent periods, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate, ensuring that the difference between the proceeds and the nominal value is recognized in the income statement over the loan period.

- Mortgage debt is measured at amortized cost, which for cash loans corresponds to the outstanding principal. For bond loans, amortized cost corresponds to the outstanding principal, calculated as the underlying cash value of the loan at the time of borrowing, adjusted with an amortization of the loan's issue discount over the repayment period.
- Other liabilities are measured at amortized cost, which corresponds to their nominal value.

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Current and deferred tax

Current tax liabilities and current tax receivables are measured in the balance sheet as the calculated tax on the taxable income for the year, adjusted for taxes related to prior years' taxable income and prepaid tax installments.

Deferred tax is measured using the balance sheet liability method on temporary differences between the carrying amount and tax value of assets and liabilities. Deferred tax is calculated based on the tax rules and tax rates in effect at the balance sheet date, which are expected to apply when the deferred tax is realized as current tax. Changes in deferred tax due to adjustments in tax rates are recognized in the income statement.

Prepayments and accruals

Prepayments and accruals recognized under liabilities include payments received relating to income in subsequent financial years.

Cash flow statement

The cash flow statement is prepared using the indirect method and presents 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 determined as the net profit for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities include purchases and sales of non-current assets.

Cash flows from financing activities include proceeds from and repayments of long-term debt, short-term borrowings from credit institutions, dividend distributions, and net proceeds from share issuances.

Cash and cash equivalents comprise cash balances and short-term marketable securities that are readily convertible to cash with an insignificant risk of value changes.



