

IRD Fuel Cells A/S

**Emil Neckelmanns vej 15 A
5220 Odense SØ**

CVR no. 14 68 96 05

Annual Report 2025

The Annual Report was presented and adopted at the company's annual general meeting on:

22 July 2026

Xu Sheng

Chairman of the General Meeting

ANNUAL REPORT 2025

(36. financial year)

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COMPANY INFORMATION

Company

IRD Fuel Cells A/S
Emil Neckelmanns vej 15 A
5220 Odense SØ

CVR no.

14 68 96 05

Financial year

1 January - 31 December

Principal activities

The company's principal activities consist in producing and delivering components and/or fuel cells and/or related components and systems and related technological and commercial services and give advice, perform research and other experimental advancements concerning fuel cell technology, furthermore being a stakeholder or shareholder in other companies associated hereby, and to run a company of any kind where the company's knowledge and skills can be of use for creating value. The company's activities can be practiced in any country.

The company's board of directors

Sheng Xu
Feng Xu
Liangyu Cao
Gang LI
Shi Hui
Hui XU

CEO

Liangyu Cao

The company's auditor

Haamann Statsautoriseret Revisionspartnerselskab,
Vojensvej 11
2610 Rødovre
CVR no. 39 40 81 98

MANAGEMENT'S STATEMENT

The board of directors and the executive board have today presented the annual report for the financial year 1 January - 31 December 2025 for IRD Fuel Cells A/S.

The annual report is presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate for the annual report to provide a true and fair view of the company's assets and liabilities, financial position and performance.

Moreover, in our opinion, the management's review includes a fair review of the matters described.

Odense, 22 July 2026

Executive Board:

Liangyu Cao

Board of Directors:

Sheng Xu

Feng Xu

Liangyu Cao

Gang LI

Shi Hui

Hui XU

INDEPENDENT AUDITOR'S REPORT

To the shareholder of IRD Fuel Cells A/S

Opinion

We have audited the Financial Statements of IRD Fuel Cells A/S for the financial year 1 January - 31 December 2025, which comprise income statement, balance sheet, statement of charges in equity and notes, including a summary of significant accounting policies, for the Company. The Financial Statements are prepared under the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company 31 December 2025, and of the results of the operations for the financial year 1 January - 31 December 2025 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We are responsible for the direction, supervision and performance of the 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 Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement of Management's Review.

Rødovre, 22 July 2026

Haamann Statsautoriseret Revisionspartnerselskab
CVR.no. 39 40 81 98

Jan Østergaard
State Authorized Public Accountant
mne30203

MANAGEMENT'S REVIEW

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

Financial highlights and ratios

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Income statement (DKK '000)</u>					
Gross profit	23.835	27.764	23.300	23.998	-4.537
Operating profit	-42.381	-9.201	-5.360	-2.101	-26.246
Net financials	-69.155	-13.595	-11.732	-3.714	-1.331
Net profit for the year	-107.685	-19.765	-17.056	-20.129	-27.577
<u>Balance sheet (DKK '000)</u>					
Balance sheet total	319.588	406.042	374.650	297.213	133.669
Investments in tangible fixed assets	3.762	34.618	68.448	34.493	15.573
Equity	244.102	202.428	219.978	206.135	118.324
<u>Financial ratios (%)</u>					
Return on assets	-13,3	-2,3	-1,4	-0,7	-19,6
Solvency ratio	76,4	49,9	58,7	69,4	88,5

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

MANAGEMENT'S REVIEW

Primary activities

IRD Fuel Cells A/S (IRD) primary business focus is unchanged from previous years, and thus, activities are centered around the development, production, and delivery of fuel cell components that support the green transition and contribute to reducing CO₂ emissions across sectors. Based on advanced technology and strong partnerships, IRD is actively working to offer reliable and scalable solutions for the transport, energy, and industrial segments.

The focus is on creating value throughout the entire value chain — from strategic procurement of key components used for the development of innovative fuel cell stacks to customized energy solutions. We prioritize close collaboration with customers and partners to ensure that the products meet the market's growing demands for efficiency, environmental considerations, and economic sustainability.

Through continuous technological development, strong commercial relationships, and a dedicated focus on quality and reliability, we are working to strengthen our position as a preferred supplier of future energy solutions in a highly competitive market.

Development in 2025

IRD have continued to focus on the development and production of fuel cells components in 2025. However, even though global focus is on green energy and CO₂-neutral solutions, the hydrogen industry has experienced a prolongation of the uptake-cycle and as a consequence, companies in general have reduced their investments and, in some cases, downsized fuel cells activities significantly.

Strategically, for IRD developing and producing fuel cell components remain relevant and IRD remain competitive on the global scene. However, due to the reduced demand from the prolonged global uptake-cycle, IRD unfortunately have been forced to adjust activity levels as well. IRD still seek to serve the North American market, but it was decided at the end of 2025 to close the production facility in Albuquerque, New Mexico. Closing of the production facility is expected to be completed during 2026, which sadly also means that all employees have been given their notice and production completely ceases in USA.

In addition, for the same reason as for closing production in USA, IRD in Denmark have considered it prudent for financial reasons, to reduce staff significantly and write down the book value of some assets. The significant adjustment in Denmark also was decided at the end of 2025, and the reduction is completed during 2026.

As existing and potential customers still show good interest in IRD's products and services, production of both MEA and BPP as well as R&D and general functions of operations continue in Odense, Denmark.

Closing production in USA and downsizing in Denmark affect everybody at IRD, and focus is to make IRD prosperous again. The positive entrepreneurial attitude that remains in IRD does, however, not change the fact, that the annual financial result in 2025 suffers significantly. In 2025 separately, the cash position is not impacted to the same extent, as especially the negative accounting effect from closing production in USA and write down of book value in Denmark, is primarily concerning investments paid for before 2025.

Assumptions and uncertain factors

The expectations for the company's development in 2026 are based on a number of assumptions:

- That the demand for fuel cell technology evolves in accordance with global energy policy developments
- That ongoing and planned product development and investment projects are carried out as planned
- That no significant changes occur in legislation or regulatory requirements that affect the production or marketing of the company's products

The management is also aware of a number of uncertainty factors that may affect the expected development:

- Continued or new supply chain disruptions and price increases on central materials
- Changes in energy policy priorities or support schemes in the company's primary markets
- Intense competition and technological breakthroughs from competitors that can change market conditions
- Macroeconomic conditions and geopolitical unrest that can affect investment willingness and demand for energy technology

Based on the above, management assesses that the company is equipped to handle the mentioned uncertainties and take advantage of the business opportunities that arise in the market.

Research and development activities

R&D continues to be essential to maintain IRD's products at the cutting edge within components for hydrogen solutions. Accordingly, IRD maintain the policy of hiring among other highly qualified R&D-staff with significant capabilities within fuel cells. In order to stay competitive internationally IRD focus not only on internal R&D, but also on continued participation in long-standing cooperations in Denmark, EU, and USA on significant research projects with reputable international universities and other research groups in public supported R&D-projects. Both internal and external R&D-cooperations serve to combine commercial and scientific achievements at the highest level to the benefit of among other the environment as a whole.

Environmental impact of fuel cell production

As a manufacturer of fuel cell components, IRD are aware that the activities have a range of environmental impacts, such as CO₂ emissions, pollution, and effects on ecosystems, which the company continuously strive to minimize. Therefore, IRD seek to collaborate with suppliers who adhere to international standards for responsible operations and environmental protection.

The production processes involve energy consumption and the use of raw materials, which are addressed through targeted investments in energy-efficient solutions.

At the same time, IRD-products have a positive environmental impact when they are put into use. Fuel cells generate electricity with water as the only byproduct and without local emissions of CO₂, particles, or NO_x. They thus contribute to reducing air pollution and CO₂ emissions in sectors such as transportation and energy and support the transition to a more sustainable energy system.

Efforts to mitigate negative environmental impacts

The company has an ambition to actively contribute to the green transition through the development and delivery of technologies that reduce dependence on fossil fuels. The fuel cell solutions enable emission-free energy production and support the transition to a sustainable energy system. Internally, the company is focused on sustainable initiatives and responsible resource management. Additionally, the ESG agenda is important in relation to requirements for suppliers and partners regarding environmental impact and ethical business behavior.

IRD see it as our responsibility to minimize the negative environmental impact of our production while maximizing the positive effect our technology can contribute to society. Therefore, in the coming year, the company will continue efforts to strengthen environmental management, increase the use of sustainable materials, and enter into more partnerships around circular solutions and green transition.

Expected development in 2026

IRD consider that it is in a challenging, but good position in terms of remaining staff, technology and R&D-capability to prevail in the long haul. Production and sales match the adjusted set-up, and positive signs from existing and potential customers are increasing, but 2026 will still be a year of adjustment and challenges, even though the global transition towards fossil-free energy solutions continues.

Management continue to assess that the initiated investments in production optimization and product development will contribute to improved competitiveness and increased earning capacity over the coming years. In particular, new product generations with higher energy efficiency and lower production costs are expected to further strengthen the company's position and open up new opportunities in the market. To further support efficiency overall, IRD upgraded the ERP-system during 2025/2026.

Events after the balance sheet date

In order to continue the plan for further business operations despite challenging decisions taken in 2025, in 2026 CITIC Bank in Shanghai has accepted IRD's application for a loan of 5mill.EUR, which is sufficient for going at least into 2027.

No other events have occurred after the balance sheet date which could have a material influence on the Company's financial position.

INCOME STATEMENT
1 January - 31 December 2025

	<u>Note</u>	<u>2025 DKK</u>	<u>2024 TDKK</u>
Gross result		23.834.887	27.764
Staff costs	1	-44.815.868	-33.875
Depreciation		<u>-21.399.931</u>	<u>-3.090</u>
Operating profit and loss		-42.380.912	-9.201
Income from investments in subsidiaries		-66.980.381	-12.718
Financial income	2	1.379.614	6.902
Financial expenses	3	<u>-3.553.736</u>	<u>-7.779</u>
Profit or loss before tax		-111.535.415	-22.796
Tax on profit or loss for the year	4	<u>3.850.484</u>	<u>3.031</u>
Net profit or loss for the year		<u>-107.684.931</u>	<u>-19.765</u>
Proposed distribution of results	5		

BALANCE 31 December 2025

ASSETS

	Note	2025 DKK	2024 TDKK
<u>Fixed assets</u>			
Intangible assets	6		
Acquired licences		376.041	234
Property, plant and equipment	7		
Property, plant and equipment in progress		79.804.281	134.760
Leasehold improvements		48.829.667	16.636
Plant and machinery		15.543.788	10.680
Other fixtures and fittings, tools and equipment		425.478	99
		<u>144.603.214</u>	<u>162.175</u>
Financial assets	8		
Investments in subsidiaries		0	60.288
Capital interests		53.653.508	64.084
Deposits		1.792.733	1.920
		<u>55.446.241</u>	<u>126.292</u>
Fixed assets, total		<u>200.425.496</u>	<u>288.701</u>
<u>Current assets</u>			
Inventories			
Raw materials and consumables		62.596.191	58.990
Finished goods and goods for resale		4.777.379	4.365
		<u>67.373.570</u>	<u>63.355</u>
Receivables			
Trade receivables		9.154.968	11.333
Receivables from group enterprises		7.509.576	7.798
Other short-term receivables		15.180.477	11.896
Prepayments		1.598.364	1.362
		<u>33.443.385</u>	<u>32.389</u>
Cash and cash equivalents		<u>18.345.629</u>	<u>21.597</u>
Current assets		<u>119.162.584</u>	<u>117.341</u>
Assets		<u>319.588.080</u>	<u>406.042</u>

BALANCE 31 December 2025

LIABILITIES AND EQUITY

	<u>Note</u>	<u>2025 DKK</u>	<u>2024 TDKK</u>
<u>Equity</u>	9		
Share capital		127.321.035	105.791
Reserve for exchange rate adjustments		-13.239.900	-1.982
Retained earnings		<u>130.020.673</u>	<u>98.619</u>
Total equity		<u>244.101.808</u>	<u>202.428</u>
<u>Liabilities</u>			
Short-term liabilities other than provisions			
Prepayments received from customers		9.937.278	7.044
Debt to credit institutions		22.406.700	0
Trade payables		13.912.363	21.714
Payables to group enterprises		0	135.666
Corporation tax		0	0
Other payables		11.653.735	4.038
Deferred income	10	<u>17.576.196</u>	<u>35.152</u>
		<u>75.486.272</u>	<u>203.614</u>
Total liabilities		<u>75.486.272</u>	<u>203.614</u>
Total liabilities and equity		<u>319.588.080</u>	<u>406.042</u>
Contingent assets etc.	11		
Contingent liabilities etc.	12		
Related parties	13		

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium account</u>	<u>Reserve for exchange rate adjustments</u>	<u>Retained earnings</u>	<u>Total equity</u>
Equity at 1 January	105.791.035		-1.982.008	98.618.716	202.427.743
Cash capital increase	21.530.000	139.086.888			160.616.888
Share premium transferred		-139.086.888		139.086.888	0
Profit (loss)			-11.257.892	-107.684.931	-118.942.823
Equity at 31 December	<u>127.321.035</u>	<u>0</u>	<u>-13.239.900</u>	<u>130.020.673</u>	<u>244.101.808</u>

NOTES

	2025 DKK	2024 TDKK
1. <u>Staff costs</u>		
Wages and salaries	49.414.679	44.027
Pension costs	4.256.005	4.392
Social security costs	1.215.046	1.204
Other staff expenses	1.598.551	1.839
	56.484.281	51.462
Transfer to development projects	-11.668.413	-17.587
	44.815.868	33.875
Average number of employees	79	90
Information of staff costs to management has been omitted as only one member of the management has received payment.		
2. <u>Financial income</u>		
Interest received from group enterprises	199.040	587
Other financial income	54.442	377
Exchange gains	1.126.132	5.938
	1.379.614	6.902
3. <u>Financial expenses</u>		
Interest paid to group enterprises	1.769.161	4.797
Other financial expenses	69.649	219
Exchange loss	1.714.926	2.763
	3.553.736	7.779
4. <u>Tax on profit or loss for the year</u>		
Estimated tax for the taxable income of the year	-1.905.381	-1.877
With-holding tax China	1.435.041	1.899
Adjustment of tax previous years	-3.380.144	-3.053
	-3.850.484	-3.031
5. <u>Proposed distribution of results</u>		
Reserve for net revaluation according to equity method	0	0
Retained earnings	-107.684.931	-19.765
	-107.684.931	-19.765

NOTES

6. Intangible assets

	Acquired licenses
Cost price 1 January 2025	2.176.310
Additions	208.244
Disposals	0
Cost price 31 December 2025	2.384.554
Depreciation 1 January 2025	1.942.425
Depreciation for the year	66.088
Depreciation 31 December 2025	2.008.513
Accounting value 31 December 2025	376.041

7. Property, plant and equipment

	Property, Plant and Equipment in progress	Leasehold improve- ments	Plant and machinery	Fixtures, fittings, tools and equipment
Cost price 1 January 2025	134.760.114	24.382.546	24.154.241	471.851
Transfers during the year	-58.019.461	42.788.606	14.533.862	696.993
Additions	3.063.628	78.976	619.631	0
Disposals	0	0	0	0
Cost price 31 December 2025	79.804.281	67.250.128	39.307.734	1.168.844
Depreciation 1 January 2025	0	7.746.766	13.473.974	373.191
Depreciation of the year	0	10.673.695	10.289.972	370.175
Reversal of depreciation of divested assets	0	0	0	0
Depreciation 31 December 2025	0	18.420.461	23.763.946	743.366
Accounting value 31 December 2025	79.804.281	48.829.667	15.543.788	425.478

NOTES

8. Financial assets

	<u>Deposits</u>	<u>Investments in subsidiaries</u>	<u>Capital interests</u>
Cost price 1 January 2025	1.919.490	103.553.389	73.534.279
Additions	73.790	0	0
Disposals	-200.547	0	0
Cost price 31 December 2025	<u>1.792.733</u>	<u>103.553.389</u>	<u>73.534.279</u>
Appreciation and depreciation 1 January 2025	0	-43.264.802	-9.450.079
Exchange rate adjustments	0	-6.669.566	-4.727.605
Net profit/loss for the year	0	-61.277.294	-5.703.087
Negative equity setoff against receivable subsidiary	0	7.658.273	0
Appreciation and depreciation 31 December 2025	<u>0</u>	<u>-103.553.389</u>	<u>-19.880.771</u>
Accounting value 31 December 2025	<u>1.792.733</u>	<u>0</u>	<u>53.653.508</u>

Financial and operating data of the companies as of 31 December 2025:

	<u>The result for the year</u>	<u>Equity</u>	<u>Equity interest</u>	<u>Accounting value Invesments in subsidiaries</u>
IRD Fuel Cells, LLC, New Mexico, USA	<u>-61.277.294</u>	<u>-7.658.272</u>	<u>100%</u>	<u>0</u>
	<u>The result for the year</u>	<u>Equity</u>	<u>Equity interest</u>	<u>Capital interests</u>
Wuxi Weifu Qinglong Power Technology Co., Ltd., China (Joint Venture)	<u>-41.854.446</u>	<u>393.767.328</u>	<u>15%</u>	<u>53.653.508</u>

NOTES

9. Equity

The share capital consists of 105,791 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	<u>2025</u> TDKK	<u>2024</u> TDKK	<u>2023</u> TDKK	<u>2022</u> TDKK	<u>2021</u> TDKK
Share capital at 1 January	105.791	105.791	101.080	86.600	85.600
Capital increase	<u>21.530</u>	<u>0</u>	<u>4.711</u>	<u>14.480</u>	<u>1.000</u>
Share capital at 31 December	<u>127.321</u>	<u>105.791</u>	<u>105.791</u>	<u>101.080</u>	<u>86.600</u>

10. Deferred income

Deferred income in the balance sheet relates to rights and know-how sold to the parent company in China, some of which is deferred and included in profit and loss over a period of five years.

11. Contingent assets etc.

The company has a tax asset of TDKK 38.564 which is not capitalized.

12. Contingent liabilities etc.

The company is part of a joint taxation relation. The company is liable unlimited and jointly with the parent company Weifu Holding ApS for Danish corporation tax and withholding tax on dividends, interest and royalties within the joint taxation. Any subsequent corrections of the taxable joint taxation income or withholding taxes on dividends, interest and royalties may result in the company's liability amounting to a larger amount.

The company has a lease commitment for mostly the premises of t.DKK 3.943 per year, and maximised at t.DKK 24.465 in total. Of the Cash and cash equivalents of t.DKK 18.347, t.DKK 7.526 has been put up as security for this commitment.

13. Related parties

Controlling interest	<u>Basis</u>
Weifu Holding ApS	Parent Company
Group accounts:	
The company accounts is included in the group accounts of:	
Weifu Holding ApS, Emil Neckelmanns Vej 15A, 5220 Odense SØ, Denmark (smallest group), and	
Weifu High-technology Group Co., Ltd., no 5 Huashan Road, New District, Wuxi 214028, China (largest group).	

ACCOUNTING POLICIES

The Annual Report of IRD Fuel Cells A/S for 2025 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Consolidated financial statements and cash flow statement

With reference to section 112 of the Danish Financial Statements Act, no consolidated financial statements and cash flow statement are prepared.

The company is included in the group accounts of Weifu Holding ApS, Emil Neckelmanns Vej 15A, 5220 Odense SØ, Denmark. Cvr.nr. (company no.) 40 36 26 81.

General principles for recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will accrue 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 financial benefits will flow out of the Company, and the value of the liability can be measured reliably

On initial recognition, assets and liabilities are measured at cost. Subsequent to initial recognition, assets and liabilities are measured as described below for each individual item.

INCOME STATEMENT

Revenue

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

Income from the sale of goods is recognised in the income statement from the date of delivery and when the risk has passed to the buyer and services are possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses include expenses concerning distribution, sale, losses on debtors, facilities, small purchases, administration, operational leasing costs etc.

ACCOUNTING POLICIES

Staff expenses

Staff costs include wages and salaries, incl. holiday pay and pensions, as well as other social security costs, etc. of the company's employees. In personnel costs, allowances received from public authorities are deducted.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax. Current and deferred tax regarding changes in equity is recognised directly in equity.

BALANCE SHEET

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 12 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Tangible assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

ACCOUNTING POLICIES

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

	<u>Useful life:</u>
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3 - 8 years
Leasehold improvements	6 years

Depreciation period and residual value are reassessed annually.

Lease contracts

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

Lease contracts

Leases for property, plant and equipment under which the company assumes substantially all risks and rewards incidental to ownership (finance leases) are recognised as assets in the balance sheet. On initial recognition, the assets are measured at calculated cost corresponding to fair value or (if lower) at the present value of future lease payments. In the calculation of the present value, the internal interest rate of the lease is used as the discount rate or an approximate value of this rate. Assets held under finance leases are depreciated like any other property, plant and equipment.

The capitalised residual lease commitment is recognised in the balance sheet as a payable, and the interest element of the lease payment is recognised in the income statement over the life of the lease.

All other leases are regarded as operating leases. Rental payments made under operating leases and other leases are recognised in the income statement over the life of the lease. The company's total commitments under operating leases and other leases are disclosed under contingencies etc.

Impairment of assets

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

If so, the asset is written down to its lower recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use. The value in use is determined as the present value of expected net cash flows from the use of the asset or the group of assets and expected net cash flows from sale of the asset or asset group at the end of the useful life.

ACCOUNTING POLICIES

Fixed asset investments

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Net realizable value of inventories is calculated as selling price less completion costs and costs incurred to effect sales and is determined taking into account marketability, insurance and development in the expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured at amortised cost, usually corresponding to nominal value. The value is reduced by impairment losses for bad and doubtful debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Tax payable and deferred tax

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

Deferred tax is measured under the balance-sheet liability method for temporary differences between the carrying amount and the tax base of assets and liabilities. In those cases, e.g. in respect of shares where the calculation of the tax value can be made according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability.

ACCOUNTING POLICIES

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Any net deferred tax assets are measured at net realisable value.

Deferred tax is measured on the basis of the tax regulations and rates that according to the rules in force at the reporting date, will be applicable at the time when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement. For the current year, a tax rate of 22% has been applied.

Liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost corresponding to the capitalised value using the effective interest rate, entailing that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

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

Foreign currency translation

Foreign currency transactions are converted to the exchange rate prevailing at the date of the transaction. Exchange differences arising between the exchange rate prevailing at the transaction date and the exchange rate at the payment date are recognised in the income statement as a net financial income or expense. If currency positions are regarded as a hedge of future cash flows, value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled on the reporting date are measured at the closing exchange rate. The difference between the closing rate and the rate at the time of the establishment of the receivable or payable is recognised in the income statement under financial income and expenses.

Non-current assets purchased in foreign currencies are measured at the exchange rate at the transaction date.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total Assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

