# Annual Report **2009**

Financial Year ended 31 March 2009

Hansen® TRANSMISSIONS

**Hansen**

With a keen eye for innovation, accuracy, and reliability, Hansen Transmissions is a preferred supplier to the world's leading wind turbine producers and users of high performance industrial applications. Supported by the dedication and talent of its global workforce, its sense for perfection, and its flavour for innovation, Hansen harvests nature's most powerful energy source and as such guides the world towards a greener tomorrow and a sustainable future for generations to come.

## Business Review



## Corporate Governance



## Financials



## Information for the Shareholders



# **Key** Figures

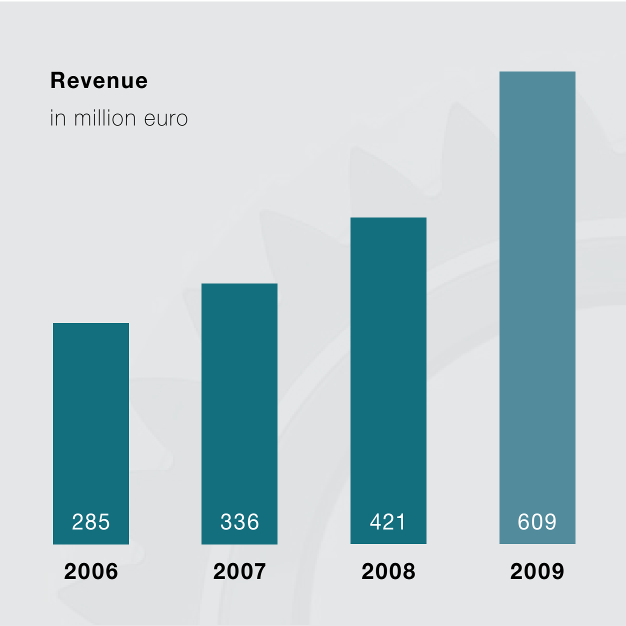
| **Summary income statement** in million euro | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|
| Revenue | 609 | 421 | 336 | 285 |
| Gross profit | 144 | 103 | 86 | 78 |
| EBITDA[1] | 94 | 61 | 52 | 47 |
| EBITDA margin | 15.4% | 14.5% | 15.5% | 16.5% |
| Profit of the financial year | 45 | 31 | 24 | 20 |
| Total shares (in thousands)[2] | 670,104 | 543,500 | 488,304 | 488,304 |
| Total shares at year-end (in thousands) | 670,104 | 670,104 | 488,304 | 488,304 |
| Earnings per share basic – in euro[3] | 0.067 | 0.058 | 0.050 | 0.040 |

| **Summary balance sheet** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|
| Total non-current assets | 542 | 354 | 200 | 153 |
| Total current assets | 552 | 585 | 250 | 149 |
| **Total assets** | **1,093** | **938** | **450** | **302** |
| Total non-current liabilities | 303 | 229 | 170 | 72 |
| Total current liabilities | 206 | 162 | 118 | 91 |
| **Total liabilities** | **509** | **391** | **288** | **163** |
| **Total shareholders equity** | **584** | **547** | **162** | **139** |

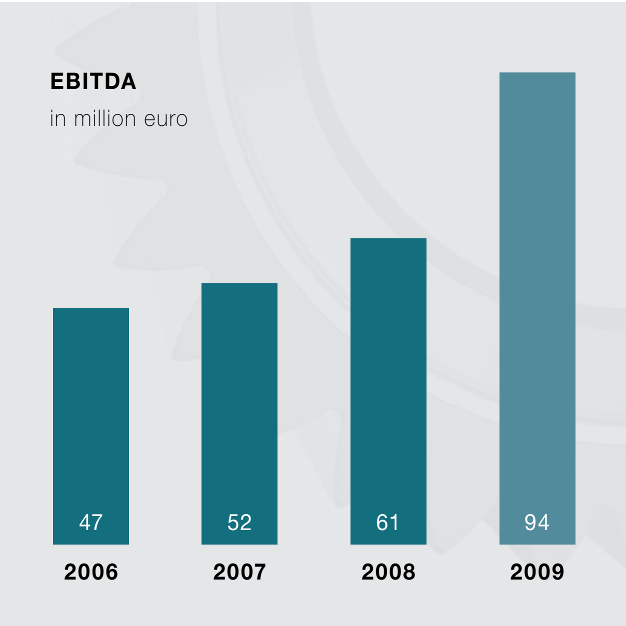
| **Summary cash flow statement** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|
| Net cash from operating activities | -36.2 | 53.8 | -13.2 | 31.8 |
| Net cash (used in)/from investing activities | -209.5 | -162.7 | -59.6 | -11.9 |
| Net cash (used in)/from financing activities | 46.7 | 397.3 | 81.9 | -4.9 |
| **Net increase in cash and cash equivalents** | **-199.1** | **288.3** | **9** | **15.1** |

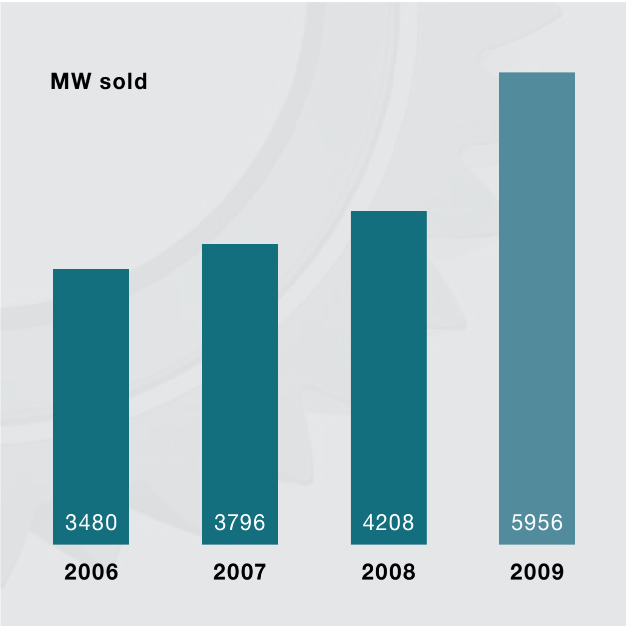
1 EBITDA: earnings before interest, tax, depreciation & amortization
2 Total shares: weighted average number of ordinary shares, adjusted for share split per 27 November 2007; 1,250 new shares for 1 existing share
3 Earnings per share: Basic EPS: Profit for the year divided by weighted average number of ordinary shares

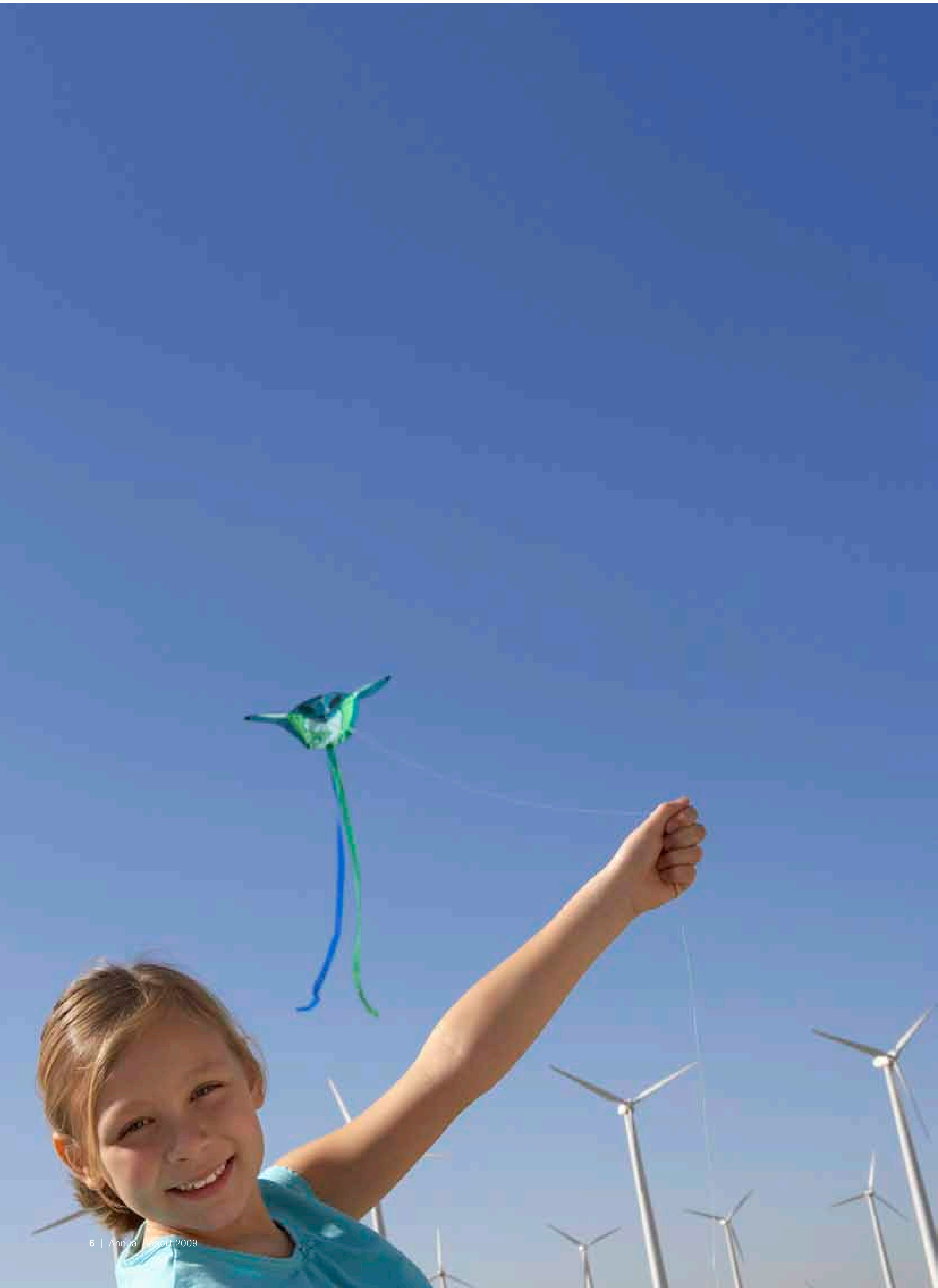
| **Reconciliation of operating profit to EBITDA** in million euro | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|
| Operating profit | 63.9 | 42.3 | 39.9 | 35.3 |
| Add back amortization and depreciation charges | 29.8 | 18.8 | 12.9 | 11.8 |
| EBITDA | 93.7 | 61.1 | 51.9 | 47.1 |


Revenue
in million euro
285
336
421
609
2006
2007
2008
2009


Net Profit
in million euro
20
24
31
45
2006
2007
2008
2009


EBITDA
in million euro
47
52
61
94
2006
2007
2008
2009


MW sold
3480
3796
4208
5956
2006
2007
2008
2009



# **Hansen** in Brief

Hansen Transmissions International NV is an established global wind turbine gearbox and industrial gearbox designer, manufacturer and supplier, with a leading position in the wind turbine gearbox market. The Company supplies gearboxes to four of the five largest manufacturers of gear-driven wind turbines globally and provides durable gear drives for a wide range of industrial applications throughout the world.

Hansen is in the process of increasing its wind turbine gearbox manufacturing capabilities, from 3,800 MW per annum in the financial year 2007 to 14,300 MW, by financial year 2013. In addition to its principal manufacturing facilities in Belgium – comprising a wind turbine and industrial gearbox plant in Edegem (Antwerp) and a fully integrated state-of-the-art dedicated wind turbine gearbox manufacturing facility in Lommel (Limburg) – Hansen has a 95,000m² production plant for wind turbine gearboxes in Coimbatore, India and started the construction, in September 2008, of a production plant for wind turbine gearboxes for the Chinese market on a 250,000m² site in the Beichen Hi-tech Industrial park in Tianjin.

Hansen has strong research and development operations to maintain its technological leadership and employs over 2,400 people worldwide.

## Human Capital

Hansen Transmissions aims to be an employer of choice. Our core values are:

- **Teamwork**
  Hansen's employees believe that the value of a team outweighs the sum of its parts or a team is greater than the individual contributions of its members. We work together with others to reach the team's goals, sharing information and supporting our colleagues… at all levels.

- **Goal orientation**
  We align our actions and decisions to achieve the desired results. We define clear objectives for ourselves. Customer satisfaction is a priority: keeping our promises to customers is a key value for Hansen.

- **Integrity**
  We maintain strong social and ethical standards at all times. We seek to create confidence in our own professionalism. Loyalty to our principles – 'we do as we say' – is uppermost in our relations with colleagues, customers, suppliers, neighbours and other stakeholders.

- **Courage**
  We encourage people to have their own opinions. We are always open-minded and support creative thinking when taking decisions, looking for solutions, and searching for new customers and products.

- **Well being**
  Dynamism, enjoyment, energy, health, security and respect for the environment are all key values at Hansen Transmissions.

"With thirty years experience of producing gearboxes for wind turbines, and over eighty years experience of producing other industrial gearboxes, Hansen has an impressive history of innovation and investment in R&D and will continue to work to stay at the forefront of the industry."

Tulsi R. Tanti, Chairman

# **Chairman's** Message

## Wind Industry has a bright future

Wind energy has had an excellent year in 2008; installing over 28 GW in just twelve months. This ranks wind energy among the largest new sources of energy installed last year. This success was no accident. The fundamental need of energy, ever increasing per capita energy demand, depleting fossil fuel sources, the need to secure energy sources against volatile supply & prices, and increasing global efforts on climate change are leading up to it. With more and more Governments, including the USA, supporting higher renewable targets by 2020 along the lines of Europe, medium and long-term fundamentals of the wind industry remain strong.

The current global financial crisis has undoubtedly caused a temporary dent in credit lines, which led to delays in some renewable energy projects. This has had a ripple effect on the entire supply chain – from wind turbine manufacturers to component suppliers. This scenario, in my view is temporary and with the strong medium and long term push for wind and renewables, I have no doubt that the industry is rock solid with a very bright future.

The component businesses are well positioned to benefit from the enduring growth in wind and industrial businesses. With steady growth, component suppliers can plan to add capacity, increase portfolio sizes, secure efficient and cost effective supplies, continue to focus on technological innovations and draw on scale and experience benefits.

Of these components, the gearbox is at heart of a wind turbine and it is one of the most complex components, adapted with precision to the needs of each customer. It is also a component with a long lifetime. This requirement for complex and precise equipment combined with the market trend towards multi-megawatt gearboxes, augurs well for established players with a demonstrated track record.

**Hansen – A leader in Wind and Industrial Gearboxes**

Hansen is amongst the top players in the gearbox sector and enjoys a leading position in the multi-megawatt space. With thirty years experience of producing gearboxes for wind turbines, and over eighty years experience of producing other industrial gearboxes, Hansen has an impressive history of innovation and investment in R&D and will continue to work to stay at the forefront of the industry.

Hansen's strong growth in the last financial year is the result of the successful expansion of our Lommel plant in Belgium, increasing capacity nearly threefold compared to capacity in 2006. We have developed new gearboxes for turbines up to 6 MW. In the industrial division Hansen has posted strong results with 15% growth, thanks to the focus on high-end applications and an international presence with sales and service.

The US and Europe remain important markets for the wind division, while the Asian market will continue to grow. The capacity expansion projects in India and China will further


**Interior view of Hansen's dedicated wind turbine gearbox plant in Coimbatore – India.** First gearbox delivered in September 2008.

enhance our position as the leading global player in the multi-megawatt segment, while ensuring benefits of low cost manufacturing and sourcing. This will further benefit our customers' business in terms of availability and proximity to their supply chain. Managing the investment projects in time, within budgets and successfully rolling out new gearboxes from these two facilities, is a testament of the collective effort and the broad based management strength of Hansen.

Hansen's business model lends itself to creating a positive social and economic impact. Every gearbox that we produce helps to reduce emissions. Every gearbox that goes in a wind turbine indirectly helps in providing employment opportunities and contributes in the social development in areas where the turbines are installed. Further, through its aggressive growth, Hansen has created over 1,200 new jobs over the last three years across 8 countries.

We can look forward to the coming years from a position of strength with strong corporate governance, enduring client relationships, a great management team and a committed workforce with high work ethics, complimented by our technology advantage, a growing cost advantage and globalization. I am positive that Hansen will continue to deliver strong financial results, while contributing to a socio-economic and ecologically sustainable development. We remain committed to all of our stakeholders to balance current macro-economic conditions with long term focus.

We look forward to a promising future for all our stakeholders!

**Tulsi R. Tanti**
**Chairman**

"We are becoming a truly global operator now, with a local competitive advantage in India and China as well as in Europe."

Ivan Brems, Chief Executive Officer

# Message of **the CEO**

## Another year of milestones

Hansen delivered a strong and resilient performance in the financial year 2009. Despite a rapidly changing macro-economic backdrop, the Company has achieved robust growth in turnover of 45% and delivered on its outlined objectives of further development in a safe and sustainable way.

2008 was another year of milestones for Hansen. In the year of our 85th anniversary we delivered the 20,000th wind turbine gearbox from our state-of-the-art plant in Lommel, Belgium. At this site, the factory expansion programme was completed at the start of the financial year, which enabled us to almost triple the sales of wind turbine gearboxes, compared to 2006.

In India, where the construction of the wind turbine gearbox plant in Coimbatore made excellent progress, Hansen delivered the first gearbox in September 2008. The operations in India continue to advance well.

In China, 2008 saw the ground breaking ceremony for our new wind turbine gearbox production facility in Tianjin, and the first gearbox was delivered in March 2009.

With 15% growth in turnover, the industrial gearbox activities achieved an excellent result, driven by the continued focus to provide high quality, high performance drive solutions to a wide range of industrial customers worldwide.

**Corporate Responsibility**

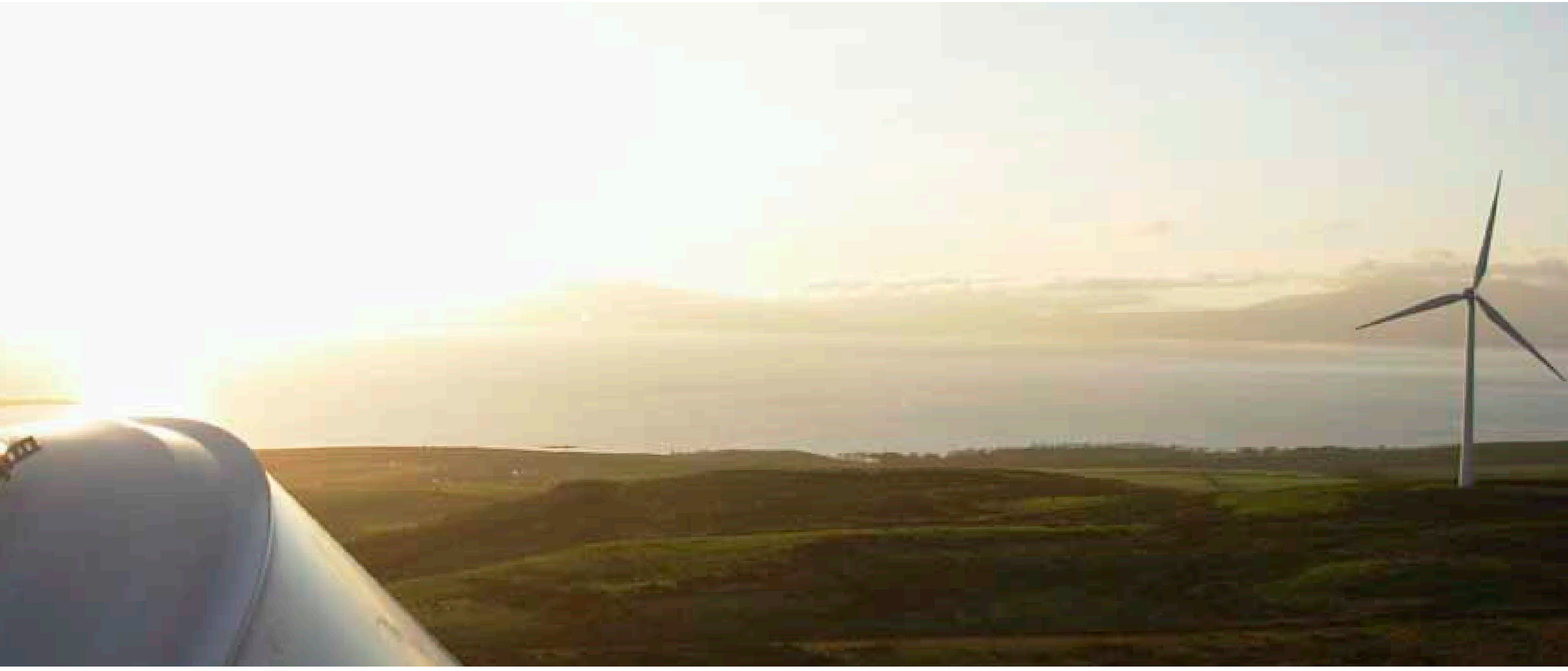
On a company-wide level, we have reinforced our commitment to Corporate Responsibility (CR) by introducing a CR policy which will be rolled out as from 2009. Hansen has long been characterized by the values and qualities that CR represents and we have now put in place the processes to begin reporting annually on our CR progress.

Our commitment to sustainability is further demonstrated by the awarding of international environmental and social management – ISO 14001 and SA8000 – certifications to our Lommel plant in 2008. It is our objective to apply these standards to all our facilities over time.

**Market conditions**

Hansen has a realistic appreciation of the unprecedented macro-economic conditions created by the global financial crisis and the resulting impact on the wind industry. We react to the challenging sector dynamics, with an effective capacity expansion programme, focusing on aligned capacity expansion and costs, which will create value for Hansen and its stakeholders.

We want to ensure that Hansen can compete and thrive through every part of the economic cycle, something that the Company has managed effectively in its long history. Despite the inevitable challenges ahead, we are confident that the Company has the momentum and the flexibility required to



weather the storm and achieve successes on the short, medium and long term.

**2009 – Driving sustainable growth in uncertain times**

Hansen's wind turbine gearboxes represent high quality products for the wind energy value chain. This gives us a strong position to continue setting challenging objectives and grow our market share. In addition, we are becoming a truly global operator now, with a local competitive advantage in India and China as well as in Europe.

We believe the global market place is the future and Hansen has the geographic spread to take full advantage of this.

The current crisis also represents an opportunity for Hansen – we are surrounded by a talented pool of people with the energy and drive to take the Company forward successfully. In a challenging environment, Hansen is able to perform with rigor and to capture new growth. It has always been our policy to work in tandem with our customers and in the current macro-economic situation, now more than ever, we will be there to help our customers to meet their needs and deal with the challenges ahead.

We believe the new US Administration and its positive plans for renewable energy expansion will be a catalyst for our business and we continue to evaluate how to best capture the potential opportunities for Hansen.

Hansen's strategy remains solid – to build on our success to date through the global expansion of our operations, while maintaining commitment to high quality products. Through our strategic commitment to innovation, R&D, reliability, people and customer satisfaction we will continue to thrive. We will maintain our focus on efficiency, productivity and margin enhancement and we firmly believe the long term sector dynamics are very favourable.

Our strategy and performance have delivered sustained high earnings growth, as intended, and we have confidence in Hansen's future. Amid the current economic situation, Hansen has the financial strength to realize a bright and positive future, bringing value to all our stakeholders.

This is a reflection of the many individual contributions of the full Hansen team. Their skills and ambition are the foundation of Hansen's strengths, and I would like to thank them for all they have achieved over the year.

**Ivan Brems**
**Chief Executive Officer**
**Hansen Transmissions International NV**

# **Business** and Organization

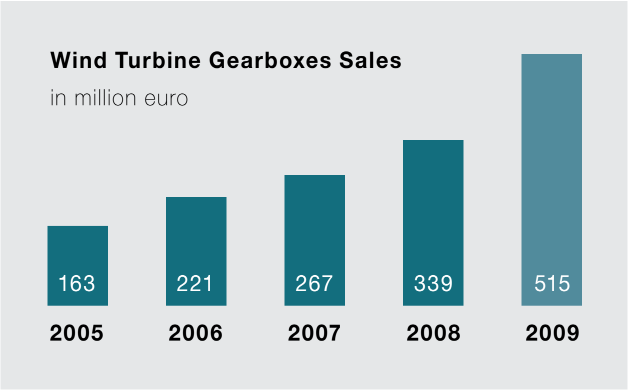
## Wind Turbine Gearbox activities
Stronger Than Wind

**Our mission**

"We develop and manufacture products and services which provide optimum geared drive train solutions, reducing the kWh cost of renewable energy."

**Our vision**

"Stronger than wind. Reliable – available – smart."




**Product strategy**

As one of the world leaders in the development and production of high precision and high performance gearboxes for capturing wind energy, Hansen aims to establish mutually rewarding interactive partnerships with clients and end users, embracing design, manufacturing and customer services.

**Financial year 2009 Milestones**

- Apr 2008 Awarded ISO 14001 Certification, international environment certificate
- Jun 2008 Inauguration of Belgian factory extension and delivery of 20.000th gearbox
- Sep 2008 Introduction of 13.2 MW dynamic test facility in Belgium
- Sep 2008 Delivery of first gearbox from new plant in India
- Mar 2009 Delivery of first gearbox from new plant in China

**Strong growth: platform for future global expansion**

Hansen is one of the world's leading manufacturers of gearboxes for modern gear-driven wind turbines. These highly critical components convert the high torque and slow motion of the rotating blades to the lower torque and higher speed required to drive an electric generator. The design and manufacture of wind turbine gearboxes requires extensive know-how and highly specialized manufacturing capabilities. During the past year, the wind energy market has experienced significant growth in volume, capacity and geographic spread. Building on its strong market position and commitment to invest in capacity, Hansen was able to take advantage of the positive market conditions to grow its wind gearbox business by 52% in the financial year 2009.

In order to continue to provide high quality products for the international wind market, Hansen's key focus is on manufacturing excellence, total reliability, technological innovation and global expansion.

This year's significant milestones were the completion and inauguration of the extended factory in Lommel, Belgium, the commencement of one of the world's largest (13.2 MW) dynamic test facilities, receiving full ISO 14001 accreditation, and the opening of a manufacturing facility in India and an assembly facility in China.

**Manufacturing excellence:**
**combining skill and precision**

Producing multi-megawatt gearboxes efficiently in serial production, with a consistent high level of quality and reliability, requires excellence in manufacturing, logistics, assembly and testing. Wind turbines have become more powerful during the last decade, moving from kilowatt products, with a typical gearbox weight of 3-5 tonnes, to large multi-megawatt gearboxes weighing 15-50 tonnes and more. In order to serve the worldwide multi-megawatt market and deliver these products with high precision and consistent quality, Hansen continues to invest in research and development and geographical expansion, which are factors essential to the Company's success.

Hansen invests in its core activities such as heat treatment, gear grinding and housing machining in order to ensure that all critical activities are performed in-house, allowing Hansen to have full control over quality to meet its customers' requirements.

It is Hansen's ability to perform these essential manufacturing and support activities in-house, using dedicated and fully integrated production facilities, and building on more than 85 years of experience including 30 years in wind energy. This enables the Company to supply the world's leading turbine manufacturers. Hansen is proud to have four of the world's top five companies in the gear-driven market segment as customers.

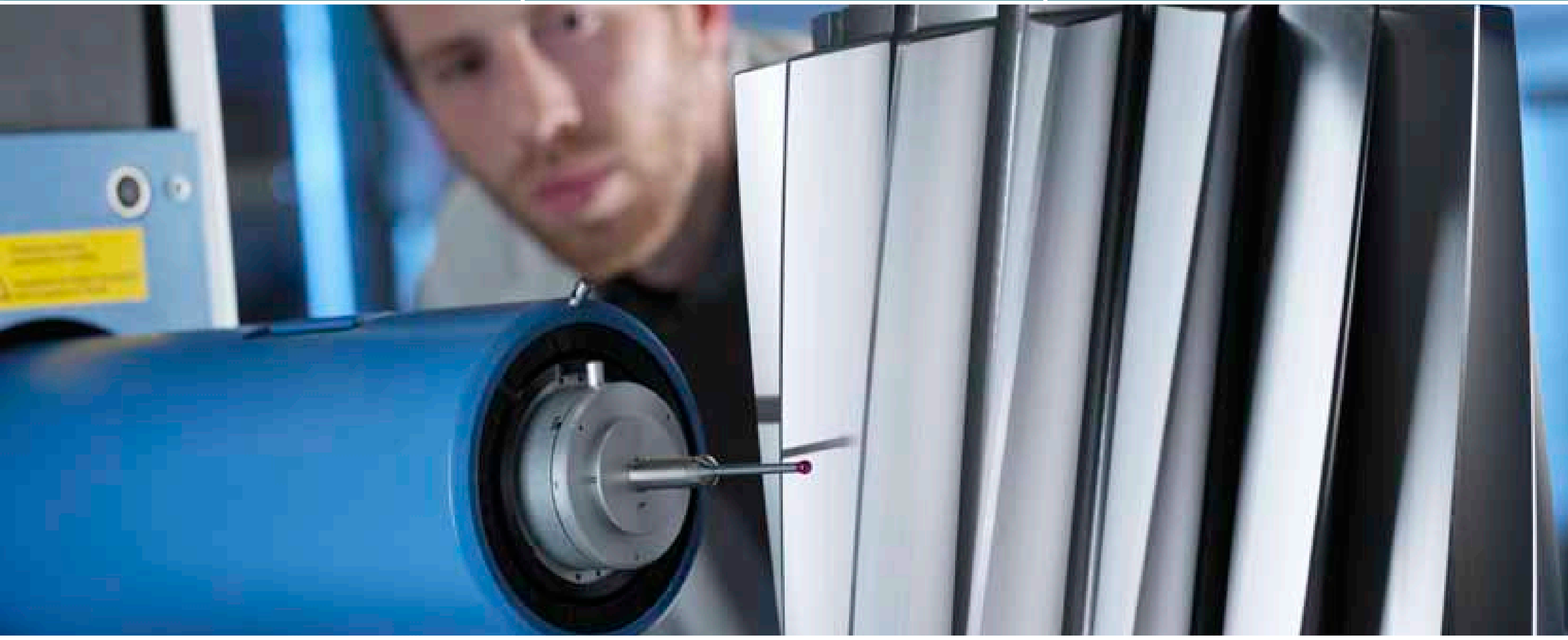
In June 2008, a 180 million euro expansion project was completed at Hansen's factory in Lommel, Belgium, which is fully dedicated to large wind turbine gearboxes. The expanded factory now has a manufacturing capacity of 6,000 MW per annum, compared to a capacity of 2,200 MW in 2006, the year the expansion project began.

In June 2008, Hansen's Lommel factory was awarded the ISO 14001 certification, in recognition of the Company's environmental management system. This system has been structured to achieve a reduction in energy consumption, and establishes a range of environmentally responsible processes for materials and waste.

**Total reliability:**
**maximum return on investment**

Investment in wind power needs to go hand in hand with reliability in order to ensure the required return on investment. Hansen's products offer this reliability based on a combination of low lifetime cost, high availability and minimum downtime.

Hansen wind turbine gearboxes are optimized for low weight and compact size, without compromising performance, resulting in cost-effective designs with high reliability. Up-time and availability of spare parts is a crucial requirement to ensure total reliability. To increase the reliability of its products even further, Hansen's wind turbine gearbox division is increasing its offering in the areas of spare parts, gearboxes and on-site support by the establishment of a dedicated aftermarket service unit.



**Technological innovation:**
**delivering customer solutions**

In the financial year 2009, Hansen has invested 13.3 million euro in research and development, with a continued focus on developing the cost competitive products the market requires.

The trend towards larger and more powerful turbines in recent years has led to the development of larger and more powerful wind turbine gearboxes with increased capacity. Working in close cooperation with its customers, often co-developing and co-designing, Hansen continues to develop larger and more integrated gearboxes with customized features. At the heart of its newly established test centre is one of the world's largest dynamic test rigs with a capacity of 13.2 MW, capable of carrying out Highly Accelerated Life Testing (HALT), on gearboxes for the largest turbines designed to date.

Hansen's current wind turbine gearboxes are tailor-made for multi-megawatt wind turbines in a power range of between 1.5 and 4.5 MW. Alongside its current offering, Hansen is developing gearboxes with a capacity of up to 6 MW.

**Global expansion:**
**growing beyond the European marketplace**

Wind turbine manufacturers are increasingly looking for component manufacturers that offer a global service to keep pace with today's demand, and to better serve the market around the globe. Hansen is currently implementing an investment plan up to 2013 to establish two new factories in India and in China. Both plants are modelled on the tried and tested production facility in Lommel, Belgium, where the Company opened its first dedicated and integrated wind gearbox factory in 2004. In September 2008, Hansen delivered its first gearbox out of the factory in India; in China the first gearbox was delivered in March 2009.

These new facilities will enable the Company to build on its strong track record and existing customer relationships, creating new business opportunities to deliver cost-effective, high quality and innovative products, for global customers as well as locally based wind energy businesses.

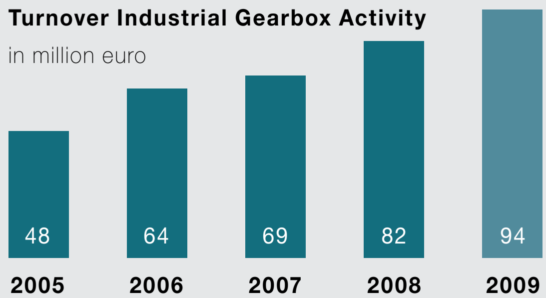
**The future:**
**focus on further expansion and service**

In this rapidly growing market segment, Hansen continues to focus on developing innovative and highly reliable products, applying the necessary skills, resources and technologies. Hansen will continue to develop multi-megawatt products for both on-shore and off-shore applications, to further increase the standards of reliability and to expand its offering to meet top-of-the-range service expectations.

By placing a continued emphasis on reliability, the Company is taking significant actions to continue to improve its service offering, including the availability of spare parts, repair, upgrade and new gear units as well as on-site assistance.

With Hansen's state-of-the-art production facilities around the globe and its unrivalled testing capabilities, the Company will set out to satisfy customer's requirements building on its solid track record in the multi-megawatt wind turbine gearbox segment.

## Industrial Gearbox activities
In Gear For Your Success!




**Our mission**

"Driven by gear technology, Hansen's industrial gearbox activity will fulfill the needs of its global customer base by offering them reliable mechanical power transmission solutions for demanding industrial applications."

**Our vision**

"Applying its innovative gear technology, Hansen's industrial gearbox division is committed to become the premier partner offering mechanical power transmission solutions for demanding industrial applications. As such, the business unit industry demonstrates clear product leadership and technical expertise."

**Product strategy**

It is Hansen's aim to further expand and grow its industrial gearbox division by making it operationally more independent including among others, its service department, production facilities and research & development.

Hansen's product strategy for industrial gearboxes is based on delivering functionally developed products for specifically selected demanding applications and consists of excelling in capturing, recognizing and valuating new product ideas. While specializing in selected applications, Hansen aims at serving carefully chosen market segments with adequate product portfolio coverage.

Hansen's constant striving to offer sustainable value-added support which customers and end users expect from a preferred supplier is also supported by various internal "lean" projects that make the organization even more customer oriented. Expanding and integrating its worldwide offering of services is therefore also crucial and ongoing.

A major trump card held by the industrial gearbox division is the supply of complete drive packages. A global player with a one-stop-shop attitude and capable of offering innovative high tech as well as complete drive solutions is what Hansen's customers are looking for. The Company therefore established partnerships with preferred suppliers for couplings, brakes and motors.

### Product update

Hansen has started the introduction of the Hansen M-Series of functional monobloc gearboxes. This introduction takes place following a phased plan that allows Hansen to bring these gearboxes to market per application. Recently, the M-Series range for wet cooling tower drives has been successfully launched.

The Hansen M-Series for the OEM market is a new product range, based on the proven technology of Hansen's P4 product line. The M-Series however incorporates pre-engineered options for the specific needs of the various applications, which improves engineering and order processing times considerably with higher levels of standardization. This results in shorter delivery times compared to those for engineered solutions of the Hansen P4 range.

Catering for specific application needs, the M-Series is predominantly suitable for the OEM market and provides functional application solutions at a competitive price for demanding applications.

The extension of the portfolio with Hansen M-Series monobloc gearboxes, being complementary to the Hansen P4 range, allows for identifying and developing more solutions and thus serving more market segments.

Communication and close cooperation with its customers are key in developing practical quality solutions. Hansen's goal is to fulfill the needs of its customer's applications and the demands per market segment. Taking the demands of both market and application at heart allows Hansen to convert needs and requirements into reliable solutions.

### We care

Hansen recognizes the absolute necessity of offering excellent services globally. The service offered comprises the availability and swift supply of spare parts and/or direct support for repair work on site or in Hansen's workshops. Next to its current offerings, Hansen Services for industrial gearboxes is also gearing up to offer preventive and predictive maintenance. Preventive maintenance with inspections on a fixed term basis and exchange of components, predictive maintenance with continuous sensor monitoring of oil temperature, vibration level, etc. Predictive maintenance enables the Company to give a trustworthy estimate of when to remove a gearbox from operation for minor repair before a problem is likely to occur, avoiding costly breakdowns and ensuring higher performance of the installation.

**Applications served worldwide** (% of FY 2009 turnover of industrial gearboxes)

| | | | |
|---|---|---|---|
| Wet Cooling towers | 17% | Aerators | 5% |
| Air Cooled Condensers | 15% | Mills | 5% |
| Mixers/Agitators | 11% | Desolventors/Toasters | 3% |
| Conveyors | 10% | Pulpers | 3% |
| Hoists | 7% | Winches | 2% |
| Pumps | 7% | Miscellaneous | 15% |

## Industrial Gearbox activity

**Regional market updates**

### Europe

Hansen posted good results in the EU market during the last financial year based on increasing global demand of energy, especially for cooling towers and material handling. Because of high raw material prices during the year 2008, also the mineral and mining sector was strong. This resulted in extended business with customers present in material handling, mill, pump and mixing applications. In the second half of 2008, business was impacted by the weak overall economy. With the recent launch of the M-Series range of monobloc gearboxes and further expansion of the activities of the services department, Hansen offers the ideal solutions fit for the customers' needs.

### South Africa

Hansen South Africa won a number of large projects in the material handling (mining) and air cooled condenser business in the financial year 2009. Activity in the waste water treatment industry also increased as infrastructure is being geared up for the 2010 Soccer World Cup. Two air cooled condenser orders, 384 and 48 gearboxes respectively, led to the establishment of a Hansen M4 ACC gearbox assembly facility in South Africa with the first units shipped in February 2009.

### US

In the North American market, the last 12 months' activity was focused on energy, mining and processing applications. Commodity prices hit all time highs and export demand was very strong. Hansen's Uniminer Gearbox sales for the underground conveyor drives profited from this trend. Also the Hansen P4 gearboxes for material handling in e.g. processing plants and several upgrades to conventional power plants have seen good levels. In the mineral processing industry, mixing solutions provided new business for Hansen. Also seed oil extraction business was strong and Hansen posted a banner year with one of the major customers. The focus on spares, repairs & service within the aftermarket business brings additional benefits to Hansen's customers and positions the Company for profitable growth.

### Australia

The Australian industrial gearbox activity saw further expansion in drive assemblies mainly for mining conveyor applications. During the year, Hansen completed deliveries of drive assemblies for gold mining with drives up to 2.8 MW and for a harbour terminal where drives were delivered ranging from 400 to 900 kW. Hansen Australia delivered also eight 1.3 MW drive assemblies and liquid starters for the first phase of a significant mining project. Towards the end of the financial year Hansen Australia started supplying drive assemblies for another harbour terminal; 19 of which were supplied before April 2009 with a further 20 drives during the next financial year. In addition, Hansen Australia completed engineering for the supply of seventeen 1.1 MW drive assemblies for an infrastructure group with deliveries commencing mid 2009.

### China

The Chinese, Tianjin-based assembly centre was able to increase order intake and sales in the financial year 2009. This good result is the culmination of close co-operation with key customer groups and key focus industries. In particular the energy industry requirement for dry cooling tower drives provided solid growth. Among the key milestones is the development of the local supply chain, components for the cooling tower industry now being exported. Global players in this industry continue to support Hansen whilst inroads have also been made in the end user market. The chemical mixing and extraction industry have also contributed to the successful year for Hansen in China, having secured orders with key customers. As China continues to grow, in terms of sustainable GDP, Hansen China is well positioned to prosper from its unique position of high quality gear technology

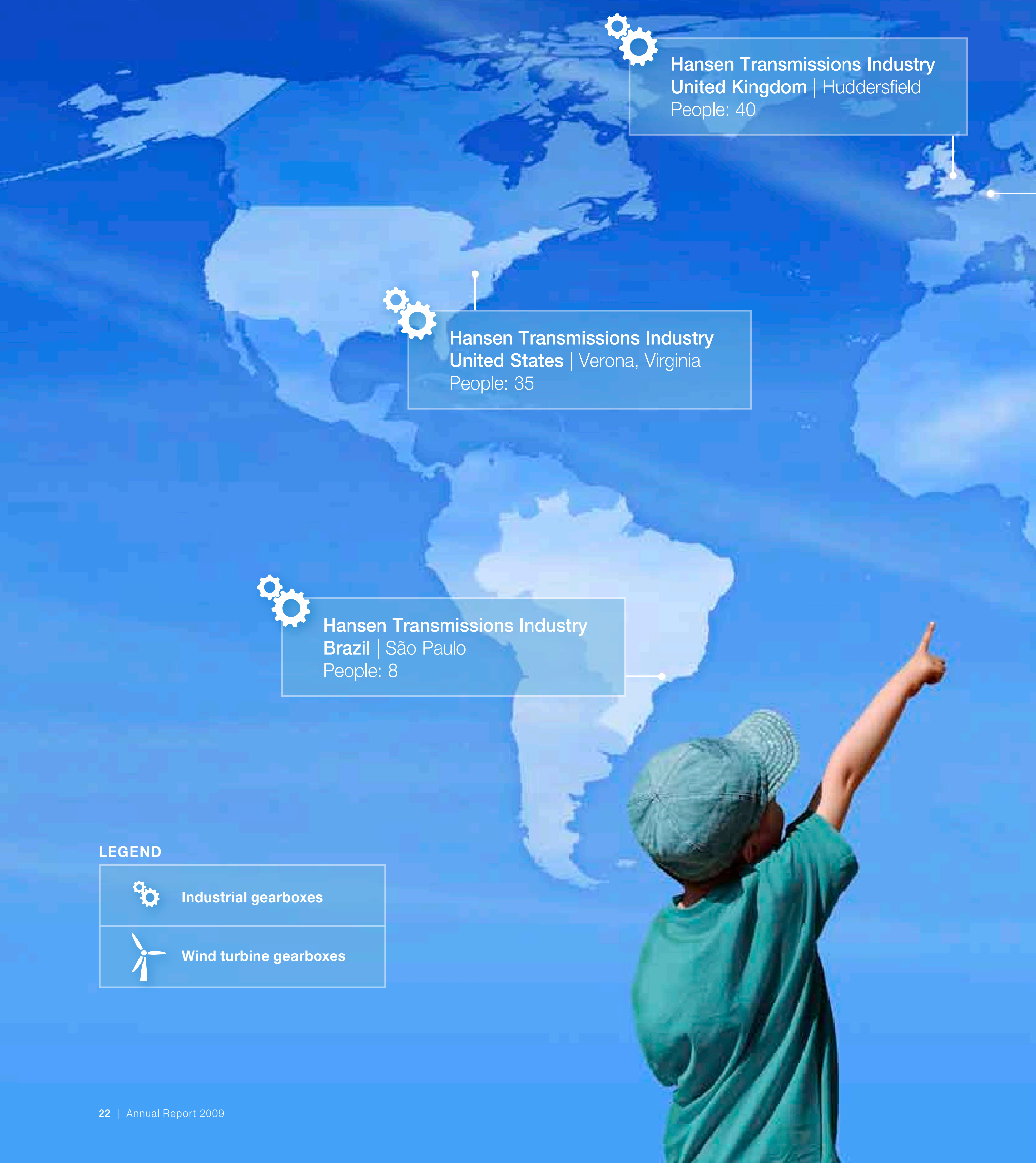
with localized operations, sourcing, sales and service to offer customers top quality products and services to its sophisticated customers at market related prices.

**Services**

Hansen Services within the industrial gearbox activity has generated a strong growth during the last 12 months. Besides taking on larger and more complex repairs, Hansen Services continues to establish a worldwide network of Authorized Service Partners.

Besides the new partnerships in Europe with Sweden, Norway, France, Switzerland & Italy, Hansen has expanded its service network in South-America with Chile and Argentina, North-Africa with Morocco and in the Gulf Cooperation Countries. Each of these well trained partners has strong local roots in their region, technical expertise to execute the required service interventions and a proven high quality service record. For the more complex repairs they can rely on the technical expertise, the dedicated resources and more than 85 years of experience of Hansen. Thanks to this growing network Hansen Services can and will continue to guarantee its customers and end-users a perfect and fast spare parts and repair service wherever they are located.

# **Global reach,** local support



Hansen Transmissions Industry
Belgium | Edegem
People: 604
Hansen Transmissions Wind Energy
Belgium | Lommel
People: 1172
Hansen Transmissions Industry
China | Tianjin - Teda
People: 40
Hansen Transmissions Wind Energy
China | Tianjin - Beichen
People: 98
Hansen Transmissions Wind Energy
India | Coimbatore
People: 400
Hansen Transmissions Industry
South Africa | Boksburg
People: 58
Hansen Transmissions Industry
Australia | Melbourne
People: 22

# **Corporate** Responsibility

## Letter from the CEO, Ivan Brems

As a world leader in the design and manufacture of wind turbine gearboxes, Hansen is already driving the environmental agenda, supporting the world's action on climate change. Wind energy is undoubtedly one of the fastest growing renewable technologies and Hansen is at the forefront of this industry. But green energy aside, Hansen is a business which has long been characterized by the values and qualities of a responsible company.

Corporate Responsibility (CR) is no longer a specialist subject relevant only to particular groups; it is part of a more general global concern and is important to our stakeholders – employees, customers, suppliers, investors, end-users, authorities and communities.

To demonstrate our commitment to sustainability, in March 2009 we introduced a CR policy and strategy, to begin integrating CR into our mainstream reporting.

While the past year has presented many business challenges, we remain committed to our vision of CR. Our strategy is not just about growth, and remaining at the forefront of gearbox technologies, it is also about doing business ethically and in ways which benefit people, communities and the environment.

### Employees

People are Hansen's most valuable asset – our success depends on the people we can recruit, and the effectiveness of our training. Our CR policy further underlines our commitment to our employees. Within our business culture, there is a CR spirit underpinned by a strong set of core values, including integrity, goal orientation, teamwork, courage and well-being. In a constantly growing business, we face many challenges, and our success to date is testament to this team spirit.

In 2008, Hansen's Lommel factory in Belgium attained the SA8000 standard – a global social accountability standard for auditing and certifying labour practices. We seek continuous improvements in all aspects of our social policy and ultimately, we aim to apply SA8000 standards in all our factories.

### Communities

Hansen has been operating from its site in Edegem, Belgium for more than 70 years. During this time, the area has grown from a virtual greenfield site to a predominantly residential area. This transformation has inevitably raised community relations challenges, one of which – involving noise thresholds – we have outlined in our case studies. It serves as an example of Hansen's continuing commitment to the communities in which we operate.

As we become more global, our community policies will be more important than ever and we aim to be best in class when it comes to these crucial stakeholder relationships. Hansen began operations in India in 2008 and in China in 2009, both countries that face social and environmental challenges. We have a responsibility to understand these CR challenges and, through stakeholder engagement, find appropriate solutions. Work has begun to integrate CR into the fabric of our Indian and Chinese operations and we will report further on our progress next year.

One of our objectives for the medium term is to introduce a more formal stakeholder engagement policy, and we will track this objective, and its results, in our annual CR reports.

### Environment

Respect for the environment is central to Hansen's core businesses. As a leader in the renewable energy industry we are strongly committed both to developing new technologies for renewable energy and to building an environmentally sound business which aims for sustainable development.

In 2008, we introduced the use of 100% renewable electricity for all our Belgian operations. And, since 2005, Hansen has participated in the Flemish Government's 'Auditcovenant', an

initiative to reduce greenhouse gas emissions in line with the Kyoto Protocol.

In early 2008, Hansen was proud to be awarded the ISO 14001 standard which certifies the environmental management system (EMS) at Lommel, our state-of-the-art integrated wind gearbox plant in Belgium. This was an important milestone for Hansen and it remains a key environmental objective for the Company to apply the ISO 14001 standard across all our plants.

We can see a myriad of benefits from addressing our environmental needs and issues through the ISO 14001 standard. In addition to the implementation of a new EMS, it demonstrates our environmental commitment to stakeholders, reduces our environmental liability and promotes a strong and responsible corporate reputation.

For Hansen, CR must be embedded in our corporate values and working lives. This is the starting point for enabling those close to us to understand our relations with nature and within society.

I am sure Hansen will be confronted with many challenges in our ever-changing world, but I am also sure that we will be able to pursue our strategy in a responsible and sustainable manner. Businesses face a huge undertaking in seeking to align economic needs with social and environmental responsibilities over the next few years. Hansen remains committed to this ideal and will play its part in bringing the benefits of wind technology to many more millions of people, in a way which harmonises our corporate development with sustainability.

**Ivan Brems**
**Chief Executive Officer**
**Chairman, Corporate Responsibility Committee**
**Hansen Transmissions International**

## Scope of Report

This is Hansen's first CR report and we expect to report annually, expanding the content as CR develops and becomes global. Our objective is to give our audiences an overview of our approach to CR and our current status in the key material areas. We have been guided by the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework, in our reporting and we aim to follow their criteria to allow annual comparative analysis.

Our key operations are currently in Belgium where we have state-of-the-art facilities, policies and procedures at our Lommel plant. This plant is the benchmark for our new facilities in India and China and the same or similar policies and procedures will be implemented there and at future plants, as and when they become operational. While the boundary of this report is not strictly limited to Belgium, it should be assumed to be the base case for this report with the objective of expanding coverage to India and China in the next report.

## Health and Safety

**2008 Highlight** Receiving SA8000 for Lommel plant

### Strong history of Health and Safety Culture at Hansen

Hansen was founded in 1923 to supply the industrial gearbox market and, since 1979, has increasingly focused on producing gearboxes for the growing wind energy generation sector. As a large and well established industrial manufacturing company with over 2400 employees, Hansen knows that an entrenched health and safety (H&S) culture is essential to the success of its business.

Protection from harm is a fundamental principle of the way Hansen operates and we seek to protect the safety, health and well-being of each employee and subcontractor. We also recognize that the well-being of our employees impacts on their engagement and productivity so providing employee support is a core element of our approach.

### SA8000 – our benchmark

SA8000, the global social accountability standard for decent working conditions, developed and overseen by Social Accountability International, is a benchmark for Hansen. We are very proud to have received the SA8000 standard for our Lommel plant in 2008, which has enabled us to streamline our processes and to improve our safety insurance system.

### The way we work

Through training, H&S and risk analysis, Hansen strives to provide a safe environment for its employees and to educate them on how danger can be pro-actively avoided.

Hansen's safety reporting is led by a Safety Committee, in conjunction with the Head of H&S. They are responsible for determining the strategic direction for H&S and ensuring robust risk management systems are in place to mitigate existing and emerging risks.

A report on H&S, safety training and industrial accidents statistics is produced annually, including a review of the past year and a proposed action plan for the year ahead. Once approved, the report is sent to the Belgian authorities.

### Leaders in technical safety

Hansen's 85 years of experience has given us the background and knowledge to build the optimum factory for technical safety. A key safety factor is that our new machines are all designed to protect employees from exposed moving parts, making them both less hazardous and more ergonomically efficient. We have further improved safety on the factory floor by installing an underground transportation system for removing all metal waste. This greatly reduces internal traffic, the possibility of accidents, and maintains a cleaner, more efficient environment for all employees.

H&S training receives the highest priority at Hansen. Every employee receives extensive safety training before beginning work, which is regularly repeated to ensure complete familiarity with the latest safety directives.


**Hansen's dedicated wind turbine gearbox plant in Tianjin – China.** First gearbox delivered in March 2009.

Training needs are inventoried via accident analysis, the Safety Committee, and for all new machines or products. Emergency training and planning takes high priority, to help limit the consequences of any accident or incident.

**Health**

Hansen is fortunate that there are no major health hazards associated with its industrial processes or use of materials. However, one of our core values is the well-being of our employees and this is reflected in our policies and actions.

**Working with contractors**

Hansen encourages its contractors and suppliers to implement the principles described in the SA8000 standard, with the ultimate objective of creating a supply chain that complies with this standard. As a first step, Hansen has requested that its main suppliers to Lommel subscribe to the SA8000 principles.

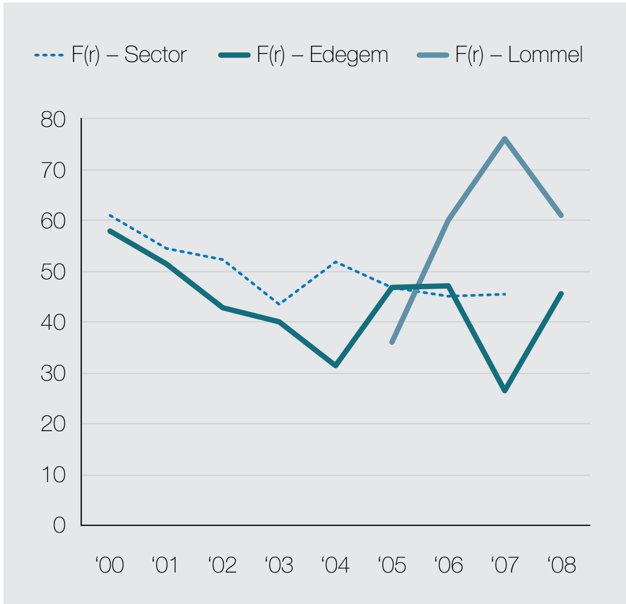
**Audits and inspections**

Regular internal and external audits are carried out to ensure compliance with SA8000 and well-being laws.

**Safety data**

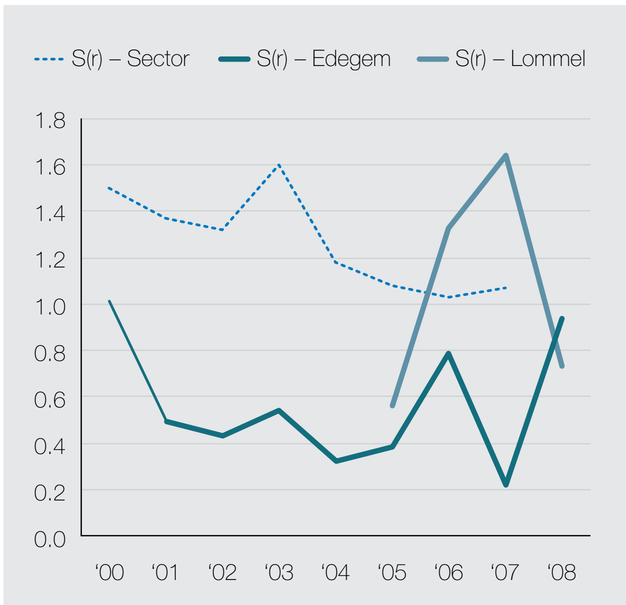
Hansen has very high standards for safety processes and training procedures, and accident rates at the plant in Edegem remain below the sector average. However, the speed of expansion at our Lommel plant over last two years – we have almost tripled our output in this time – means that we have experienced an unacceptable level of accidents in this period. Our objective is to improve our accident frequency rate at Lommel in 2009 to below the sector average (gear and drives manufacturing), by increasing safety awareness, working with subcontractors to ensure they operate within our safety guidelines, and by initiating a safety management group.

**Accident Frequency rate: F(r)**




Frequency rate = number of accidents x 1 million divided by the number of exposure hours annually

**Accident Severity rate: S(r)**




Severity rate = number of calendar days lost x1000 divided by the number of exposure hours annually

28 April 2008 – ISO 14001: 2004 Certificate
Ivan Brems (CEO), Stefan Lammens (CTO) and Lloyd's Registrer Quality Marketing & Training manager, Daniel Frickel

## Environment

### 2008 Highlights

- Receiving ISO 14001 for Lommel plant
- Reducing Electricity and Gas consumption by 8 MWh/ per production unit
- 100% electricity from renewable energy in Belgium

As a key player in the renewable energy industry Hansen is strongly committed not only to developing renewable technologies, but also to creating an environmentally sound and sustainable business.

In early 2008, Hansen was awarded the ISO 14001 standard which certifies our environmental management system (EMS) at the plant in Lommel. This was an important milestone for us and it is our medium-term objective to apply the ISO 14001 standard across all our plants.

Lommel, our fully integrated Belgian plant which completed its final expansion phase in 2008, currently produces the majority of our wind energy output. As our benchmark operation, it provided the design blueprint for our new plants in India and China. We endeavour to use the best possible environmental technologies and aim for continuous improvement in our design and processes.

ISO 14001 is designed to manage a company's impact on the environment through an EMS. Its pro-active approach means that environmental issues are dealt with before they become a problem and it is a valuable tool for businesses to simultaneously improve their environmental performance and enhance their business efficiency.

**Environmental Performance Indicators 2008** (calendar year)

EPIs are established for every environmental theme included in the environmental program and reported monthly. The following table summarizes the objectives and results for 2008.

| | Targets | Results |
|---|---|---|
| Energy | • Electricity consumption (MWh) / production unit (MW gearbox) < 8<br>• Gas consumption (MWh) / production unit (MW gearbox) < 8 | • Electricity consumption (MWh) / production unit (MW gearbox) = 7,85<br>• Gas consumption (MWh) / production unit (MW gearbox) = 6,05 |
| Chemical products | • Track 100% of stored chemical products and maximum storage quantities | • All chemical products are now centrally registered |
| Waste | • Collect absorption material separately<br>• Use of alternative absorption material | • Absorption material now collected separately<br>• Researching alternative absorption material |
| Air | • 10% reduction of VOC-emission (Volatile Organic Compounds) / production unit (MW gearbox) by changing to products containing less or no solvent | • Moved to solvent-free degreaser – giving significant reduction in VOC compared to the use of thinner<br>• Testing alternative paint containing less solvent |

## Environmental Management

Hansen's EMS is managed by environmental working groups, based on the company's key environmental themes identified through the ISO 14001 audit process – energy, chemical products, air, waste, water and alternative transportation for employees.

Hansen encourages involvement in environmental management by all its employees and intends to regularly communicate the evolution of its Environmental Performance Indicators (EPIs) to employees and other stakeholders.

### Energy

Hansen is committed to the use of 100% renewable energy (electricity) for both its Lommel and Edegem sites and, since 2008, has had a guaranteed renewable supply. Hansen also voluntarily participates in the 'Auditcovenant' which is part of an initiative by the Flemish Government to reduce greenhouse gas emissions, resulting from the Kyoto Protocol.

Hansen is committed to further reduction of energy and $CO_2$ emissions over the next year which are outlined in a 2009 'Energyplan', and approved by the Flemish government. The 'Energyplan' will be updated in 2009 to become a four-year plan, through until 2013.

For the EMS at Lommel, we have met our initial objective, set in 2007, to reduce electricity and gas consumption in MWh per production unit (MW gearbox) to fewer than eight.

### Chemical products

Hansen aims to use environmentally sound products whenever possible. Our key objective is to track 100% of our environmentally permitted chemical products, and provide a safe infrastructure for storing products with an environmental impact.

### Waste

Hansen's goal is to keep waste of all kinds to a minimum and to re-use or recycle materials where possible.

**Environmental Performance Indicators 2009** (calendar year)

| | Objective |
|---|---|
| Energy | • Reduce electricity consumption by 5% (MWh)/production unit (MW)<br>• Reduce gas consumption by 5% (MWh)/production unit (MW) |
| Chemical products | • Coordinate a global tracking system for chemical products<br>• Increase awareness of chemical product storage |
| Waste | • Optimization of waste collection through<br>– Reducing packaging-waste, water usage and waste water<br>– Use of alternative absorption material<br>– Increase awareness of waste collection |
| Air | • 10% reduction in VOC (Volatile Organic Compounds) emissions / production unit (MW) by changing to low solvent alternative products |
| Water | • Map out water consumption and waste water streams<br>• Investigate possibilities for waste water reduction |
| Alternative Transportation plan | • Investigate Alternative Transportation plan for personnel transportation to reduce emissions |

In 2007, Hansen's Lommel plant set up a Global Waste Management System called IAB, which identifies methods for the collection, handling, administration, registration, optimization and disposal of waste. Waste materials are stored in dedicated storage areas which include secondary containment to protect the environment from spillage and seepage. In 2008, two new eco-parks were constructed on-site for solid waste and wood storage.

### Air Emissions

Hansen's air emissions are low compared with other industrial facilities. However, all emission points were identified and evaluated for the ISO 14001 certification and a monitoring control program for air emissions is now in place both for ISO 14001 and environmental legislation.

### Water

Hansen recognizes that water consumption is an important issue and has introduced water to its key environmental themes for Lommel's EMS. Both the Lommel and Edegem plants monitor water usage and waste water. At Lommel, a project is underway to map water consumption and waste water streams for each plant process.
A specialist working group, including experts in waste water and chemicals, will carry out research and put in place a programme to reduce water consumption in 2009.

### Alternative Transportation Plan

Hansen would like to reduce carbon emissions through the development of an Alternative Transportation plan for its Lommel plant employees – bicycles and carpooling are two initiatives already underway. Currently, the project committee is working with the City of Lommel to explore a public transportation system which would dovetail with Hansen's shift system.

### Environmental audits

Hansen's internal audits take place annually, under the guidance of an external consultant.
Two external environmental audits took place in 2008; Lloyds – for ISO 14001 and Agoria – for the legal compliance audit.

## Human Resources Commitment to CR

**2008 Highlights**

- **Receiving SA8000 for Lommel plant**
- **Introducing CR Policy**

Sustainability and a strong social vision have been crucial elements of Hansen's human resources (HR) strategy for many years. Now, with the introduction of a corporate responsibility (CR) policy, HR will more formally integrate CR into its strategy and also play a critical role in ensuring that CR is adopted company-wide.

Hansen firmly believes that a good CR policy can improve employee engagement and increase our brand recognition as an employer. Our new HR vision and mission statements refer to supporting and developing Hansen's most valuable resource – its people – in a way which is socially and environmentally responsible.

As an international company, Hansen believes it is important to give equal respect to all the people and cultures we work with. We are involving our Indian and Chinese colleagues in the implementation of our CR strategy and it is our aim to provide the same workforce environment and social consciousness internationally as we do in Belgium, through an intercultural management programme.

Human Resources will have a key role in managing the CR strategy, through its implementation and related training, monitoring its adoption proactively, and documenting its success throughout the company.

### SA8000 – a validation of Hansen's people management

In December 2008, SA8000 certification was awarded to our Lommel plant in Belgium. Hansen's medium-term objective is to attain SA8000 certificates for all our plants, in Belgium and internationally.

SA8000, the global social accountability standard for auditing and certifying labour practices, is Hansen's benchmark (as outlined in the Health and Safety section). It sets out provisions for issues such as trade union rights, working hours, health and safety at work, and fair pay.

**Hansen's gearbox plant in Edegem – Belgium.**

We now have confirmation that we meet international standards in many important HR areas and we will use this strong base to help measure our goals and set our objectives for the future. The key benefits of the SA8000 certification for Hansen include:

- Providing a benchmark for the company values we apply in our daily operations.
- Supporting our international growth by reinforcing a Hansen culture which can be applied worldwide, providing an objective measure between the plants.
- Motivating our employees to seek continuous improvement in all actions and attitudes, towards all of our stakeholders.

The SA8000 offers a framework to further enhance Hansen's social policy in cooperation with personnel and stakeholders, based on a management system of planning, execution and systematic follow-up, monitoring and improvement – the so-called 'plan-do-check-act' cycle.

**Objectives for 2009/10:**

- Preparation for SA8000 in Edegem (Belgium), India and China.
- Effective company-wide integration of Corporate Responsibility Policy.

| **HR figures for 2008** (calendar year) | **Belgium** | | **India** Coimbatore | **China** Tianjin | **Rest of World** |
|---|---|---|---|---|---|
| **Economic Performance** | **Edegem** | **Lommel** | | | |
| % Senior management hired from local community | 83,33% | 100% | 100% | 90% | |
| **Social Performance** | | | | | |
| Workforce by employment type & region in Full Time Equivalent | | | | | |
| (a) Blue collars | 1,076 | | 174 | 36 | 83 |
| (b) White collars | 652 | | 194 | 63 | 126 |
| **(c) Total** | **1,728** | | **368** | **99** | **209** |
| % Employees covered by collective bargaining contracts | Almost 100%[1] | | 0% | 0% | |
| Hours of registered training | | | | | |
| (a) Blue collars | 22,608 | | NA | NA | |
| (b) White collars | 15,394 | | NA | NA | |
| **(c) Total** | **38,002** | | **NA** | **NA** | |
| Sum of organization cost of registered training (in €) | 490,286 | | NA[2] | NA[2] | |

1 Except Executive Committee and Directors

2 In FY 2009, during the project phase, 81 Indian employees and 40 Chinese employees have followed intensive technical and behavioral training in Belgium. The registered training concerns local organized training in operational phase; and will be reported on for India and China in Hansen's next CR report.

## CR Case studies

**Community involvement –
Construction of noise protection wall at Edegem**

Hansen's industrial gearbox plant at Edegem in Belgium was originally developed in the 1930s and the site has significantly expanded over the years. The plant is located in a mixed residential-industrial area and it is completely surrounded by residential properties.

2008 saw the finalization of a long-term neighborhood project to reorganize the Edegem site and local public roadwork, including the installation of a unique sound-proofing wall to comply with noise restrictions. The project, which began in 2002, was undertaken in close cooperation with the local community, the Municipality of Edegem and Hansen. It was framed in a re-zoning plan submitted in 2005 and fully approved by the Flemish authorities in 2006.

The noise-reduction wall was a crucial element of the plan for the well-being of Hansen's neighbours. An extensive environmental noise survey confirmed that if the proposed measures were implemented, all noise threshold limits would be respected.

Research was undertaken by Hansen and external environmental noise experts to find a suitable construction for the wall. Tests on the unique "Cocowall" composition proved very effective. Made from recycled plastic tubes covered with natural coconut fibres in a sandwich-construction reinforced with steel plate, the "Cocowall" is entirely recyclable. The dense coconut fibres provide noise absorption and the steel plates provide noise insulation making an efficient combination – the wall absorbs an average of 75% of the ambient noise, depending on the frequency. It is 395m long and 4m high.

**HR – Re-training during a period of rapid expansion**

Hansen has grown rapidly in the last two years, almost tripling capacity in Lommel, while starting work on new plants in India and China. A major HR challenge in this scenario was to support growth through competent personnel. Blue collar operators are critical to our workforce so it was vital to recruit and train them to a high level, in line with the pace of the capacity increase, to avoid a shortage of qualified operators across all our factory locations.

An innovative solution of "employment rehabilitation" was set up to retrain people to become highly skilled operators. The retraining program, undertaken in association with local technical colleges, took an average of nine months and resulted in increasing the skill level of the Hansen workforce and providing a positive impact on output and quality, as well as giving those with fewer qualifications an opportunity to work in a highly technical environment.

The programme was essential to the success of the Lommel expansion plan and the start-up of our Indian plant. In 2009-2010, a comparable system is being set up for the new plant in Tianjin, China.

**Sponsored Charitable Event –
Green motorbike journey to Mongolia**

On 29 June 2008, Matt Hunt from Lommel, home to Hansen's main wind turbine drive factory, took part in the Mongolian charity rally. His epic journey involved riding a recycled 'green-fuelled' motorbike from Lommel to Mongolia.

Hansen agreed to sponsor Matt's project based on his environmental and charitable objectives; he used green fuel and special technology to reduce $CO_2$ emissions as well as auctioning his equipment for the Children's Foundation in Mongolia. Hansen believes that every effort towards a cleaner world for future generations should be supported and saw, in this unique venture, an opportunity to support both environmental causes and community involvement.

As a "One-Man Team-Hansen", Matt covered around 10,000km including five mountain ranges and two deserts, riding from Lommel via England, France, Germany, Austria, Hungary, Romania, Bulgaria, Turkey, Iran, Turkmenistan, Uzbekistan, Kyrgyzstan, Kazakhstan, Russia and, finally, to Ulan Bator, the capital of Mongolia. Matt also attended the foundation ceremony at Hansen's Tianjin factory in China, where he presented a gift for the Chinese plant – a ´green cheque´ which was used to purchase 88 trees for the factory site – 88 signifying double luck in China.

**From left to right:**
Ivan Brems, Marc Desaedeleer, Torben Bjerre-Madsen, Tulsi R. Tanti, Jann Brown, Alex De Ryck, Dr. Winfried Walzer

# **Board** of Directors

## Biographies

The Board of Directors currently consists of the following persons:

**Ivan Brems, Chief Executive Officer**

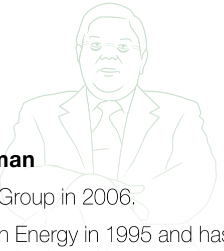
Ivan Brems holds a Masters (Ing) in Electronic Engineering, and joined the Group in 1984. He became a member of the Board of Directors and Chief Executive Officer in 2006. Previously he was Sales Director and Vice President of Corporate Marketing and Business Development, a post he held for five years. He has over 30 years of experience in sales, marketing and international management with the Company.

**Marc Desaedeleer, non-executive Director**

Marc Desaedeleer joined the Group in 2006 and currently holds the post of Chief Investment Officer of CVCI (CitiGroup Venture Capital International). Prior to this role, Marc Desaedeleer was head of CVCI Central Eastern Europe, Middle East, Africa as well as India. Before that, he was a senior manager of Citibank's Corporate Banking business in over 20 countries with particular focus on Central Europe and Russia. In prior positions within CitiGroup, Marc Desaedeleer was Business Manager for Citibank's Corporate and Investment Banking business in France, managed several international businesses within Citibank's Investment Banking group including ADRs, and was responsible for Citibank's strategy in Global Equities. He holds an MBA degree from Carnegie Mellon University (U.S) and Masters in Science degrees from the University of Louvain (Belgium). Marc is chairman of the Remuneration Committee.

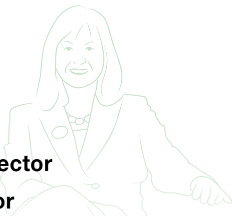
**Torben Bjerre-Madsen, permanent representative of Bjerres Bureau Aps., non-executive Director**

Torben Bjerre-Madsen joined the Group in 2005 as a non-executive member of the Board of Directors. Prior to joining the Group, he held positions as the Chief Executive Officer of Neg Micon A/S, Deputy Chief Executive Officer of Vestas Wind Systems A/S, and Chief Financial Officer of Crisplant Industries A/S. Alongside his current position at the Company, he acts as a non-executive Director of a number of international companies, among them VKR Holding A/S and Superfos Industries A/S, and also of a number of companies in the renewable energy sector including Avanti Wind Systems A/S and Xergi A/S. He is also Chairman of SolarCap A/S and DanCopter A/S. Torben chairs the Audit Committee.



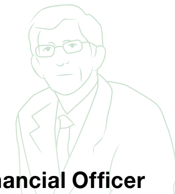
**Tulsi R. Tanti, Chairman**

Tulsi R. Tanti joined the Group in 2006. Mr. Tanti founded Suzlon Energy in 1995 and has been acting as Chairman and Managing Director of Suzlon Energy since then. He is also the chairman of the Supervisory Board of REpower Systems AG. Mr. Tanti chairs the Nomination Committee.



**Jann Brown, non-executive Director and senior independent Director**

Jann Brown joined the group at the 2008 annual shareholders' meeting as (senior) non-executive independent Director of the Company. She currently holds the position of Finance Director of Cairn Energy PLC, having been appointed to this role in 2006. She is also a non-executive Director of Cairn India Limited. Jann holds an MA from Edinburgh University and a diploma in accounting from Heriot Watt University. She joined Cairn in 1998 after a career in the accountancy profession, mainly with KPMG. She is a member of the Institute of Chartered Accountants of Scotland and the Chartered Institute of Taxation. In her role as an executive Director of Cairn, a FTSE 100 Company, Jann has particular responsibility for employee matters and chairs the Risk Management Committee.



**Alex De Ryck, Chief Financial Officer**

Alex De Ryck joined the Group in 2004 as Chief Financial Officer. He became a member of the Board of Directors in 2004. The position of Chief Financial Officer was taken up by ADR Consulting BVBA (represented by Alex De Ryck as permanent representative) starting with the financial year 2008/9. Prior to joining the Group, he held a number of high profile positions, including Chief Executive Officer of Esselte Belgium and Eldon Belgium, Chief Financial Officer of the Dymo Group and the Eldon Enclosures Group and finance manager at Honeywell Europe.

**Dr. Winfried Walzer, permanent representative of Dr.-Ing. Winfried Walzer GmbH, non-executive Director**

Dr. Winfried Walzer joined the Group in 2007 as a non-executive Director. Dr. Walzer is today Chief Executive Officer of Dr.-Ing. Winfried Walzer GmbH, a company providing management and consulting services, and has previously held the positions of Managing Director of Liebherr Werk Biberach GmbH, Chief Executive Officer of Flender AG, and Chairman of the Boards of Winergy AG and Schenck Process SA. Alongside his current position at the Company, he also acts as Chairman of the Board of SchenkProcess Holding GmbH, Darmstadt, Germany and as a Member of the Board of Koenig Verbindungstechnik AG, Zurich-Dietikon, Switzerland.

# Board of Directors' **Report**

## Combined Statutory and Consolidated Report 2009 of the Board of Directors of Hansen Transmissions International NV

The Board of Directors has the pleasure in submitting the combined report on the statutory and consolidated results of Hansen Transmissions International NV (the "Company") and the statutory and consolidated annual accounts for the financial year ending 31 March 2009. The annual shareholders' meeting is scheduled to be held on 25 June 2009.

The materials relating to this annual shareholders' meeting have been sent to the shareholders and contain the notice convening the meeting together with a description of the business to be conducted.

## 1. Overview of Results

- Revenue growth of +45%;
- EBITDA[1] margin of 15.4%;
- Net profit growth of +44%;
- Whilst contracted 2009 order book remains unchanged, Hansen is working with long term customers to manage their requirements in line with current operating and credit environment;
- Capacity expansion plan to 14,300 MW in financial year 2013 on-track and fully-financed;
- Ongoing developments in India and China position the Company well for the future;
- Continuing to actively pursue cost measures to adapt to the current environment and support EBITDA margins and cash flow.

1 EBITDA = earnings before interest, tax, depreciation & amortisation

Revenue growth was 45% in the financial year 2009, compared to the prior financial year 2008. Revenue growth in the last quarter of the financial year 2009 was 7%, against the same quarter last financial year. This resulted from Hansen working together with its customers to manage their requirements.

Net profit in the last quarter of financial year 2009 was impacted by a higher tax charge compared to the previous year. In the fourth quarter of financial year 2008, Hansen booked EUR 20 million tax deductible IPO-costs under Belgian Accounting rules.

The following table provides a breakdown of the revenue per gearbox type for the financial years ended 31 March 2008 and 2009:

| in kEUR | **2008** | **2009** | **Growth** |
|---|---|---|---|
| Revenue from the sale of Wind turbine gearboxes | 339,345 | 514,892 | 52% |
| Revenue from the sale of Industrial gearboxes | 82,137 | 94,283 | 15% |
| | 421,482 | 609,175 | 45% |

In the financial year 2009, Hansen incurred one-time costs of EUR 5.7 million relating to expansion projects compared to EUR 3.5 million in the financial year 2008. These costs are included in EBITDA and EBIT.

The total investment in property, plant and equipment for the financial year 2009 was EUR 221.6 million, mainly related to the new plants in India and China.

## 2. Going Concern

After making due enquiries, the Board of Directors has the reasonable expectation that the Company and its subsidiaries have adequate resources to continue their operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## 3. Hansen

### POSITION

#### Wind Turbine Gearboxes

*Market update*

In 2008, new installations of wind energy worldwide reached approximately 28.000 MW, representing a 42% increase in cumulative installations over 2007. Current forecasts by BTM (Source: BTM Consult Aps "International Wind Energy Development – World Market Update 2008" - March 2009) indicate an average annual growth rate of approximately 18% until 2013, with an annual additional capacity installed in 2013 of approximately 60.000 MW.

*Hansen's Position*

Hansen is one of the world leaders in multi-MW wind turbine gearboxes. The Company has a dedicated and fully integrated production plant in Lommel, Belgium, which is designed to manufacture large pieces in serial production with a consistently high level of quality and reliability.

Through its expansion projects in India and China, Hansen is closely following the investment initiatives of its customers. In addition to providing proximity to the world's fastest growing markets, this also gives Hansen access to low cost production countries.

#### Industrial Gearboxes

In the traditional heavy industrial markets, such as mining, power generation and water treatment, orders remained strong in the first half of last financial year. The outlook for industrial gearboxes weakened in the second half of the financial year 2009 as a result of the global impact of the financial crisis on capital goods investments. Over the year, this activity has seen a solid revenue growth of 15% to EUR 94 million

Hansen's industrial gearboxes business is increasingly focusing on the development of close customer relationships, complementing its high quality product range with excellent service.

### ORGANIZATION

#### Management Committee

In August 2008, Hansen expanded its Management Committee with Cliff Dawson joining as Chief Operating Officer. Cliff joined Hansen from the automotive industry where he had a successful career in operations management with Ford, Visteon and most recently with Automotive Components Holdings Ltd. where he was Vice President of the Glass Operation.

#### Management Functions

A new management function has been created with Dr Jan Declercq joining in September 2008 as Director Business Development, Sales & Marketing for the Wind Gearbox Activities. Jan joined Hansen after an extensive career at transformer manufacturer Pauwels Trafo Belgium where he held the roles of Technology Development Manager and Business Manager.

#### Employees

In order to support Hansen's expansion, the Group added 562 people (net) in the financial year 2009, increasing the headcount by 30% from 1,894 at the end of March 2008 to 2,456 employees at the end of March 2009.

In Belgium, the number of employees increased from 1,527 people at the end of financial year 2008 to 1,776 at 31 March 2009 (net 249 additional employees or +16%). Today the Group has offices in Belgium, France, Sweden, Germany, the Netherlands, the United Kingdom, India, China, Australia, South Africa, the USA, Italy and Brazil.

#### Manufacturing units

In the last three years, Hansen has invested in three dedicated wind turbine gearbox plants in Belgium, India and China resulting in an increase of its manufacturing capacity to 7,300 MW over the financial year 2009.

*Belgium – Lommel*

In April 2008, the Company completed the expansion of its Lommel plant in Belgium, which commenced in October

2006 from 2,200 MW to 6,000 MW manufacturing capacity per year from April 2008 onwards. Combined with capacity in the Edegem plant in Belgium, this creates today a total manufacturing capacity in Belgium of 7,100 MW.

*India – Coimbatore*

The first wind turbine gearbox was delivered from the Indian factory in September 2008. In August of 2007 Hansen began the construction of a fully integrated manufacturing plant for wind turbine gearboxes in Coimbatore. This project consists of a new factory with a product range of gearboxes up to 3 MW. The annual manufacturing capacity is anticipated to reach 1,200 MW in financial year 2010 and 2,000 MW in financial year 2011. The Company has already invested EUR 162 million in this plant and has hired 400 employees in India.

*China – Tianjin*

The first wind turbine gearbox was delivered from the Chinese factory in March 2009. In September 2008, Hansen began the construction of a fully integrated manufacturing plant in the Beichen Hi-tech Industrial Park in Tianjin. The Company has so far invested EUR 51 million and the annual manufacturing capacity is anticipated to reach 1,600 MW in financial year 2010 and 2,000 MW in financial year 2011. In its first phase, the Tianjin factory will perform assembly and testing activities with imported components.

*US*

The Company sees a strong base for medium- to long term growth in North America with the stated plans from the new US Government for renewable energy expansion, as well as several European wind turbine manufacturers setting up local factories. This presents an attractive opportunity for Hansen to widen its geographic footprint and to continue meeting the needs of its customers.

Hansen will start in the financial year 2010 with a service centre for wind turbine gearboxes in the USA.

In parallel, the Company will continue to evaluate production opportunities in North America.

### Manufacturing capacity expansion plan

As a result of the volatility in the market, Hansen has evaluated the optimal phasing of additional manufacturing capacity for the financial years 2010 to 2013. Based on the Company's order book, the ongoing discussions with existing and potential new customers and the market expectations, Hansen has reviewed its expansion plan for manufacturing capacity for wind turbine gearboxes.

Today, Hansen announces its reviewed expansion plan, in which several elements have been aligned to the expected market demand. Key elements of this phasing are:

1. Capacity in financial year 2013 of 14,300 MW is confirmed;
2. Delayed ramp-up of the production capacity in India and China for the financial years 2011 and 2012;
3. Total capital expenditure of EUR 730 million for the period 2007-2013 is identical to the previous plan.

The company further continues to review the optimization of its investments in view to improve the capex cost per MW-capacity.

### Aftermarket Service Business

Over the last 30 years Hansen has supplied over 20,000 gearboxes for wind turbine applications. The size of this installed base creates a new and attractive potential to generate revenues and margins by offering repair, upgrades, inspection and preventive maintenance services. Hansen has established a dedicated service unit for its wind business that is working together with its customers to develop competitive business models based upon a well-balanced allocation of production resources between new products and aftermarket services.

## OPERATIONS

### Increased Capacity

The Company increased its sales in wind turbine gearboxes from 4,208 MW in the financial year 2008 to 5,956 MW in the financial year 2009. The average price per MW increased in the financial year 2009 to KEUR 86.4 per MW, from KEUR 81.0 in the previous year, mainly driven by the change in sales mix to higher value products and after market activities.

## Operating Margins

The following table provides a condensed breakdown of Hansen's cost of sales:

| | For the year ended 31 March 2009 | % of revenue | For the year ended 31 March 2008 | % of revenue |
|---|---|---|---|---|
| | KEUR | | KEUR | |
| **Sales of goods** | **609,175** | | **421,482** | |
| **Cost of sales** | | | | |
| Materials | 322,980 | 53.0% | 223,265 | 53.0% |
| Direct labour | 34,776 | 5.7% | 25,545 | 6.1% |
| Variable works overheads (including change in inventory) | 42,401 | 7.0% | 27,043 | 6.4% |
| Fixed works overheads | 65,119 | 10.7% | 42,747 | 10.1% |
| | **465,275** | | **318,600** | |
| **Gross profit** | **143,900** | **23.6%** | **102,882** | **24.4%** |

Hansen's raw materials costs remained stable as a percentage of revenue at 53.0%.

Hansen's direct labour costs as a percentage of revenue decreased to 5.7% for the financial year 2009, compared to 6.1% in the financial year 2008. This decrease was due to increased efficiency in the use of labour at the Lommel plant in Belgium as the Company increased production at this facility.

Variable works overheads, after the deduction of change in overheads in inventory, increased from 6.4% on revenue in financial year 2008 to 7.0% in the financial year 2009. This increase is the combined result of the positive effect of an improved absorption rate in the Lommel plant in Belgium, following the capacity addition at the Lommel plant, and the lower start-up efficiency in India and China.

Fixed works overheads as a percentage of sales increased to 10.7% on revenue compared to 10.1% in the previous financial year. The increase in fixed works overheads is entirely due to the increase in depreciations.

### Finance and administrative costs

Finance and administrative costs increased from 4.9% in financial year 2008 to 6.1% in the financial year 2009. This resulted from costs linked to additional requirements as a public company and the general costs at the Indian and Chinese facilities.

### Cost Control Plan

The financial crisis has impacted Hansen's customers triggering requests to reschedule orders with Hansen. The Company has reviewed each case and has accommodated requests where appropriate, in view of strengthening its long term customer relationships.

The Company believes that in the short term economic conditions will remain volatile and challenging.

In order to maintain flexibility, align its cost structure to this environment and support its EBITDA margins and cash flow, Hansen has actively pursued cost containment measures, including:

- Supply chain optimization;
- Temporary unemployment for blue collar employees (under Belgian legislation);
- Savings programmes on general expenses; and
- Inventory reduction.

In addition, the Company intends to align its white collar workforce to the economic environment, resulting in a potential white collar headcount reduction in Belgium of approximately 15%.

The Company will continue to explore and exploit opportunities to maintain an appropriate cost base.

**Hansen's dedicated wind turbine gearbox plant in Lommel – Belgium.**

## ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

In the financial year 2009, Hansen invested EUR 13.3 million in Research & Development, representing 2.2% of revenue and an increase of +33% compared to EUR 9.9 million in the financial year 2008. These costs are charged directly to the income statement. The Group's intention is to maintain the level of Research & Development investments at between 2.0% and 2.5% of revenue in the coming years.

Innovation within the Group is not only limited to Research & Development, but is equally important in the manufacturing processes and methodologies of the Company. These expenses are contained in fixed works overheads and variable works overheads.

## BALANCE SHEET

On 31 March 2009, the Company had a net financial debt position of EUR 124 million, calculated as cash and cash-equivalents minus long-term and short-term financial debts.

Inventories have increased to EUR 209 million at 31 March 2009, from EUR 136 million at 31 March 2008. This increase is driven by 1) the build up of security stock of critical components such as bearings, which were subject to an irregular supply in 2007 and in 2008, 2) the build up of components inventory for the new factories in India and China, 3) the rescheduling of orders in the last quarter of financial year 2009. Accounts receivables have increased to EUR 182 million at 31 March 2009, from EUR 88 million at 31 March 2008. This increase is caused by 1) overdue customer payments and 2) important year-end delivery of products, both in industrial and wind turbine gearboxes.

## SHARE CAPITAL – ISSUANCE OF WARRANTS

Of the warrants that were issued under the Hansen Warrants Plan 2007 and the Employee Warrants Grant 2008 on 26 June 2008, a total of 2,072,300 warrants were effectively accepted in accordance with the respective plan rules. Subject to the conditions set out in the respective plans, the exercise of a warrant with grant date of 26 June 2008 will give the right to subscribe to one share of the Company at a subscription price of 295 GBX. The exercise period of these warrants starts on 1 January 2012 and ends on 26 June 2013. The number of outstanding warrants at 31 March 2009 is 2,071,100 warrants. The exercise of all 2,071,100 warrants would thus result in a dilution of the existing shares in the Company of approximately 0.30%.

## OUTLOOK

The Company remains confident in the projected medium and long term growth prospects of the international wind power market. Hansen's strong product offering and the quality of its customer base ensure that the Company remains well positioned in this market.

The Company expects that the volume and pricing pressure resulting from the difficulties experienced in the credit markets will continue to cause volatility in 2009.

For the financial year 2010, Hansen expects its overall markets to show low to moderate growth, and the company targets its full year revenue growth accordingly.

## Significant events that Occurred after the Closing of the Financial Year

There are no specific events after the closing of the financial year which have to be disclosed in this Board of Director's Report.

## Principal Risks & Uncertainties

Hansen is facing a variety of risks and uncertainties which result from its activities as a global wind turbine gearbox and industrial gearbox designer, manufacturer and supplier. The principal risks and uncertainties as outlined below, may affect the performance of the Company. Within the framework of the Enterprise Risk Management, a regular and systematic identification and management of the principal risks is ensured.

**Strategic Risks**

- Hansen's success in the wind turbine market is dependent upon the acceptance of wind energy as a viable and reliable form of renewable energy. The perception of wind energy as an unreliable form of energy and an inappropriate large-scale substitute for fossil-fuel generated power, could affect public support and the demand for wind turbine gearboxes.

- The development of renewable energy sources is dependent on domestic and international governmental support of such development, including the introduction and continued implementation of various political incentive schemes by governments. Abandonment or reduction of the governmental support for renewable energy sources in general or wind energy in particular could have a material adverse effect on demand for Hansen's wind energy products.

- Demand for wind turbine gearboxes is dependent on the ability of wind farm operators to obtain sufficient financial means, relevant permits and connections to energy grids. The current credit squeeze has certainly affected the ability of certain wind farm operators to start or continue investments in wind farms and could have an impact on demand for Hansen's wind energy products.

- Hansen's success depends in part on the continued price competitiveness of wind energy relative to non-renewable energy sources such as oil and coal. The current decrease in the cost of such fossil fuels could weaken support for wind energy, resulting in a decrease in demand for Hansen's wind energy products.

- Hansen's success might be jeopardized by developments in the wind energy market such as the widespread adoption of "gearless" wind turbine technologies.

- Demand for Hansen's industrial gearboxes is dependent on economic growth and stability.

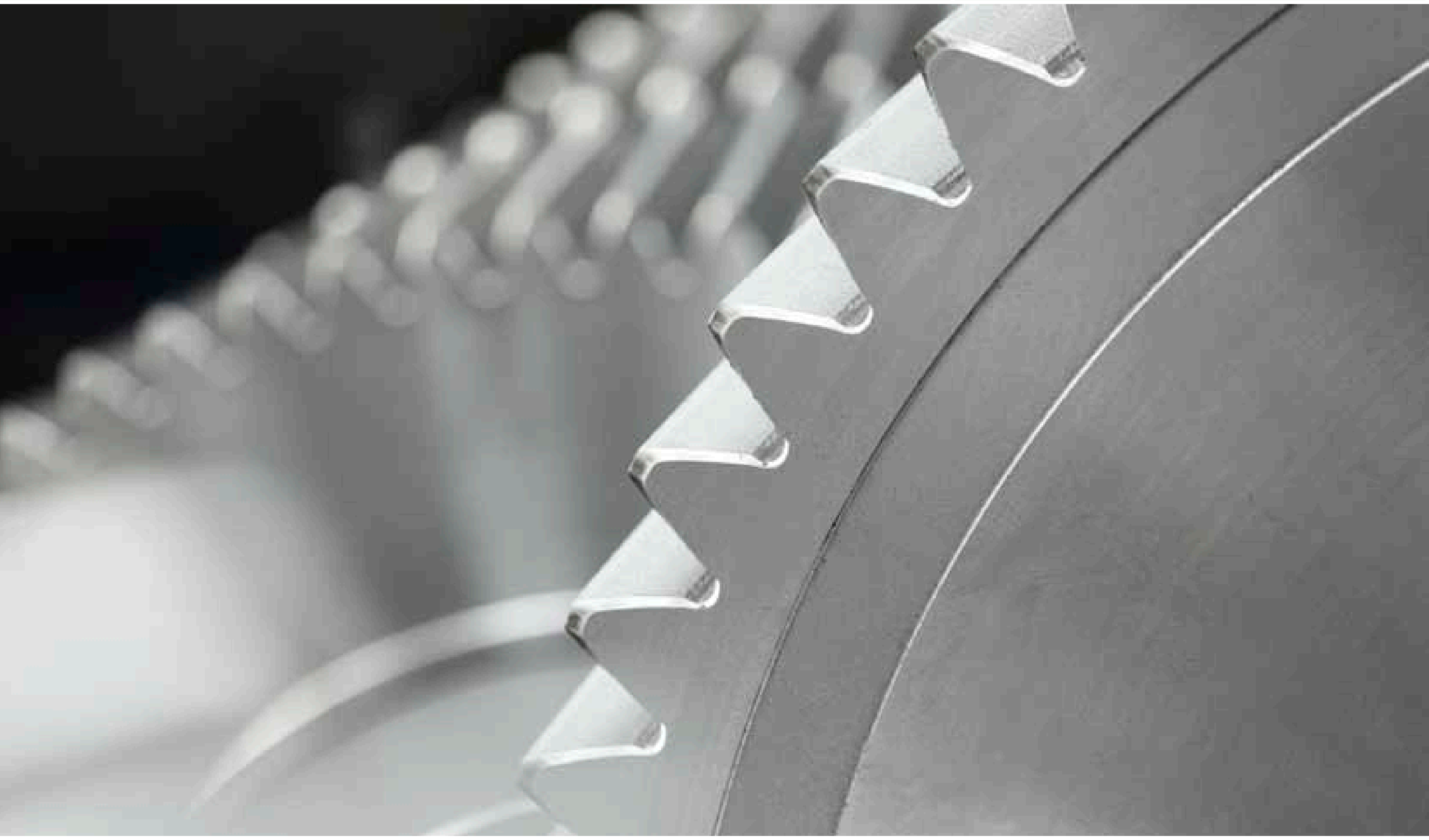
**Operational Risks**

- The expansion of its manufacturing capabilities through the construction of two new facilities in India and China is fundamental in realizing Hansen's strategy. Up till now Hansen has been successful in meeting the scheduled target days for start-up of building and production at both Coimbatore and Tianjin, but certain risks could still cause a delay in the further implementation of Hansen's expansion plans, which could have a material effect upon its business, financial condition and/or results of operations.

- Hansen's continued growth and expansion will place a significant strain on management, operations and financial resources. For now, Hansen has been able to manage and match the anticipated growth, including the continued expansion of its customer base and extension of its supply chain.

- Hansen depends on a limited number of customers in the wind turbine market. Hansen could lose a customer in the wind turbine market for a number of reasons, such as a customer's decision to expand in to gearbox production or the perception of Hansen as part of a direct competitor. The loss of any of these customers could result in lower than expected revenue.

- Hansen may be exposed to product failure, design failure, serial failure, and resulting reputational damage, product liability and/or warranty claims. Potential product liability risks are inherent in the research, development, manufacture, marketing and sale of Hansen's products,



and although Hansen has certain insurance policies in place and ensures that its products undergo rigorous testing procedures, Hansen remains exposed to the risk of claims. Although Hansen has included in the contract with its major suppliers the necessary provisions regarding product liability and warranties, it may be unable to obtain full compensation from its suppliers in the event of the supply of defective raw materials or intermediate components used in its wind turbine and industrial gearboxes.

- Hansen is reliant upon certain third parties for the supply of raw materials and intermediate components, for which there is significant international demand. Hansen's expansion of its production capacity into India and China will continue to increase its demand for raw materials and components in these locations. Lack of or delay in the supply of these raw materials or components could materially reduce Hansen's production levels and/or result in Hansen being unable to satisfy contracted orders from its customers.

- Hansen's ability to manufacture and sell its products at a competitive and profitable price is affected by the price fluctuations of raw materials and intermediate components which it uses in the production of gearboxes. Hansen may be unable, either to pass on increased costs immediately and fully to its customers, or contrary to obtain the immediate and full price reductions from its suppliers.

- A breakdown in or interruption of Hansen's manufacturing processes, due to whatever cause, could affect Hansen's production capacities. The process of manufacturing gearboxes requires a substantial amount of consistent electric power at the manufacturing facilities. Any disruption to the power supply could cause disruption to Hansen's manufacturing processes and damage the machinery and products in the manufacturing process.

- Hansen's business remains dependent upon the contributions of Directors, management, engineers and other employees and on its ability to attract and retain key personnel at every site with the necessary skills and experience. Hansen could, even in the current economic environment, still be unable to attract and retain the right people and such failure could have an impact on its ability to design and produce wind turbine and industrial gearboxes.

- Although Hansen currently has good relationships with its personnel and their representatives, the current economic downturn and continuous search to match employee costs and revenue could put strain on labour relations.

- Some end-user organizations outside the European Union or governmental initiatives designated to support renewable energy sources may prefer or require to purchase locally manufactured intermediate components, which may place Hansen at a competitive disadvantage relative to competitors that have domestic manufacturing facilities.

**Compliance Risks**

- Hansen may incur liabilities under various environmental and health and safety laws and regulations in the jurisdictions where it has operations beyond the cover of its insurance policy and may face substantial ongoing compliance costs or operating restrictions.

- Hansen's success depends in part on its ability to protect current and future technologies, processes and products, and to defend its intellectual property rights. Hansen's failure to protect these rights could result in competitors manufacturing similar products, which could adversely affect Hansen's ability to exclusively market its own products in the relevant geographical markets.

- Hansen's expansion into China and India will expose it to risks associated with different legal and taxation regimes, foreign exchange controls and economic conditions. Hansen may be subject to more onerous product liability and warranty requirements, or may be unable to protect its contractual and legal rights in the same way as before.

**Financial Risks**

- Hansen may be adversely affected by foreign exchange rate fluctuations resulting from the translation of revenues from foreign currencies into euro following its international expansion, which may lead to losses caused by fluctuating exchange rates. Hansen's operations may also in the future be subject to currency transactions risks.

- Hansen's financing costs may be affected by interest rate volatility. Increases in interest rates are likely to increase the interest cost associated with the Group's debt, the main financing of the Group concerns floating rate debt, and will increase the cost of future borrowings, which could affect the Group's earnings and financial position.

## Information about Directors' Conflicts of Interests

The conflicts of interests procedure provided in article 523 of the Belgian Companies Code was applied in the course of the 2009 financial year on several occasions. The following extracts from the Board of Directors' minutes are published in accordance with article 523 of the Belgian Companies Code:

At its meeting of 16 May 2008, continued on 19 and 21 May 2008, the Board of Directors launched the process for the allocation of warrants under the Hansen Warrants Plan 2007 to certain members of the senior and extended management. Ivan Brems and Alex De Ryck announced a conflict of interest in respect of the approval of the implementation of the Hansen Warrants Plan 2007. The Board minutes describe such conflict as follows:

> *"The conflicting interest consists of the fact that Ivan Brems and Alex De Ryck may financially benefit from the decision as beneficiary of warrants under the Hansen Warrants Plan 2007. An allocation of warrants to Ivan Brems and Alex De Ryck under the Hansen Warrants Plan 2007 will not have any specific negative financial consequences for the Company, except for the fact that upon exercise of the warrants, the Company will have to issue one new share per warrant (which will result in a dilution of the existing shareholders). Since the warrants will be granted to them under the same conditions as are applicable to warrants granted to the other beneficiaries, Ivan Brems and Alex De Ryck are of the opinion that the approval of the implementation of the Hansen Warrants Plan 2007 (including the determination of final circle of beneficiaries, allocation budget and individual allocation of warrants) is justified. Ivan Brems and Alex De Ryck instruct the Company Secretary to inform the statutory auditor of their (potential) conflict of interest, in accordance with article 523 of the Belgian Companies Code."*

Other than decisions pertaining only to the procedural and technical steps required in connection with the issuance of warrants, including under Articles 583, 596 and 598 of the Belgian Companies Code, the relevant extract of such Board of Directors' minutes contains the following resolutions:

*"After having acknowledged the above and after deliberation of the relevant agenda item (in which Ivan Brems and Alex De Ryck did not participate), the Board of Directors unanimously (except for Ivan Brems and Alex De Ryck, which did not participate in the vote):*

- *ACKNOWLEDGED and APPROVED the recommendations made by the Remuneration Committee during its meetings held on 16, 19 and 21 May 2008 with respect to the Hansen Warrants Plan 2007 under which it is envisaged to grant "executive warrants" to eligible key employees and consultants, including the determination of the allocation budget (1,500,000 warrants) and the individual allocation among 18 executives as per the final allocation scheme which will remain attached to the minutes of the Remuneration Committee.*

- *RESOLVED that the amendments to the plan rules of the Hansen Warrants Plan 2007 (originally adopted by the shareholders' meeting of 27 November 2007) be approved substantially in the form presented to the Board. Given the relatively minor nature of these amendments and given the fact that they are not contrary to shareholders' interests, the amendments are considered to fall within the amendment power of the Board of Directors and not to require further shareholder approval, provided that the Board ACKNOWLEDGED that resolution [9.7] below (which provides for the particulars of the first time implementation of the plan in 2008 in derogation of certain of the (amended) plan rules) must be submitted for approval by the Shareholders' Meeting. The amended plan rules of the Hansen Warrants Plan 2007 form an attachment to the aforementioned special report prepared in accordance with Article 583 of the Belgian Companies Code that will be submitted to the CBFA for review .*

- *For purposes of the grant in 2008, RESOLVED to determine the "Allocation Budget" under the Hansen Warrants Plan 2007 as follows: 1,500,000 warrants.*

- *For purposes of the grant in 2008, RESOLVED to determine the "final circle of beneficiaries" and the "Individual allocation of warrants" under the Hansen Warrants Plan 2007 as set forth in the final allocation scheme approved by the Remuneration Committee."*

Further to the decisions of 16-21 May 2008, the Board of Directors of 26 June 2008 considered resolutions pertaining to the individual allocation of warrants to certain members of the senior and extended management under the Hansen Warrants Plan 2007, where Ivan Brems and Alex De Ryck announced the same conflict of interest (see the description of the conflict in the paragraphs regarding the meeting of 16-21 May 2008 above). The relevant extract of the Board minutes provided as follows:

> *"After having acknowledged the above and after deliberation of the relevant agenda item (in which Ivan Brems and Alex De Ryck did not participate), the Board of Directors unanimously (except for Ivan Brems and Alex De Ryck, which did not participate in the vote):*
>
> - *ACKNOWLEDGED the recommendations made by the Remuneration Committee during its meeting held on 16 May 2008 with respect to the Hansen Warrants Plan 2007 under which it is envisaged to grant "executive warrants" to eligible key employees and consultants.*
>
> - *ACKNOWLEDGED the approval by the 2008 annual shareholders' meeting today of the amendment to the Hansen Warrant Plan 2007 and RESOLVED to approve the plan rules of the Hansen Warrant Plan 2007, substantially in the form as attached to these minutes (as revised on technical matters pursuant to comments received from the CBFA).*
>
> - *RESOLVED that persons set forth in the list attached hereto (the "Executive Offerees") will be offered warrants under the Hansen Warrants Plan 2007 on 26 June 2008.*
>
> - *RESOLVED that the "Individual allocation of warrants" under the Hansen Warrants Plan 2007 for each Executive Offeree is set forth in the list attached hereto, for a total of 1,500,000 warrants."*

Further to the decisions of 16-21 May and 26 June 2008, the Board of Directors of 26 June 2008 convened before notary for purposes of the issuance of the warrants in the framework of the authorized capital with cancellation of the preferential subscription right, where Ivan Brems and Alex De Ryck announced the same conflict of interest (see the description of the conflict in the paragraphs regarding the meeting of 16-21 May 2008 above). The relevant extract of the Board minutes provided as follows:

*"Thereupon, the present or represented Directors, other than those sub 1 and 2, unanimously take the following resolutions on agenda items 1 and 2:*

*FIRST RESOLUTION*

*The meeting takes note of the reports of the Board of Directors and of the auditor referred to in agenda item 1 in accordance respectively with article 583 and articles 596 and 598 of the Belgian Companies Code regarding the issuance of warrants in the framework of the authorized capital as presented in agenda items 2 and 3 and regarding the cancellation, in that respect, of the preferential subscription right of the existing shareholders. The president is released from reading the reports. Each member of the Board of Directors acknowledges having received a copy of the aforementioned reports and having read these reports. The meeting notes that no comments are made on the aforementioned reports and that no questions are raised, and approves the aforementioned reports of the Board of Directors in their entirety. In addition, a copy of each of the aforementioned reports is handed over to the notary, with a request to file these reports together with an excerpt from this deed with the clerk's office of the commercial court. The conclusion of the aforementioned report of the auditor, "ERNST & YOUNG BEDRIJFSREVISOREN – REVISEURS D'ENTREPRISES", represented by Mr Braes Rudi, auditor, with offices at 2140 Antwerp-Borgerhout, Joe Englishstraat 52, is as follows: 5. Conclusions. Further to our review, we can conclude as follows: "In accordance with article 598 of the Belgian Companies Code the exercise price of the warrants is not lower than the average of the closing prices of the share of the Company on the London Stock Exchange during a period of 30 calendar days prior to the date of issuance of the warrants. The financial and accounting data mentioned in the special report of the Board of Directors of 26 June 2008 are correct and sufficient for purposes of providing the general meeting, which is to vote on the proposal to issue warrants, with information.*

*SECOND RESOLUTION*

*Agenda item 2 is approved and the meeting resolves to issue, in the framework of the authorized capital, of up to 1,500,000 warrants, intended mainly for the personnel of the senior management level of the Company or its subsidiaries and other key persons (the "Executive Warrants") under the terms and conditions set out in Annex 1 to the report of the Board of Directors mentioned in agenda item 1.1.a and which will be determined hereinafter.*

*The issuance of the Executive Warrants occurs in the framework of a warrants plan as included in the document referred to hereinafter as the "Hansen Warrants Plan 2007".*

*Issuance conditions*

*The meeting approves the issuance conditions of the Executive Warrants and of the rights of the Executive Warrant holders, including the terms of the offering, acceptance and exercise of the Executive Warrants as included in the document "Hansen Warrants Plan 2007" dated 27 November 2007 and updated on 26 June 2008, which, after having been initialled and signed "ne varietur" by the members of the bureau and the undersigned notary, shall remain attached to this deed in order to be registered together with this deed and to be an integral part of this deed.*

*The meeting further requests the notary to stipulate by deed that, in accordance with the terms of the "Hansen Warrants Plan 2007":*

- *the Executive Warrants will be offered for free to the beneficiaries thereof;*
- *each Executive Warrant will entitle the holder thereof to subscribe to one share in the Company;*
- *the shares to be issued at the time of exercise of the Executive Warrants will have the same rights and benefits (including equal voting rights, equal dividend rights, equal rights to a liquidation bonus and equal rights to reimbursement of capital) as the existing shares. After the issuance of the new shares all then existing shares will represent an equal part of the capital;*
- *for the issuance of these Executive Warrants no public offer has been made in the sense of the Law of 16 June 2006.*

*Cancellation of preferential subscription right*

*The meeting explicitly resolves to cancel the preferential subscription right in favour of all the persons mentioned in the agenda and in the report of the Board of Directors referred to in agenda item 1.1.b.*

*The meeting clarifies that the issuance of Executive Warrants is open to both employees of the Company or its subsidiaries and other beneficiaries mentioned hereinafter, it being understood that the number of beneficiaries who are not an employee of the Company or its subsidiaries only represent a minority of the total number of beneficiaries and that, consequently, the number of Executive Warrants offered to employees will be greater than the number of Executive Warrants offered to beneficiaries who are not an employee of the Company or its subsidiaries. (...)*

*The Remuneration report as included in the annual report for the fiscal year ending 31 March 2008, which was approved by the Board of Directors on 16 May 2008 and which is available on the Company's website, provides an overview of the number of Executive Warrants that will be offered to the CEO and CFO."*

The Board of Directors of 22 July 2008 considered the resolution regarding executive remuneration and bonus scheme for the financial year 2009, where Ivan Brems and Alex De Ryck announced a conflict of interest. The relevant extract of the Board minutes provided as follows:

*"The conflicting interest consisted of the fact that the two executive Directors participate in the executive remuneration and bonus scheme and will therefore financially benefit from the decisions taken. The scheme had been recommended by the Remuneration Committee, following review of the remuneration and bonus package for each member of senior management. The financial impact on the Company of the remuneration and bonus package of the executive Directors will remain limited to the figures recommended by the Remuneration Committee. In view thereof, Ivan Brems and Alex De Ryck were of the opinion that the approval of the schemes was justified. Ivan Brems and Alex De Ryck instructed the Company Secretary to inform the statutory auditor of the above, in accordance with article 523 of the Belgian Companies Code. Ivan Brems and Alex De Ryck did not participate in the subsequent deliberations and decisions of the Board of Directors.*

*After having acknowledged the above and after deliberation of the relevant agenda item, the Board of Directors unanimously (except for Ivan Brems and Alex De Ryck, which did not participate in the vote):*

- *ACKNOWLEDGED the recommendations made by the Remuneration Committee as a result of its meetings held on 26 June 2008 and 22 July 2008 with respect to the Executive Bonus and Executive Remuneration schemes for FY 2009 (the "Recommendations") (cf. the minutes in appendix);*

- *RESOLVED to approve the Recommendations."*

The Board of Directors of 27 January 2009 considered the resolution regarding the execution of the First Amendment to the General Agreement between the Company and Suzlon and dated 31 August 2006 (relating to the supply of wind turbine gearboxes to Suzlon), where Tulsi R. Tanti announced a conflict of interest. The relevant extract of the Board minutes provided as follows:

*"The conflicting interest consisted of the fact that Tulsi R. Tanti is the Chairman and Managing Director of Suzlon and is a member of the promoter group of Suzlon (which is considered to act in concert in relation to Suzlon in terms of the Indian Security Regulations (SEBI Regulations)), and that Tulsi R. Tanti may therefore financially benefit from the First Amendment, which is an important global procurement agreement for Suzlon. The Board ACKNOWLEDGED that the approval of the First Amendment was justified, since (a) it was an update of the regulation of the long term business relationship with Suzlon which by itself was of strategic importance to the Company and (b) such update had positive financial effects for the Company. For a description of the financial impact of the approval of the First Amendment, reference is made to the paragraphs here below. The Company Secretary was instructed to inform the statutory auditor of the above conflicting interest situation, in accordance with article 523 of the Belgian Companies Code, Tulsi R.*

*Tanti did not participate in the subsequent deliberations and decisions of the Board on this agenda item.*

*Discussion*

*The Board NOTED that it was proposed that the Company and Suzlon Energy Limited ("Suzlon") would enter into a 1st Amendment (the "First Amendment") to the General Agreement between the Company and Suzlon dated 31 August 2006 relating to the supply of wind turbine gearboxes to Suzlon (the "GA"). At the Board meeting of 26 June 2008, it had already been resolved that the special procedure provided for by article 524 of the Companies Code had to be applied in connection with the First Amendment. The Board had also appointed Bjerres Bureau Aps, Dr.-Ing. Winfried Walzer GmbH, and Marc Desaedeleer to the Committee of independent Directors referred to in article 524 of the Companies Code (the "Committee"), and Mattias Bruyneel, attorney at Linklaters LLP, as independent expert with the mission of assisting the Committee. Dr.-Ing. Winfried Walzer GmbH had carried out a number of verifications on behalf of the Committee, which were to remain strictly confidential given the business sensitive nature of the data concerned. The mission of the Committee and of the independent expert had been described in the "Report of the Committee established pursuant to article 524 of the Belgian Companies Code on the First Amendment to the GA dated 28 October 2008" (the "Report"). The Report will remain attached to the final minutes of this Meeting.*

*The Board ACKNOWLEDGED that the advice of the Committee in relation to the First Amendment had been delivered to the Board on 28 October 2008, as part of the Report:*

*"Having reviewed the First Amendment, the GA and the financial information provided by management in relation thereto, the Committee concluded that the decision to enter into the First Amendment did not entail a disadvantage to the Company or the Company's stakeholders and did not have a negative impact on the margin achieved by the Company. Accordingly, the Committee recommended to the Board of Directors to approve the First Amendment."*

*Resolution*

*The Board then RESOLVED to approve and, insofar as applicable, ratify the execution of the First Amendment."*

Further, the Board of Directors of 27 January 2009 considered a resolution in relation to a Framework Supply Agreement (FSA) in negotiation between the Company and REpower Systems AG, where Tulsi R. Tanti announced a conflict of interest. The relevant extract of the Board minutes provided as follows:

*"The conflicting interest consists of the fact that (a) Tulsi R. Tanti is the Chairman and Managing Director of Suzlon and is a member of the promoter group of Suzlon (which is considered to act in concert in relation to Suzlon in terms of the Indian Security Regulations (SEBI Regulations)) and (b) Suzlon holds a controlling stake in REpower. In addition, Tulsi R. Tanti is the Chairman of the Supervisory Board of REpower. Tulsi R. Tanti may therefore financially benefit from the execution of the FSA with REpower. The Board ACKNOWLEDGED that the justification of the execution of the FSA with REpower would be examined in the framework of the procedure pursuant to article 524 of the Belgian Companies Code. In accordance with article 523 of the Belgian Companies Code, Tulsi R. Tanti will not participate in the subsequent deliberations and decisions of the Board on this agenda item.*

*It was ACKNOWLEDGED that, since REpower is a subsidiary of Suzlon Energy Limited, in addition to article 523 of the Belgian Companies Code, the provisions of article 524 of the Belgian Companies Code (on related party transactions) need to be followed.*

*The Board RESOLVED to hereby constitute a special Committee consisting of three independent Directors in accordance with article 524 of the Belgian Companies Code, namely Bjerres Bureau Aps, Dr.-Ing. Winfried Walzer GmbH and Marc Desaedeleer (the "Committee"). All of the members are independent Directors in the sense of article 524, §4 of the Belgian Companies Code and are considered independent from the decision. The Company Secretary shall act as secretary to the Committee. The procedure to be followed will be similar as in the case of the 1st Amendment to the General Agreement with Suzlon."*

## Information about the Application of the Procedure provided for in Article 524 of the Belgian Companies Code (Related Party Transactions)

As referred to here above, the Board of Directors of 27 January 2009 closed the special procedure provided for by article 524 of the Belgian Companies Code in the section in connection with the First Amendment to the General Agreement between the Company and Suzlon, dated 31 August 2006 (relating to the supply of wind turbine gearboxes to Suzlon). The conclusions of the Committee of independent Directors and an excerpt from the minutes of the Board of Directors in relation to this matter are set forth in the extract of the Board of Directors' minutes of 27 January 2009. The evaluation by the statutory auditor, which is to be published in accordance with the requirement of article 524 of the Belgian Companies Code, was as follows:

*"Performed procedures and findings*

*Our procedures are the following within our engagement:*

- *Verifying if the financial information as listed in the report of the Committee of independent Directors and the interference of the independent expert d.d. 28 October 2008 correspond to the underlying supporting documentation;*

- *Verifying if the financial information as listed in the minutes of the Board of Directors d.d. 27 January 2009 corresponds to the underlying supporting documentation;*

- *Verifying if the information as listed in the report of the Committee of independent Directors and the information of the independent expert correspond to the requirements per article 524 of the Belgian Companies Code.*

*On the basis of our procedures performed we can conclude that no material findings have to be reported.*

*Our procedures are performed in accordance with the International Standard on Related Services applicable to agreed upon procedures engagements. The above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing and were performed in accordance with the Standards from the "Instituut der bedrijfsrevisoren".*

*This implies that no assurance can be given concerning the reliability of the related information, other than those aspects verified by us and accordingly listed by us within this report. Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been of importance to you.*

*Our report is solely for the purpose as described in the scope of service as described above, and this report is not to be used for any other purpose. This report relates only to the information specified above and does not extend to any other information, taken as a whole.*

*Antwerp, 9 March 2009*
*Ernst & Young Bedrijfsrevisoren BCVBA*
*Independent auditor*
*Represented by*
*Rudi Braes*
*Partner"*

## Use of Financial Instruments by the Company & the Group

The principal financial instruments, other than derivatives, comprise bank loans and overdrafts and loans given. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group is exposed to various financial risks arising from its underlying operational and financing activities. These financial risks comprise market risks (interest risk, currency risk and price risk), credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks. Financial risk management within the Group aims at reducing the impact of these market risks through ongoing operational and financing activities.

It is Hansen's policy and practice to use derivatives exclusively as hedging instruments and not for trading or other speculative purposes. The Group does therefore not hold or issue any such instruments for such purposes.

Further details on the financial risk management objectives and policies of the Group are detailed in Note 22 of the Notes to the Financial Statements.

## Information on Auditor's Assignment and Related Fees

**Audit Mandate**

The remuneration of Ernst & Young Bedrijfsrevisoren BCVBA for the exercise of the audit mandate and issuing statutory audit opinions under Belgian GAAP and opinions on the consolidated financial statements prepared in accordance with IFRS amount to 950,000 euro annually. This amount is adaptable on the basis of the evolution of the index and in case of a fundamental modification of the structure of the Company or a modification of the scope of the audit.

**Actual Fees FY 2009**

The audit fee the Company paid to Ernst & Young Bedrijfsrevisoren BCVBA to issue opinions on the statutory and the consolidated financial statements – prepared in accordance with IFRS – of Hansen Transmissions International NV for the financial year ended 31 March 2009 and for the limited review reports on the interim reporting for the periods ended 30 June, 30 September and 31 December 2008 prepared in accordance with IAS 34 amounted to 1,256,000 euro.

The Company further engaged other member firms of Ernst & Young and paid:

- for tax consultancy (advisory and compliance) 394,000 euro;
- for non-audit other services 139,000 euro; and
- for other attestation assignments 11,000 euro.

Ernst & Young Bedrijfsrevisoren BCVBA, with registered office at 2140 Borgerhout, Joe Englishstraat 52, represented by Rudi Braes was appointed by the annual shareholders' meeting in June 2008 as statutory auditor for a period of three years ending after the annual general shareholders' meeting of 2011.

## Information provided in accordance with article 34 of the Royal Decree of 14 November 2007

**Capital structure, shares, depositary interests and warrants**

### Shares and depositary interests

As at 31 March 2009, the share capital of the Company amounts to 17,966,814.57 euro. It is represented by 670,104,208 shares, fully paid-up, without nominal value, each representing an equal part of the capital. All shares are in registered form and admitted to the Official List of the Financial Services Authority and to trading on the main market of the London Stock Exchange. In the section on "Shareholders and Director's interests" included in this Report, it is explained that depositary interests have been issued in respect of the shares (each depositary interest representing one share).

### Warrants

Of the warrants that were issued under the Hansen Warrants Plan 2007 and the Employee Warrants Grant 2008 on 26 June 2008, a total of 2,072,300 warrants were effectively accepted in accordance with the respective plan rules. Subject to the conditions set out in the respective plans, the exercise of a warrant with grant date of 26 June 2008 will give the right to subscribe to one share of the Company at a subscription price of 295 GBX. The exercise period of these warrants starts on 1 January 2012 and ends on 26 June 2013. The number of outstanding warrants at 31 March 2009 is 2,071,100 warrants.

### Other convertible securities

As at 31 March 2009, the Company has not issued any convertible securities, exchangeable securities or securities with warrants attached.

**Transfer restrictions**

The shares of the Company are not subject to any legal or statutory transfer restrictions.

**Holders with special rights**

Pursuant to Article 16(4) of the Company's articles of association, two Directors (each a nominee Director) shall be appointed by the general shareholders' meeting from a list of at least two candidates for each Directorship position proposed by Suzlon Energy for as long as Suzlon Energy or any of its affiliated companies controls, directly or indirectly, at least 26% of the voting rights in the Company at the date of the relevant appointment decision. Suzlon Energy may choose to only fill one nominee Director position. As at 31 March 2009, Mr. Tulsi R. Tanti is the only nominee Director for Suzlon Energy.

In connection with the transfer by Suzlon Energy of 67,010,421 depositary interests in the Company to Ecofin, effective on 26 January 2009, the Company was informed that Suzlon Energy (i) had permitted Ecofin Limited to nominate the second nominee Director and, if requested by Ecofin, procure that such second nominee Director be free (under the terms of the relationship agreement dated 5 December 2007 entered into between the Company and Suzlon Energy (the "Relationship Agreement")) to inform and consult with Ecofin about the Hansen Group in the framework of the exercise of his mandate as member of the Board of Directors; or (ii) if requested by Ecofin at any time when Ecofin does not have its nominee appointed as second nominee Director, will make certain information available to Ecofin. Subject to specific undertakings to the Company set forth in the Ecofin undertaking letter dated 26 March 2009 (the "Ecofin Undertakings"), the Company consented, in the case of the appointment by the Company of the Ecofin nominee Director, to such Director informing and consulting with Ecofin as set out here above, and to Suzlon Energy providing certain information to Ecofin. Moreover, the Company consented, in the event that the Ecofin nominee Director would not be appointed by the Company, to Suzlon providing certain limited information to Ecofin.

**Systems of control of employee share schemes where the control rights are not exercised directly by the employees**

There are no such employee share schemes within Hansen.

**Restrictions on voting rights**

Each capital share carries one vote. There are no legal or statutory voting restrictions. Voting rights are however suspended in certain circumstances as referred to in articles 442 and 585, 541 paragraph 3, 622, §1 first paragraph, 627 and 630, §1 first paragraph, 631, §1 first paragraph, and 632, §4 of the Belgian Companies Code (currently not applicable to the Company). In addition, voting rights may be restricted or suspended in case of: shares subject to usufruct, pledge or co-ownership; non-compliance with article 545 of the Belgian Companies Code (notifications in accordance with the transparency rules); or suspension by a competent court or the CBFA in certain circumstances.

**Shareholder agreements known to the Company that may result in restrictions on the transfer of shares and/or the exercise of voting rights**

The Board of Directors is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares and/or the exercise of voting rights, other than the following arrangements:

- Pursuant to certain lock-up arrangements entered into by the Executive Directors and certain members of the Executive Committee in favour of AE-Rotor Holding BV, these persons have agreed not to transfer or dispose of any shares until 30 September 2009, except for (i) the right of each of them to accept a general offer made to all holders of issued shares in accordance with applicable takeover regulations, and (ii) certain other instances where AE-Rotor Holding BV has agreed to release these lock-up arrangements.

- Pursuant to the Relationship Agreement entered into between the Company and Suzlon Energy, the latter undertook (i) to vote to ensure the Company can operate and make decisions for the benefit of the shareholders of the Company as a whole and independently of Suzlon Energy, and (ii) not to vote in favour of, or propose, any resolution to amend the constitutional documents of the Company which would be contrary to the principle of independence of the Company for the purposes of the UK Listing Rules except with the approval of a majority of shareholders other than Suzlon Energy or its associates.

- Ecofin has undertaken to Suzlon Energy, subject to certain customary exceptions, not to dispose of the 67,010,421 depositary interests in the Company acquired from Suzlon Energy (effective on 26 January 2009), until after 30 June 2009. This lock-up is renounceable in certain circumstances.

- Pursuant to the Ecofin Undertakings, Ecofin undertook (i) to abstain from voting on any resolution to approve a transaction with a related party involving Ecofin or any of its Associates, and (ii) not to vote in favour of, or propose, any resolution to amend the constitutional documents of the Company which could be contrary to the Ecofin Undertakings except with the approval of a majority of shareholders other than Ecofin.

**Rules governing the appointment and replacement of Board members**

The Board of Directors of the Company must be composed of a minimum of six and a maximum of 11 members. The Directors are appointed for a term of no more than three years by ordinary shareholders' resolution. The general shareholders' meeting is entitled to dismiss them at any time. At least half of the members of the Board must comprise independent non-executive Directors, and not more than half will comprise non-independent Directors (whether because of them being members of management or associated with Suzlon Energy). Moreover, at least three Directors must be independent Directors within the meaning of article 524 of the Belgian Companies Code. If a directorship becomes vacant before the expiry of its term, the remaining Directors will have the right to temporarily appoint a new Director to fill the vacancy until the shareholders resolve at a shareholders' meeting to appoint a new Director. Directors may be re-elected for a new term. Non-executive Directors who have been in office for nine consecutive years can be reappointed for one-year terms only. See also the section on "Holders with special rights" with respect to Suzlon Energy's and Ecofin's nomination rights.

**Rules governing the amendment of the articles of association**

Except in respect of capital increases resolved by the Board of Directors within the limits of the authorized capital, only the general shareholders' meeting is entitled to amend the articles of association of the Company.

The general shareholders' meeting may only deliberate on amendments of the articles of association if fifty per cent (50%) of the share capital is present or represented. If that quorum is not attained, a new general shareholders' meeting is to be convened where no quorum shall apply. In case of variation of class rights, a quorum of fifty per cent (50%) in each class is required.

Amendments of the articles of association are only adopted with a special majority of seventy-five per cent (75%) of the votes cast. In certain cases, a higher majority is required, namely for amendment of the purpose clause (80%), and a modification of the legal form (80%).

**Powers of the Board of Directors relating to the issuance of shares**

On 27 November 2007, the extraordinary shareholders' meeting authorized the Board of Directors to increase the Company's share capital, in one or more transactions, up to a maximum amount which must not exceed an aggregate amount of 5,841,228.23 euro. The authorization is valid for a period of five years from 21 December 2007 onwards. As a matter of law, the authorization cannot be used for a capital increase primarily effected by contribution in kind by a person holding, alone or with other parties, more than 10% of the voting rights.

In the case of a capital increase pursuant to the authorized capital, the Board of Directors may (in the interests of the Company) restrict or cancel the preferential subscription rights of the shareholders, including in favour of one or more specific persons other than employees. However, such application of the authorization is subject to an additional limitation in time (i.e. for a period not exceeding 15 months) and a limitation to 5% of the share capital (in the aggregate). Offers of equity securities which are open for acceptance (i) to existing shareholders on the basis of preference rights or other persons so entitled (subject to certain exclusions) or (ii) in the framework of share schemes for management and employees of the Company or its subsidiaries, are not subject to these additional limitations, however. It should be noted that the above-mentioned limited period may be renewed by resolution of the shareholders' meeting adopted by a simple majority of the votes cast, each time for a period not exceeding 15 months. At the annual shareholders' meeting held on 26 June 2008, the meeting resolved to renew this particular authorization for the period expiring on 26 September 2009 or, if earlier, the date of the annual shareholders' meeting to be held in 2009. A further renewal is being put on the agenda of the upcoming annual shareholders' meeting.

The Board of Directors has used its authority to increase the share capital of the Company in the financial year ending 31 March 2009 to issue warrants in the framework and within the limits of (i) the Hansen Warrants Plan 2007 as approved by the extraordinary shareholders' meeting of the Company of 27 November 2007 and (ii) the Employee Warrants Grant 2008, as approved by the extraordinary shareholders' meeting of the Company of 27 November 2007. See also the section on "Capital structure, shares, depositary interests and warrants" with respect to the Hansen Warrants Plan 2007 and the Employee Warrants Grant 2008.

**Powers of the Board of Directors relating to buy-back of shares**

On 27 November 2007, the extraordinary shareholders' meeting authorized the Board of Directors, in accordance with article 620 and following of the Belgian Companies Code and within the limits set out in this provision, to acquire, on or outside the stock exchange, a number of the Company's own shares or profit sharing certificates (or depositary receipts relating to the same) representing a maximum of 10% of the subscribed capital. The price applicable to such buy-back of shares must be within a range stipulated by the Company's articles of association. If the acquisition is made by the Company outside the stock exchange, even from a subsidiary, the Company shall make an offer on the same terms and conditions to all the shareholders, in accordance with Article 620, §1, 5° of the Belgian Companies Code. This authorization was valid for an 18-month period as from 27 November 2007. At the annual shareholders' meeting held on 26 June 2008, the meeting resolved to renew this authorization for a further period for the period expiring on 26 December 2009. The annual shareholders' meeting will be asked to renew this authorization for a further period.

The Board of Directors has not made use of its authority to buy back shares of the Company in the financial year ending on 31 March 2009.

**No frustrating action against takeovers**

Pursuant to Article 557 of the Belgian Companies Code, after notification of a takeover offer to the Company, the Board of Directors may not (i) conclude transactions which may substantially modify the composition of the assets or liabilities of the Company, or (ii) accept obligations without an actual consideration. These transactions or decisions may also not be effected or taken conditional upon either the success or failure of the takeover offer. However, if these transactions are sufficiently advanced prior to the notification of the takeover offer, the Board of Directors is permitted to conclude these transactions. Subject to prior authorization by the shareholders, the Board of Directors of a Belgian company may, in certain circumstances, frustrate public takeover offers by way of dilutive issuances of equity securities or share buy-backs.

- In principle, a board of directors' authority to increase the share capital of a Belgian company through issues of shares in cash by cancelling or restricting the preferential subscription rights of shareholders, will be suspended upon the notification to such company by the CBFA of a public takeover offer in relation to such company's securities. Shareholders can, however, expressly authorize the board of directors of a company to increase the share capital by issuing shares in an amount of not more than 10% of the existing shares of the Company at the time of such a public takeover offer. Such authorization has not, however, been granted to the Board of Directors of the Company.

- Pursuant to the Belgian Companies Code, the articles of association of a company may authorize the board of directors, without prior shareholder approval, to purchase and hold its shares in case of imminent serious harm to the company. The articles of association of the Company do not provide for such authorization.

**Significant agreements of the Company which take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effect thereof**

Pursuant to the terms of the Relationship Agreement between the Company and Suzlon Energy dated 5 December 2007, this agreement shall terminate automatically as soon as Suzlon Energy holds less than 10% of the Company's voting rights or the Company ceases to be admitted to the Official List. In that case, the independence of the Company is no longer ensured by Suzlon Energy.

Likewise, the obligations of the Company to Ecofin and most of the Ecofin Undertakings (cfr. the discussion of Holders with Special Rights here above) shall terminate automatically as soon as the Relationship Agreement is terminated.

On 8 April 2008, the Company and its subsidiary, Hansen Drives Ltd., entered into a buyer credit agreement and a tied commercial loan with Société Générale (France) providing for the financing of the price of several machines purchased by Hansen Drives Ltd. from equipment suppliers in connection with the plant under construction in Coimbatore, India, for an aggregate credit amount of approximately 90 million euro. These agreements contain a covenant of the Company to procure that, in respect of any of its shareholders that own more than 30% of its issued share capital, a relationship agreement shall be entered into between such shareholder and the Company.

**Agreements between the Company and its Directors or employees providing for compensation, when as a result of a takeover bid, the Directors resign or are made redundant without valid reason or if employment ceases**

There are no agreements providing for this type of clauses specifically in relation to change of control or take-over bits.

## Information provided in accordance with the Law of 17 December 2008

The Audit Committee comprises 3 independent non-executive Directors and is chaired by Bjerres Bureau Aps (represented by its permanent representative Torben Bjerre Madsen). Its other members are Dr.-Ing. Winfried Walzer GmbH (represented by its permanent representative Dr. Winfried Walzer) and Jann Brown. Jann Brown became a member of the Committee in June 2008, holding the position of Finance Director of Cairn Energy PLC (a FTSE 100 company) which she joined after a career in the accounting profession (mainly KPMG). The members of the Audit Committee have sufficient expertise in financial, accounting and audit matters and are all considered to be independent in character and judgment, as appears from the section on Directors included in the Corporate Governance Statement.

## Statutory Results of Hansen Transmissions International NV

This section covers the report by the Board of Directors on the statutory (unconsolidated) financial statements, which are available in condensed format on pages 124 – 126. These unconsolidated statements have been prepared in accordance with Belgian accounting laws and regulations which differ in certain aspects from IFRS.

The balance sheet total per 31 March 2009 amounts to 887,202,257 euro compared with 827,678,458 euro one year earlier.

**Tangible fixed assets**

The fixed assets have decreased by 8.7 million euro net in 2009. The investments amounted to 49.7 million euro compared with depreciations of 58.3 million euro. The majority of these investments were related to the investments in the production facility in Lommel, Belgium.

**Formation expenses**

The formation expenses decreased by 0.8 million euro as a consequence of depreciations.

**Financial fixed assets**

These assets of 211.2 million euro represent the acquisition value of the subsidiaries of Hansen Transmissions International NV. The important increase of the financial fixed assets can mainly be explained by the capital increase in the subsidiaries in Hong Kong and Singapore, which relate to the investments in China and India.

The Company has subsidiaries in Australia, the United Kingdom, the United States of America, Brazil, China, India, Hong Kong, Singapore, Belgium, and via the United Kingdom in South-Africa. Apart from these subsidiaries, the Company has representations internationally in the Netherlands, France, Germany, Japan, Italy and Canada.

**Stocks**

Stocks increased by 36.1 million euro, mainly explained by the further growth of the Company.

**Amounts receivable within one year**

On 31 March 2009 the trade debtors amounted to 212.5 million euro compared with 94.4 million euro on 31 March 2008. The other amounts receivable amounted to 27.6 million euro (27.4 million euro in 2008). The major components of this receivable concern 16 million euro receivable from subsidiaries, 4.9 million euro recoverable VAT and grants receivable for 2.9 million euro.

**Current investments**

The current investments amount to 61.5 million euro and relate mainly to short-term investments earning interest and are dependent on the cash requirements of the Group.

**Cash at bank and in hand**

These increased from 0.6 million euro to 12.6 million euro.

**Deferred charges and accrued income**

These decreased from 1.1 million euro to 0.9 million euro.

**Equity**

Equity increased from 486.9 million euro to 514.1 million euro due to the appropriation of the profit of the year of 28.7 million euro to the profit carried forward.

**Provisions and deferred taxes**

On 31 March 2009 these amounted to 6.2 million euro, which represents a decrease of 0.07 million euro. This is mainly due to the decrease in the deferred taxes.

**Amounts payable**

The total amounts payable increased by 32.3 million euro. The main reason concerns the increase of the trade debts which have increased by 12.7 million euro and the other amounts payable with 14.5 million euro as a consequence of the expansion of the activities.

**Income statement**

The turnover amounted to 598.6 million euro. This represented an increase of 49.7%. The gain on ordinary activities amounted to 28.5 million euro. The profit to be appropriated amounted to 28.7 million euro which was allocated integrally to the accumulated profits which amounted to 51.2 million euro as per 31 March 2009.

**Financial instruments**

The Company uses different financial instruments to hedge its risk relating to exchange rate, interest fluctuations or credit risk; all trade receivables are insured. If no insurance could be obtained, sufficient reserves were elaborated or the necessary procedures were applied such as cash payment at delivery for covering the client risk. Interest fluctuations are capped by interest limiting hedges and risk relating to exchange transactions is covered by exchange rate term contracts.

**Environment**

We make continuous efforts in respecting the environment legislation applicable and also for the consciousness-raising of more environmental focused working within the Company.

**Allocation of the statutory result**

We ask the shareholders to appropriate the profit of the financial year, amounting to 28.7 million euro, as follows: the amount of 28.7 million euro, after allocation of an amount of 487 thousand euro to the legal reserve, to be carried forward to the following financial year and no dividend to be distributed.

## Statement of Directors' Responsibilities in Respect of Financial Statements

The Board of Directors is responsible for preparing the annual Directors' Report and the statutory and consolidated annual accounts in accordance with applicable law and regulations. Belgian company law requires the Board of Directors to prepare statutory and consolidated annual accounts for each financial year. Under that law, the Company is required to prepare the financial statements of the Group in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and IFRS as adopted by the EU and the Company's financial statements in accordance with Belgian generally accepted accounting practice (Belgian GAAP).

On behalf and for the account of the Company, Mr. Ivan Brems and Mr. Alex De Ryck state that, to the best of their knowledge:

(i) the financial statements prepared in accordance with Belgian GAAP (as regards the statutory annual accounts) and IAS/IFRS (as regards the consolidated annual accounts) give a true and fair view of the assets, liabilities, financial position and profit or loss of Hansen Transmissions International NV and the undertakings included in the consolidation taken as a whole; and

(ii) this annual Directors' Report includes a fair review of the development and performance of the business and the position of Hansen Transmissions International NV and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of the Directors of the Company are listed in the Corporate Governance Statement contained in this report.

**Ivan Brems**
Director

**Alex De Ryck**
Director

## Shareholders and Director's Interests

According to the transparency notifications received by the Company as at 7 May 2009, the shareholder structure looks as follows:

| Shareholder | n° of shares | % of share capital |
|---|---|---|
| AE-Rotor Holding B.V. [1] | 410,632,079 | 61.28% |
| Ecofin Limited [2] | 68,888,973 | 10.28% |
| Wellington Management Company LLP. | 32,524,079 | 4.85% |
| 4 physical persons [3] | 8,884,375 | 1.33% |
| Others | 149,174,702 | 22.26% |
| **Total** | **670,104,208** | **100.00%** |

1 AE-Rotor Holding B.V. is directly controlled by Suzion Energy Ltd.
2 Acting in concert with AE-Rotor Holding B.V.
3 Acting in concert with AE-Rotor Holding B.V.

**Depositary Interests**

Capital IRG Trustees (Nominees) Ltd acts as nominee for Capita IRG Trustees Ltd (the "Depositary") in respect of the voting shares. The Depositary issued, in respect of these voting shares and in co-operation with the Company, depositary interests ("DIs") ("Aandelencertificaten") each representing one ordinary share in Hansen in order for Hansen's securities to be settled through the CREST system and traded on the London Stock Exchange.

The Depositary holds the voting shares on trust for the benefit of the DI holders. The DI holder has all rights attaching to the underlying voting shares as if the DI holder were named on Hansen's share register itself, except for the voting rights in respect of which the DI holders are entitled to give instructions to Capita. Capita will only exercise the voting rights in respect of the underlying voting shares on the express instructions of the DI holders. Subject to certain formalities under the Trust Deed Poll by Capita IRG Trustees Ltd, the DI holder is entitled to cancel at all times its DIs and to convert these DIs in the underlying voting shares at the DI holder's discretion and expense.

The Directors of the Company have the following interests in the Company:

| Director | n° of shares | % of share capital |
|---|---|---|
| Ivan Brems | 2,665,312.5 | 0.40% |
| Alex De Ryck | 1,776,875 | 0.27% |
| Torben Bjerre-Madsen | 13,500 | 0.002% |
| **Total** | **4,455,687.5** | **0.67%** |

## Details of Contracts of Significance between the Company (or its Subsidiaries) and a Controlling Shareholder

**Relationship Agreement with Suzlon Energy**

On 5 December 2007, the Company and Suzlon Energy entered into the Relationship Agreement regulating the ongoing relationship between the Company and Suzlon Energy. The principal purpose of the Relationship Agreement is to ensure that the Company and its subsidiaries are capable of carrying on their business independently of Suzlon Energy and its associates, that transactions and relationships with Suzlon Energy and its associates are at arm's length and on normal commercial terms, and that the Company is governed in accordance with principles of good governance. The Relationship Agreement also contains undertakings of Suzlon Energy as controlling shareholder on transactions between the Company and Suzlon Energy which may give rise to conflicts of interest or fall under the provisions of the Listing Rules in respect of related party transactions and on competing interests.

**Wind Turbine Gearbox Supply Arrangements**

On 31 August 2006, Hansen and Suzlon Energy entered into a long-term supply agreement for the supply of wind turbine gearboxes for a minimum term of five years. The agreement provides for minimum purchase commitments, sets out maximum order amounts which Hansen commits to using its best endeavours to meet, contains an after sales service provision, and provides for a warranty in line with the warranty given to Hansen's other wind turbine manufacturing customers. The price for Hansen's gearboxes is now subject to half-annual review by reference to certain labour and raw material indices. A first amendment to this agreement was entered into on 18 April 2008.

In addition, Hansen is currently developing a customized wind turbine gearbox for REpower (an associate company of Suzlon Energy) and is negotiating the terms of a general supply agreement with REpower.

**Other Arrangements**

Suzlon Infrastructure Limited (formerly known as Aspen Infrastructure Limited), a company controlled by Hansen's Chairman, Mr. Tulsi R. Tanti and his family, and therefore an associate of Suzlon Energy which is also controlled by Mr. Tulsi R. Tanti, has entered into two agreements with Hansen Drives Limited, Hansen's Indian subsidiary, pursuant to which Suzlon Infrastructure Limited has been appointed by Hansen Drives Limited in connection with the Group's leasing of land in Coimbatore, India.

Apart from the above, neither Suzlon Energy nor any of its associate companies provides any services to the Company, or its subsidiaries.

## Glossary

**"Admission"** means the admission of the Company's ordinary shares to the Official List and to trading on the main market of the London Stock Exchange.
**"CBFA"** – Commissie voor het Bank-, Financie- en Assurantiewezen, the Belgian financial markets regulator.
**"Company"** or **"Hansen"** means Hansen Transmissions International NV.
**"Depositary"** means Capita IRG Trustees Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
**"Global Co-ordinators"** means Goldman Sachs International and Merrill Lynch International, who acted as joint global co-ordinators of the initial public offering of the Company.
**"Group"** means Hansen Transmissions International NV and its subsidiaries.
**"Listing Rules"** means the rules on listings made in accordance with section 73A of the UK Financial Services and Markets Act 2000 (as amended).
**"OEM"** means Original Equipment Manufacturer.
**"Official List"** means the Official List of the Financial Services Authority.
**"Relationship Agreement"** means the relationship agreement entered into between Hansen Transmissions International NV and Suzlon Energy Limited, dated 5 December 2007.
**"Suzlon Energy"** means Suzlon Energy Limited.
**"Underwriting Agreement"** means the agreement between the Company, Suzlon Energy Limited, the Directors of the Company, the underwriters (the Global Co-ordinators and KBC Securities NV) pursuant to which the underwriters agreed to procure subscribers for a number of shares in the framework of the initial public offering.

# Corporate Governance Statement

The Board of Directors recognizes that good corporate governance is in the best interest of the Company's shareholders. The Directors are committed to high standards of corporate governance and have made it Company policy to achieve best practice in its standards of business integrity in all its activities around the world. This includes a commitment to follow the highest standards of corporate governance throughout the Group. This section of the annual financial report describes the Company's corporate governance arrangements.

**Code on Corporate Governance**

The Board of Directors has resolved to apply section 1 of the Combined Code on Corporate Governance annexed to the Listing Rules (the "Combined Code") as this was deemed appropriate in view of the admission of the shares to the Official List and to trading on the London Stock Exchange on 11 December 2007 ("Admission"). For this reason, the Board of Directors has also resolved not to apply the Belgian Corporate Governance Code, which applies to Belgian companies admitted to trading on a regulated market, such as the Company, and is built on the 'comply or explain' principle.

The Company has applied the main principles set out in section 1 of the Combined Code since Admission. The Board of Directors has determined that there are no matters of non-compliance to be reported.

**Board of Directors**

### Composition of the Board of Directors

The Board of Directors consists of the non-executive Chairman, representing Suzlon Energy, four independent non-executive Directors and two executive Directors. The Board of Directors considers all of the non-executive Directors, with the exception of the Chairman, to be independent in character and judgment for the purposes of the Combined Code and the Belgian Companies Code.

- As regards Dr.-Ing. Winfried Walzer GmbH, it is to be noted that the Company and Dr.-Ing. Winfried Walzer GmbH had entered into a consultancy contract on 5 July 2007 (the "Consultancy Contract"), but that this contract was terminated with effect on 30 September 2007. The Board of Directors acknowledged that the existence of the Consultancy Contract did not constitute a circumstance affecting the judgment of Dr.-Ing. Winfried Walzer GmbH as an independent Director (having regard to, among other things, the short period of performance, the type of services rendered during such brief period, the lack of exclusivity in the relationship and the fact that the Consultancy Contract represented only a limited percentage of the total turnover of Dr.-Ing. Winfried Walzer GmbH).

- As regards Marc Desaedeleer, it is to be noted that he holds the position of Chief Investment Officer of CVCI (CitiGroup Venture Capital International), a shareholder of the Company. For purposes of the independent Director status under the Belgian Companies Code, a Director should (among other restrictions) not hold more than 10% of the equity of the Company (or "control" companies holding such stake) or maintain a relationship with a company which could jeopardise his independent judgement. The Board of Directors notes that the level of shareholding of funds managed by CVCI amounts to 1,0% of the capital of the Company and therefore lower than 10% i.e., a relevant threshold under the Combined Code as well as the Belgian Corporate Governance Code), and that the shareholding only represents a small part of the portfolio managed by CVCI. In addition, Marc Desaedeleer has confirmed to the Board of Directors that he does not exercise his function as Director on the Board as a representative of CVCI and that, accordingly, his relationship with the latter will not affect his independent judgment. Having regard to the criteria under the Belgian Companies Code and the Combined Code, the Board of Directors is of the opinion that Marc Desaedeleer is independent in character and judgment, and that his relationship with CVCI, as it currently stands, is not likely to affect, or appear to affect, his judgment as an independent Director.

## Induction process

On appointment, an induction process is organized in which Directors participate depending on their familiarity with the Group's business. Such induction process is designed to develop the Directors' knowledge and understanding of the Group's business through visits to various operating sites, presentations on relevant technology, product demonstrations, briefings from management and a familiarization with investor perceptions of the Group. During the course of the financial year, additional briefing sessions and site visits have been organized, including the site visit to the new production facility in Coimbatore, India, in January 2009.

## Directors

The Board of Directors currently consists of the following persons:

- **Tulsi R. Tanti, Chairman.** Tulsi R. Tanti joined the Group in 2006.
- **Ivan Brems, Chief Executive Officer.** Ivan Brems joined the Group in 1984, and became a member of the Board of Directors and Chief Executive Officer in 2006.
- **Alex De Ryck, Chief Financial Officer.** Alex De Ryck joined the Group in 2004 as Chief Financial Officer. He became a member of the Board of Directors in 2004.
- **Torben Bjerre-Madsen, permanent representative of Bjerres Bureau Aps., non-executive Director.** Torben Bjerre-Madsen joined the Group in 2005 as a non-executive member of the Board of Directors.
- **Marc Desaedeleer, non-executive Director.** Marc Desaedeleer joined the Group in 2006.
- **Dr. Winfried Walzer, permanent representative of Dr.-Ing. Winfried Walzer GmbH, non-executive Director.** Dr. Winfried Walzer joined the Group in 2007 as a non-executive Director.
- **Jann Brown, non-executive Director and senior independent Director.** Jann Brown joined the group at the 2008 annual shareholders' meeting as (senior) non-executive independent Director of the Company.

## Operation of the Board of Directors

The Board of Directors is the ultimate decision-making body of the Company, with the exception of the matters reserved for the shareholders' meeting as provided by law or the Articles of Association. The responsibility of the Board of Directors includes amongst others: strategy, risk management policy, composition and responsibility of committees.

There is a division of responsibility between the Chairman, Tulsi R. Tanti, and the Chief Executive Officer, Ivan Brems. The Chairman is responsible for keeping the strategic direction of the Group under review and for ensuring that the Board of Directors functions effectively. His commitments other than to the Group are set out in the section "Commitments of the Chairman". The Chief Executive Officer is responsible for the operation and development of the Group's business.

The Board of Directors has delegated certain responsibilities to the Executive Committee, but by virtue of the Belgian Companies Code, the responsibilities of the Board of Directors in any event include (i) the general policy of the Company, (ii) the powers which are exclusively conferred on the Board of Directors by law or by the Articles of Association, and (iii) the supervision of the Executive Committee.

In addition, the Board of Directors has reserved competence on a number of matters including: approval of the Group's long-term objectives; approval of the business plan and annual operating and capital expenditure budgets and any material changes or deviations to them; approval of new debt agreements and the purchase and sale of land and buildings of the Group; extension of the Group's activities into new business or geographic areas either by internal expansion or by acquisitions, to the extent such extension is considered strategic; changes relating to the Group's capital structure, including share issues and capital increase, share buybacks including the use of treasury shares, subject to the Articles of Association and shareholder approval as appropriate; any changes to the Company's listing or its status as a public NV/

SA subject to the Articles of Association and shareholders' approval as appropriate; major changes to the Group's corporate structure and purpose, including creating a new legal entity or establishing a joint venture subject to the Articles of Association and shareholder approval, as appropriate; changes to the Group's management and control structure; approval of preliminary announcements of interim and final results; matters in respect of Board membership and appointments, subject to the powers of the general shareholders' meeting; determining the remuneration policy for the executive Directors, and other senior executives; the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval as appropriate; approval of the terms of reference of Board Committees and the Executive Committee (and any changes thereto), appointment of their members and supervision; and approval of policies required by law or which the Board of Directors deems appropriate, including the share dealing code.

Before each meeting of the Board of Directors, the Directors receive a file covering in detail the agenda of the upcoming meeting. All decisions of the Board of Directors are taken in accordance with quorum and majority requirements set forth in the Articles of Association.

## Frequency and attendance

During the financial year ended on 31 March 2009, the Board of Directors convened 9 times. In addition, on one occasion, the Board took a decision by unanimous written consent.

The attendance by individual Directors at meetings of the Board of Directors during the financial year ended on 31 March 2009 was as follows:

| **Director** | |
|---|---|
| Tulsi R. Tanti | 9 on (9) |
| Ivan Brems | 9 on (9) |
| Alex De Ryck | 9 on (9) |
| Torben Bjerre-Madsen[1] | 9 on (9) |
| Marc Desaedeleer | 9 on (9) |
| Dr. Winfried Walzer[2] | 9 on (9) |
| Jann Brown | 5 on (5) |

Figures in brackets denote the maximum number of meetings that could have been attended.

1 as permanent representative of Bjerres Bureau Aps.

2 as permanent representative of Dr.-Ing. Winfried Walzer GmbH.

No meetings were held without the Chairman.

## Commitments of the Chairman

Tulsi R. Tanti founded Suzlon Energy Limited in 1995 and has been acting as Chairman and Managing Director since then.

Tulsi R. Tanti currently holds the following Directorships or partnerships: BR Patel & Co.;[1] Colossus Holdings Pte. Limited; Optimus Investments Pte. Limited; Primoris Investments BV; Sagarkanya Shipping Lines Pte. Limited; Repower Systems AG; SE Drive Technik GmbH; SE Forge Limited; Senergy Global Limited (formerly known as Senergy Global Private Limited); SE Shipping Lines Pte Limited; SE Steel Limited; Sugati Holdings Private Limited; Suruchi Holdings Private Limited; Suzlon Energy A/S; Suzlon Energy GmbH; Suzlon Energy Limited; Suzlon Energy (Tianjin); Suzlon Generators Private Limited; Suzlon Green Power Limited; Suzlon Gujarat Wind Park Limited; Suzlon Electricals International Limited (formerly known as Suzlon Rotor International Limited); Suzlon Structures Private Limited; SE Composites Limited (formerly known as Suzlon Towers International Limited); Suzlon Wind Energy Limited; and Suzlon Wind International Limited.

There have been no changes to Mr Tanti's commitments during the financial year ended 31 March 2009.

1 Partner in the capacity as Karta of Hindu Undivided Family (HUF).

## Performance evaluation

At its meeting of 25 March 2009 the Board of Directors launched the process of evaluation of its own performance and that of its Committees and of the individual Directors, as required under the Combined Code. The Board of Directors concluded that the process should be conducted by means of questionnaires, to be filled out by each of the Directors, followed by one on one discussions. The questionnaires used in the process pertain to (1) the evaluation of the Board and Board Committees, (2) the evaluation of the non-executive Directors, (3) the evaluation of the executive Directors, and (4) the evaluation of the Chairman. The results of questionnaires (1) to (3) form the basis of one on one discussions of each Director with the Chairman. The results of questionnaire (4) form the basis for the one on one discussion of the Chairman with Jann Brown, as senior

non-executive independent Director. The results of the performance evaluation are then submitted to the Board of Directors, for purposes of the recognition of the strengths and the identification of the weaknesses of the Board and the determination of the required actions. The Board's statement on the independence in character and judgment of the non-executive Directors (other than the Chairman), as set forth here above, results from the discussion within the Board of Directors on the basis of an overview of the relevant criteria.

## Executive Committee

### Composition

In accordance with article 524bis of the Belgian Companies Code and the Company's articles of association, the Board of Directors has appointed an Executive Committee. The Executive Directors must be members of the Executive Committee. The members of the Executive Committee are appointed by the Board of Directors upon recommendation of the Nomination Committee.

The Executive Committee is chaired by Ivan Brems. As at 31 March 2009, its other members are ADR Consulting BVBA, (represented by its permanent representative Alex De Ryck), Peter Flamang, Georges Roobaert, Luc De Proost, Stefan Lammens, Torsten Schultz, Associatie D'Helft BVBA (represented by its permanent representative Koenraad D'Helft), B. Moerman BVBA (represented by its permanent representative Bernard Moerman) and Cliff Dawson Consulting BVBA (represented by its permanent representative Cliff Dawson).

During the financial year ended on 31 March 2009, the following changes took place in relation to the composition of the Executive Committee:

(i) at its meeting of 16 May 2008, the Board of Directors has formally appointed to the Executive Committee ADR Consulting BVBA as Chief Financial Officer (in replacement of Alex De Ryck) and B. Moerman BVBA as Chief Legal Officer and Company Secretary;
(ii) at its meeting of 22 July 2008, the Board of Directors has formally acknowledged the resignation of Peter van Peborgh from the Executive Committee with effect from 31 May 2008;
(iii) at its meeting of 25 October 2008, the Board of Directors has formally appointed to the Executive Committee of Cliff Dawson Consulting BVBA as Chief Operations Officer;
(iv) at its meeting of 25 October 2008, the Board of Directors recognized Peter Flamang and Georges Roobaert in their role as Special Counsel.

### Operation of the Executive Committee

The Executive Committee has responsibility for the operation of the Company and may exercise the authorities granted to it by the Board of Directors. Without prejudice to the day-to-day management powers conferred to the Chief Executive Officer, the Executive Committee has among others the following tasks: operating the Company on a daily basis; implementing the decisions and recommendations made by the Board of Directors; putting in place internal controls (without prejudice to the Boards' and the Audit Committee's monitoring roles); representing the Company vis-a-vis the Belgian State, the communities and the Regions, the provinces and municipalities, the enterprise offices, customs and tax administrations, the postal services and all other public services and authorities; negotiating, signing and accepting all price offers, supply and customer contracts, sale and purchase orders of all materials; presenting the Board of Directors with a balanced and understandable assessment of the Company's financial situation; providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties; registering the Company with all professional bodies and maintaining good working relationships with these professional bodies; representing the Company with employers' organizations and trade unions; and the exercise of other powers and duties delegated to the Executive Committee by the Board of Directors in specific cases. As to the responsibilities that are reserved for the Board of Directors, see the section above on "Operation of the Board of Directors".

## Chief Executive Officer

The Chief Executive Officer is appointed, and can be removed, by the Board of Directors on the basis of a recommendation from the Nomination Committee. Ivan Brems was appointed by the Board of Directors as Chief Executive Officer in 2006. The Chief Executive Officer is responsible for the proper functioning of the Executive Committee and leads and chairs the Executive Committee, save in his absence, in which case the Chief Financial Officer chairs the Executive Committee. The Board of Directors has delegated the day-to-day management of the Company to the Chief Executive Officer. The day-to-day management includes all matters which are related to the daily operation of the Company or which because of their limited importance or the need for swift action do not warrant the intervention of the Executive Committee or the Board of Directors.

## Internal Control and Risk Management

### Internal control

The Board of Directors acknowledges its responsibility for the system of internal control and for reviewing its effectiveness. The responsibility for reviewing in detail the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls) has been delegated to the Audit Committee.

The system of internal control plays a critical role in managing the risks towards the achievement of corporate vision and objectives, and it is also aiming at safeguarding shareholders' interests and the Group's assets. This system of internal control has been designed in accordance with the Turnbull Guidance, with a view to managing rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or loss.

The implementation plan to formalize the system for Internal Control has been defined and started in the course of the financial year ending 31 March 2009. In the first phase, this plan focuses on documenting the existing processes and controls, resulting in an overview and flowcharts of all critical processes and a risk control matrix. Key controls are highlighted and documented on their effectiveness. The processes of corporate headquarters and the manufacturing facility at Lommel have thus been reviewed and the implementation will be continued during the financial year ending 31 March 2010 for the manufacturing facilities at Edegem, Coimbatore (India) and Tianjin (China). Subsequent action plans aimed at improving controls are being worked out.

### Internal audit function

A Group Internal Auditor has been appointed by the Audit Committee in the third quarter of the financial year ending on 31 March 2009 to execute, co-ordinate and supervise the internal audit function of the Company. Working on a day-to-day basis under the supervision of the CFO, the Internal Auditor reports to the Audit Committee and has a Group-wide mandate. Internal audit operates a risk-based methodology to focus internal audit activities on high risk areas and the internal audit plan is presented annually to the Audit Committee. The internal audit plan is developed, in consultation with Company's Executive Committee, based on a review of the outcome of the previous year's internal audits, the significant risks identified in the risk management evaluation and the identified risk mitigation measures. The Internal Auditor attends risk management related meetings and certain of the meetings of the Executive Committee to maintain an understanding of the business activities and associated risks. The Audit Committee approves the internal audit work plan and receives updates on it on an ongoing basis. The Internal Auditor attends all meetings of the Audit Committee. The Internal Auditor coordinates his work with the External Auditor in order to ensure the consistency and mutual effectiveness of their actions.

### Risk management

The Board of Directors defines the objectives and strategies with regard to risk management. By delegation from the Board, the Audit Committee is in charge of reviewing the effectiveness of the Group's risk management systems.

The risk management policy is based on a philosophy of establishing an integrated, Group-wide and proactive approach reconciling risks and the risk control measures with the main corporate goals. To that effect, the Company has implemented a comprehensive and integrated Enterprise Risk Management ("ERM") approach into its organization since July 2005. With the appointment of a risk manager in the first quarter of the financial year, the Company underlined its commitment to ensure that ERM remains an integral part of planning and executing its business strategies.

The ERM process serves to systematically identify, evaluate and respond to those risks that could affect the achievement of the Company's objectives. The process includes quarterly review and assessment of the evolution of principal risks and uncertainties and of the risk mitigation measures.

During the financial year ending 31 March 2009, an ERM action plan has been launched for purposes of updating and improving the ERM-process. The plan included the re-establishing of the context of ERM, resulting in an updated ERM Policy. The next phase of the ERM action plan, started in February 2009, aims at increasing the knowledge of the risks and the ERM process throughout the organization.

**Board Committees**

The Board of Directors has established an Audit Committee, a Remuneration Committee and a Nomination Committee (the "Committees"), each having an advisory role to the Board of Directors. The membership of these Committees and a summary of their main duties under their terms of reference are set out below. The full terms of reference may be viewed on the Company's website: www.hansentransmissions.com. The Committees are provided with the resources required to undertake their duties and they are able to take independent advice at the expense of the Company. The Company Secretary acts as secretary to each of these Committees.

## AUDIT COMMITTEE

### Composition, responsibilities and operation

The Audit Committee comprises three independent non-executive Directors and is chaired by Torben Bjerre-Madsen (as permanent representative of Bjerres Bureau Aps.) and its other members are Jann Brown (appointed on 26 June 2008 in replacement of Marc Desaedeleer) and Dr. Winfried Walzer (as permanent representative of Dr.-Ing. Winfried Walzer GmbH).

The Audit Committee has the responsibility for, among other things, monitoring the integrity of the Group's financial statements and reviewing its summary financial statements. It oversees the Group's relationship with its external auditors (including advising on their appointment), reviews the effectiveness of the external audit process and considers the extent of the non-audit work undertaken by external auditors. The Committee must give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the Listing Rules. It also has responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management systems. The ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Board of Directors, however.

In principle, the Audit Committee meets at least four times per year.

### Report

The Audit Committee met on 16 May 2008, 16 October 2008, 25 October 2008 and 27 January 2009. The attendance of each of the Directors at the meetings held in the financial year ending 31 March 2009 while a Committee member was:

| Director | |
|---|---|
| Torben Bjerre-Madsen[1] | 4 on (4) |
| Dr. Winfried Walzer[2] | 4 on (4) |
| Jann Brown[3] | 3 on (3) |
| Marc Desaedeleer[4] | 1 on (1) |

Figures in brackets denote the maximum number of meetings that could have been attended.

1 as permanent representative of Bjerres Bureau Aps.

2 as permanent representative of Dr.-Ing. Winfried Walzer GmbH, who joined the Board on 3 October 2007.

3 Jann Brown was not a member at the time the first meeting was held.

4 Marc Desaedeleer was replaced by Jann Brown on 26 June 2008.

At its meetings of 16 May and 16 October 2008 and 27 January 2009, the Audit Committee reviewed the progress and results of the actions of the internal control, risk management and internal audit functions of the Group. Ernst & Young has been appointed to advise the Group in connection with the formalisation of the internal controls and risk management systems and has regularly reported on its findings in this respect.

On the basis of the Audit Committee's ongoing review (including (i) the reporting on internal controls by the Company's corporate internal controller, (ii) the confirmation by the Company's executive directors that the Company's systems of internal controls are effective; and (iii) the confirmation by the external auditor to the Audit Committee that no material weaknesses in design or operation of accounting and internal control systems had been identified), as well as additional review conducted at the meeting of the Audit Committee held on 5 May 2009, the Audit Committee concluded that the Group's systems of internal controls, internal audit and risk management were effective for the type and size of operations of the Group.

At its meetings of 16 October 2008 and 5 May 2009, the Audit Committee reviewed the nature and volume of non-audit services rendered by other firms of the Ernst & Young organisation, in addition to the exercise of the audit mandate and the issuing of statutory audit opinions under Belgian GAAP and opinions on the consolidated financial statements prepared in accordance with IFRS. The Audit Committee concluded that such non-audit services did not impair the independence and objectivity of the external auditor for the period.

On 25 October 2008, the Audit Committee reviewed in particular the half-yearly financial report for the period ended 30 September 2008. The financial statements for the full financial year 2009 and the related reports from the Board were reviewed and approved at the meetings of the Audit Committee on 5 and 13 May 2009. The external auditor participated in these meetings, reporting on its audit activities and other matters to be reported to those in charge of Corporate Governance, and delivering its opinions.
The Audit Committee also reviewed and approved the interim management statements published at the end of the first and third quarter of the financial year ended 31 March 2009.

## NOMINATION COMMITTEE

### Composition, responsibilities and operation

The Nomination Committee is chaired by Tulsi R. Tanti and its other members are Torben Bjerre-Madsen (as permanent representative of Bjerres Bureau Aps.) and Marc Desaedeleer.

The Committee has responsibility for making recommendations to the Board of Directors on the composition of the Board of Directors and its Committees, identifying potential candidates to be appointed as Directors and making recommendations to the Board of Directors on retirements and appointments of additional and replacement Directors (including succession planning) and ensuring compliance with the Combined Code.

In principle, the Nomination Committee meets at least twice per year.

### Report

The Nomination Committee met on 16 May 2008 in connection with the appointment of Jann Brown as senior non-executive independent Director, which was approved by the 2008 shareholders meeting. The attendance of each of the Directors at the meetings held in the financial year ending 31 March 2009 while a Committee member was:

| **Director** | |
|---|---|
| Tulsi R. Tanti | 1 on (1) |
| Torben Bjerre-Madsen[1] | 1 on (1) |
| Marc Desaedeleer | 1 on (1) |

Figures in brackets denote the maximum number of meetings that could have been attended.

1 as permanent representative of Bjerres Bureau Aps.

An additional meeting was held on 13 May 2009, in connection with the proposed re-appointment of Tulsi R. Tanti as Non-executive Director, Ivan Brems as Executive Director, and Marc Desaedeleer as Non-executive Independent Director, each for a new term of three years. The Nomination Committee confirmed, taking into account the results of the formal performance evaluation that had been conducted with respect to all members of the Board, that each of the abovementioned Directors continued to be effective and demonstrate commitment to the role.

Of the two candidates proposed by Suzlon Energy, the Nomination Committee recommended the re-appointment of Tulsi R. Tanti, Chairman of the Company. At the same meeting, the Nomination Committee also reviewed the proposal to nominate either John Deutch or Martin Nègre as Non-executive Director. This proposal followed from the decision of Suzlon Energy to permit Ecofin Limited to nominate a Nominee Director as envisaged in Article 16 of the Articles of Association of the Company. The Nomination Committee recommended the appointment of John Deutch, having regard to his experience, skills and expertise. Since this nomination was taking place in the framework of the procedures foreseen in the Articles of Association and in the Relationship Agreement between the Company and Suzlon Energy, the Nomination Committee conducted its review without involvement of consultants.

**Interior view of Hansen's wind turbine gearbox plant in Tianjin – China.** First gearbox delivered in March 2009.

## REMUNERATION COMMITTEE

### Composition, responsibilities and operation

The Remuneration Committee comprises three independent non-executive Directors. The Remuneration Committee is chaired by Marc Desaedeleer and its other members are Torben Bjerre-Madsen (as permanent representative of Bjerres Bureau Aps.) and Dr. Winfried Walzer (as permanent representative of Dr.-Ing. Winfried Walzer GmbH).

The Remuneration Committee has responsibility for making recommendations to the Board of Directors (i) on the Group's policy on executive remuneration of senior management, (ii) for the determination, within agreed terms of reference, of the remuneration of the Chairman and of specific remuneration packages for each of the executive Directors and the members of senior management, including pension rights and any compensation payments and (iii) for the implementation of employee share plans. The Remuneration Committee also ensures compliance with the Combined Code in this respect and monitors the remuneration of members of senior management.

In principle, the Remuneration Committee meets at least twice per year.

### Report

The Remuneration Committee met on 16, 19 and 21 May 2008, determining the senior executives to be considered in the review by the Remuneration Committee, establishing a framework for the compensation package for the senior executives, establishing a hiring committee for new appointments at senior management level, and approving the Directors' Remuneration Report that was included in the Annual Report for the financial year ending on 31 March 2008. The Committee met on 26 June 2008 and 22 July 2008, determining the compensation and executive bonus plan for the senior executives. The Committee met on 25 October 2008, deciding to launch a review of the senior management contracts and select consultants to advise on the executive remuneration policy.

The attendance of each of the Directors at the meetings held in the financial year ending 31 March 2009 while a Committee member was:

| Director | |
|---|---|
| Marc Desaedeleer | 6 on (6) |
| Torben Bjerre-Madsen(1) | 6 on (6) |
| Dr. Winfried Walzer(2) | 6 on (6) |

Figures in brackets denote the maximum number of meetings that could have been attended.
(1) as permanent representative of Bjerres Bureau Aps.
(2) as permanent representative of Dr.-Ing. Winfried Walzer GmbH, who joined the Board on 3 October 2007.

Reference is also made to the Directors' Remuneration Report, as approved by the Board of Directors on 13 May 2009, which is included in this Annual Report.

**Relations with Shareholders**

The Group utilizes its website, www.hansentransmissions.com, to communicate a wide range of information about the Group. As regards Suzlon Energy, the relations between the Group and this shareholder are governed by the Relationship Agreement (see the discussion of this agreement in the section "Information provided in accordance with article 34 of the Royal Decree of 14 November 2007"). Moreover, Tulsi R. Tanti has been designated as nominee Director for Suzlon on the Board of Directors of the Company.

In addition, the Group has a policy of maintaining an active dialogue with institutional shareholders through individual meetings with senior management and participation in conference calls. The views of shareholders expressed during these meetings and calls are reported to the Board of Directors so that an understanding of the views of major shareholders can be developed.

The Board of Directors recognizes that one of the main opportunities for non-institutional shareholders to question the Board of Directors is at the annual shareholders' meeting and for this reason it is expected that a substantial number of the Directors attend the meeting whenever possible.

**Directors' Responsibility Statement**

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities set out in the section "Auditor's Report", is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. Belgian company law requires the Directors to prepare Group and parent company financial statements for each financial year.

Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with Belgian GAAP.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and the performance of the Group. The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Belgian Companies Code. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

# Directors' Remuneration Report

The Directors' Remuneration Report (the "Report") sets out the remuneration policy of Hansen Transmissions International NV (the "Company") and its subsidiaries (jointly referred to as the "Group"). The Report also sets out for each Director the remuneration earned in the financial year ending on 31 March 2009, their interests in share options and other long-term incentive plans and their contractual relationship with the Company.

The Report, which has been approved and adopted by the Board of Directors, will be put to shareholders at the Annual Shareholders' Meeting of 25 June 2009 for approval. The Report sets out how the principles in Section 1.B of the Combined Code on Corporate Governance have been applied.

## Remuneration Committee

Reference is made to the "Corporate Governance Statement" included in this Annual Report, where there is a summary of the composition, key responsibilities, and activities of the Remuneration Committee (the "Committee"). The key responsibilities of the Committee are as per its Terms of Reference, which are available on the Company's website and conform to the Combined Code. There were six meetings of the Committee in the course of the financial year ending 31 March 2009. The Chairman of the Board of Directors attended a number of meetings on invitation of the Committee.

As and when the Committee deems appropriate, it takes external advice on executive compensation from a number of sources. The Committee thus called on Egon Zehnder International and on Hay Group, as set forth here below.

The Chief Executive Officer and the Chief Corporate Human Resources Officer have attended a number of meetings on invitation from the Committee, for purposes of consultation on the Committee's proposals. The Company Secretary also attended the meetings of the Committee, as secretary to the Committee. However, these executives are neither consulted nor involved in discussions in respect of their own remuneration.

## Remuneration Policy

### Non-executive Directors

The general shareholders' meeting determines the remuneration of the non-executive Directors in their capacity of Directors, which can be fixed or variable depending on their board attendance. The shareholders meeting may set the aggregate amount of the remuneration allocated to the non-executive Directors, leaving it to the Board of Directors to allocate this amount among the non-executive Directors. The fees are designed to attract experienced individuals and reflect the responsibilities of the role. A proposal in line with the above is put to the shareholders for approval regarding the period commencing on the date of the Annual Shareholders' Meeting and ending on the date of the next Annual Shareholders' Meeting.

### Executive Directors

The Company's remuneration policy is designed to provide a level of remuneration which attracts, retains and motivates Executive Directors of a suitable caliber to execute the Company's business strategy and maximize long term shareholders value. It is intended that, as far as possible, remuneration policies and practices will conform to best practice in the markets in which the Group operates and will be aligned with shareholders interests.

The Group's policy is to place a significant emphasis on the performance-related elements of the total remuneration for Executive Directors, in order to align their interests with those of shareholders.

The basic remuneration element reflects an executive's experience, commitment, responsibility and market value.

Executive Directors qualify for a target performance-based bonus to be awarded on an annual basis depending upon achieving mutually agreed objectives. The bonus can be up to 96 per cent of the basic remuneration of each Executive Director. The bonus opportunity and percentage targets are agreed on an annual basis and set by the Board of Directors at the latest by the end of the first quarter of the relevant financial year.

The policies relating to each of the components of total remuneration are subject to regular review in order to ensure that they remain competitive, stimulating and challenging. The package is geared towards driving exceptional effort through the variable elements of the total package. The ability to have an impact on shareholder value will influence the mix of the total reward package.

### Benchmarking methodology

In determining the appropriate structure and quantum of remuneration, the Committee reviews remuneration practices in comparable companies. The aim of the Committee is to ensure that remuneration packages are competitive and to avoid generating excessive reward for Executive Directors, whilst ensuring that the Group's total remuneration structures are capable of reaching levels warranted by performance.

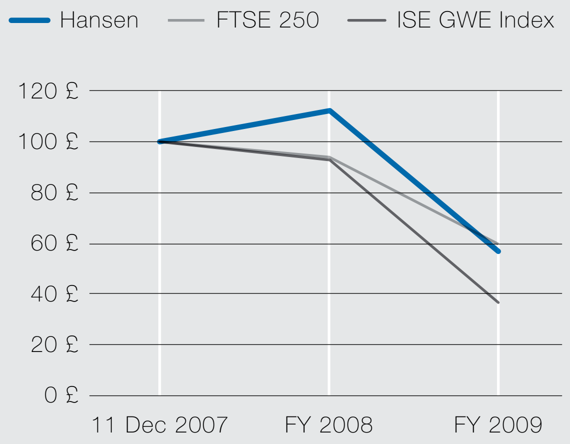
The Committee thus called on Egon Zehnder International to benchmark its Executive Committee compensation and to provide a recommendation for an aligned compensation structure for the Executive Committee. The Committee also obtained advice from Hay Group with respect to a job evaluation and classification of the members of the Executive Committee, in order to review the Company's executive compensation policy relying on an objective key for market benchmarking.

## Performance Graphs

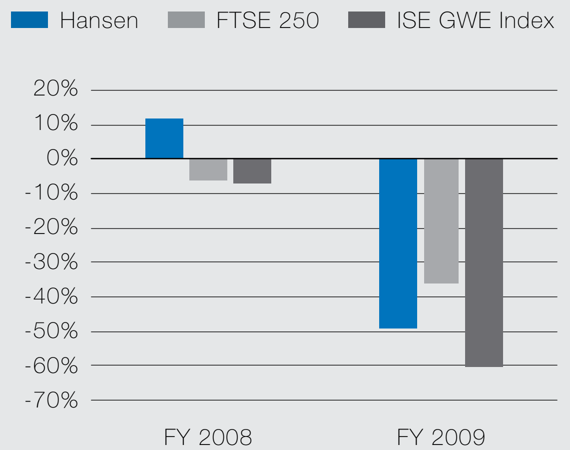
Both the FTSE 250 Index and the ISE Global Wind Energy Index were selected as appropriate comparator indices for the two performance graphs shown below. The FTSE 250 is one of the major indices for London Stock Exchange quoted companies. The ISE Global Wind Energy Index provides a benchmark for investors interested in tracking public companies active in the global wind energy industry. The number of companies in the index is 55 and the top 5 (May 2009) consisted of EDP Renovaveis, Vestas, Iberdrola Renovables, Hansen and Nordex.

The graphs compare the Company's Total Shareholder Return with that of the chosen indices for two periods. The first period runs from 11 December 2007 – the date of the first listing of the Hansen shares on the London Stock Exchange – to 31 March 2008, and is referred to below as FY 2008. The IPO price on 11 December 2007 was 175 GBX. The second period runs from 1 April 2008 to 31 March 2009, and is referred to below as FY 2009.

**Performance graph – comparison of cumulative total shareholder return on an investment of £100**
since 11 December 2007




**Performance graph – comparison of year on year change in the value of an investment**
since 11 December 2007



The market value of one Hansen share on 31 March 2009 was GBX 99. During the financial year 2009, the range of high and low market value of one Hansen share was GBX 325 to GBX 75.

## Elements of Executive Directors' Remuneration

### Make up of Executive Director's remuneration

The total remuneration package for Executive Directors comprises the following principal elements: the annual basic remuneration; the bonus fee; non-cash remuneration; and participation in long term incentives.

### The annual basic remuneration

The annual basic remuneration is subject to annual review by the Committee. The Committee has used the benchmarking studies referred to here above and considered cost of living indexation mechanisms to ensure that the levels of remuneration remain competitive and appropriate in the light of the Company's remuneration policy. The Committee is also responsible for ensuring that the positioning of the Company's remuneration is in line with performance and the market. It considers that the Company needs to offer fixed remuneration at the levels actually applied to attract and retain suitable Executive Directors.

### Bonuses

In addition to the annual basic remuneration, the Executive Directors are entitled to a performance linked bonus fee which provides the opportunity to earn an annual cash bonus determined by assessing corporate performance against a range of annually determined objectives. The Committee considers that eligibility bonuses enhance the focus of participants on business critical outcomes. Specific objectives have been agreed with each participant while the attainment levels are evaluated by the Committee, with a view to determining the amount of the bonus to be granted in any year, which are assigned a weighting.

The bonuses paid in relation to the financial year ending 31 March 2009 are based on the achievement of certain business milestones and common targets recommended by the Committee and approved by the Board of Directors. As a rule, a minimum performance level of 80% against the objectives is required for such bonuses to be payable.

For the Executive Directors, a performance level of 80% gives rise to a bonus potential of 10% of the annual basic remuneration. The maximum bonus payable is capped at 96% of the annual basic remuneration. For the performance during the financial year ending 31 March 2009, a bonus percentage of 35 % was determined by the Committee in May 2009.

### Pensions and non-cash remuneration

The Company operates a pension scheme open for participation by the Executive Directors. This plan is a defined contribution plan. The total cost for the pension plan and other non-cash remuneration is determined as a percentage of the annual on target remuneration (annual basic remuneration + target bonus).

Executive Directors and some senior executives are provided with a car service or company car.

The Company has a "Travel Policy" and "International Mobility Policy", which applies to the Executive Directors.

## Executive Directors' Remuneration Paid during the Financial Year ending 31 March 2009

Ivan Brems and Alex De Ryck do not receive Directors' fees. The remuneration received by Ivan Brems and ADR Consulting BVBA (represented by its permanent representative Alex De Ryck) for the exercise of the functions of, respectively, CEO and CFO, is paid in accordance with service contracts governed by Belgian law.

The service contract between ADR Consulting BVBA and the Company is for an indefinite period. In case of termination by the Company without valid reason, the contract provides for compensation due by the Company, amounting to the annual basic fee of one year. The service contract between Ivan Brems and the Company is for an indefinite period. This contract does not contain a specific clause on compensation due by the Company in case of termination without valid reason. In such case, provisions of general contract law may apply.

Table containing audited information

| Name | Position | Annual Basic Remuneration FY 2009 | Other Benefits FY 2009 | Bonus FY 2008 paid in FY 2009[3] | IPO related bonus FY 2008 paid in FY 2009[4] | Total Remuneration FY 2009 | Total Remuneration FY 2008 |
|---|---|---|---|---|---|---|---|
| Ivan Brems[1] | Chief Executive Officer | 318,827 € | 160,458 €[5] | 455,513 € | 390,000 € | 934,798 € (including IPO bonus 1,324,798 €) | 862,615 € |
| ADR Consulting BVBA[2] | Chief Financial Officer | 335,037 € | 26,307 €[6] | 295,648 € | 390,000 € | 656,992 € (including IPO bonus 1,046,992 €) | 413,109 € |

1 Ivan Brems joined the Group on 1 June 1984. He is self-employed, providing services under the terms of a service agreement with Hansen dated 21 November 2006.
2 Alex De Ryck joined the Group on 12 July 2004. As from 1 April 2009, the function of CFO has been exercised by ADR Consulting BVBA, represented by its permanent representative Alex De Ryck. ADR Consulting BVBA provides services under the terms of a service agreement with Hansen.
3 Target performance-based bonus in relation to the performance during the financial year ending 31 March 2008 (FY 2008).
4 The Executive Directors received payment of a bonus amount relating to the successful achievement of the IPO in December 2007 (FY2008).
5 Includes entitlement to a car service provided by the Company, pension, death, invalidity and hospitalization plan.
6 Includes company car and hospitalization insurance.

## Non-executive Directors' Remuneration for the Financial Year ending 31 March 2009

Each of the non-executive Directors has received a letter of appointment, the terms of which are governed by Belgian law. Remuneration is as set forth below:

Table containing audited information

| Name | Position | Fee on Annual Basis FY 2009 | Bonus FY 2009 | Other Benefits FY 2009 | Actual Remuneration FY 2009 | Actual Remuneration FY 2008[4] | Date of Joining Group |
|---|---|---|---|---|---|---|---|
| Bjerres Bureau Aps[1,2] | Non-executive Director | 100,000 € | Nil | Nil | 100,000 € | 75,000 € | 2006 |
| Marc Desaedeleer[1] | Non-executive Director | 50,000 € | Nil | Nil | 50,000 € | Nil | 2006 |
| Tulsi R. Tanti[1] | Non-executive Director | Nil | Nil | Nil | Nil | Nil | 2006 |
| Dr.-Ing. Winfried Walzer GmbH[1,3] | Non-executive Director | 120,000 € | Nil | Nil | 120,000 € | 73,750 € | 2007 |
| Jann Brown[1] | Non-executive Director | 60,000 € | Nil | Nil | 60,000 € | Nil | 2008 |

1 The non-executive Directors are appointed for no more than three years at the general shareholders' meeting, which is entitled to dismiss them at any time.
2 Torben Bjerre-Madsen is the permanent representative of Bjerres Bureau Aps.
3 Dr. Winfried Walzer is the permanent representative of Dr.-Ing. Winfried Walzer GmbH.
4 Amount effectively paid taking into account the commencement date of each appointment.

## Executive Share Option Schemes

### Hansen Warrants Plan 2007

On 27 November 2007, the Company approved a warrant plan under which warrants may be granted for free to those Executive Directors and members of Senior Management, the Extended Management and the level below the Extended Management selected by the Board of Directors upon recommendation of the Committee (the "Hansen Warrants Plan 2007"). The purpose of the Hansen Warrants Plan 2007 is to attract and retain higher management level employees and executive officers and provide a common focus for the value creation efforts to which they can participate.

To be eligible for a warrant, the Executive Director or manager must in principle, and unless otherwise determined by the Committee, be with the Company on the date of grant and must in principle have worked with the Company uninterruptedly for 6 months at the end of the financial year preceding the date of the grant.

The exercise of a warrant will give the right to subscribe to one share at a subscription price corresponding to the fair market value of the share at the date of the grant. The first grant of warrants was made in June 2008, as approved by the general shareholders' meeting of 27 November 2007 and the general shareholders' meeting of 26 June 2008. Subsequent grants will be decided each year in June, subject to shareholder approval.

Whether in a given year warrants are granted and the number of warrants granted will among other things depend on the achievement by the Company of the target percentage of its budgeted Profit After Tax (''PAT'') and individual performance. The percentage of the Company's shares in respect of which any warrants may be granted under the Hansen Warrants Plan 2007 is limited to a maximum of 0.5 per cent. per annum and cumulatively to a maximum of 2 per cent. in a block of five years.

The market value (as at the date of the grant) of the shares to be subscribed to following the exercise of the warrants which may be granted to any participant in respect of any year will not exceed 100 per cent. of his or her base salary at the time of grant. However, for the business years ending on 31 March 2009, 31 March 2010 and 31 March 2011, additional warrants may be granted up to an absolute maximum entitlement per participant of 75 per cent. of the participant's basic salary at the time of grant, depending on the contribution made or to be made in relation to the new facilities in India and China or other contributions to be determined by the Board of Directors.

The warrants will vest by annual increments of 25 per cent. starting on the grant date, unless a participant leaves the Group prior to the vesting date. The exercise period of the warrants starts on the first day of the fourth calendar year following the calendar year in which the grant is made and ends on the last day of a period of five years from the grant date.

### Grants made in 2008 under the Hansen Warrants Plan 2007

Having regard to the full year results for the financial year ending 31 March 2008, including year-to-year net profit growth of +29% to 31 million euro, representing 7.4% of revenues, as well as the fundamental objectives of the plan, an allocation budget of 1,500,000 warrants was decided by the Board of Directors upon recommendation of the Committee. This allocation budget was approved by resolution of the general shareholders meeting of 26 June 2008.

These warrants were on 26 June 2008 allocated among 18 participants (belonging to the Executive Committee and the extended senior management group) in accordance with the recommendation of the Committee. The grant was for free. A total of 1,315,000 warrants was accepted. In case all 1,315,000 warrants are effectively exercised 1,315,000 new shares will be issued. The exercise of all 1,315,000 warrants would thus result in a dilution of the share of the existing shares in the Company in the profits of the Company of (rounded-off) 0.20% (which is below the maximum of 0.50% per financial year as allowed under the Plan rules).

The total number of warrants granted to the Directors was 220,000, of which 120,000 warrants were granted to the CEO and 100,000 warrants were granted to the CFO. The exercise of a warrant will give the right to subscribe to one share of the Company at a subscription price of 295 GBX, which is the average closing price of the share over the 30 calendar days period preceding 26 June 2008. The shares acquired following the exercise of the warrants shall have the same rights as the other shares in the Company (amongst others these shares shall be freely transferable). The warrants are not pensionable.

The exercise period runs from 1 January 2012 to 26 June 2013. During this exercise period and as a rule, warrants can be exercised during exercise windows defined in the plan rules. The share price at the end of the financial year 2009 was 99 GBX. The highest and lowest prices in the financial year 2009 were 325 and 75 GBX.

The non-executive Directors receive no warrants.

### Grants to be made in 2009 under the Hansen Warrants Plan 2007

Considering the full year results for the financial year ending 31 March 2009, including the realization of net profit of 45 million euro compared to 31.3 million euro last year (+44%), and in line with the fundamental objectives of the plan, a new grant of warrants will be made in June 2009, subject to shareholder approval. Upon recommendation of the Committee, the Board of Directors approved an allocation budget corresponding to 0.25% (which is below the maximum of 0.50% per financial year as allowed under the Hansen Warrants Plan 2007 rules). In accordance with the plan rules, the warrants will be allocated to participants belonging to the Executive Committee and the extended senior management group. The exercise of a warrant will give the right to subscribe to one share of the Company at a subscription price corresponding to the average closing price of the share over the 30 calendar days period preceding the actual grant date. The exercise period will run from 1 January 2013 to the fifth anniversary date of the grant date.

## Other Long-term Incentive Schemes

Other than the Hansen Warrants Plan 2007, there are no long-term incentive schemes in place.

## Employees' Share Schemes

The shareholders' meeting of 26 June 2008 approved the adoption of an employee warrants plan under which warrants were granted for free to all qualifying employees of the Group other than the participants under the Hansen Warrants Plan 2007. The purpose of the Employee Warrants Grant 2008 was to recognize the Group's employees in their efforts to participate in the realization of a greener tomorrow.

Warrants were granted under this plan on a single grant date, 26 June 2008. No further grants will be made under the Employee Warrants Grant 2008. The exercise of a warrant will give the right to subscribe to one share of the Company at a subscription price of 295 GBX, i.e. the average closing price of the share over the 30 calendar days period preceding 26 June 2008.

Each eligible employee was entitled to 1,200 warrants. The maximum number of warrants to be thus granted under the Employee Warrants Grant 2008 was 2,160,000 (corresponding to a maximum dilution of up to 0.32 per cent).

Warrants which have been accepted will vest on 26 June 2011, provided the employee is still with a relevant company of the Group on the vesting date. In case of permanent disability or death of an employee, the employee or his/her estate can exercise the unvested warrants only within 3 months from the first day of the fourth calendar year following the calendar year in which the grant is made.

The exercise period of the warrants starts on 1 January 2012 and ends on 26 June 2013. During this exercise period and as a rule, warrants can be exercised during exercise windows defined in the Employee Warrants Grant 2008. Upon expiration of the exercise period, the right to exercise the warrants will lapse. In case of departure of an employee from the relevant company of the Group after the warrants have vested but before he/she has exercised the warrants, the employee can exercise the vested warrants only during the next exercise window after such departure.

The warrants are not pensionable.

Upon recommendation of the Committee, the Board of Directors decided to extend the exercise period of the warrants with 5 years. If approved by the shareholders' meeting of 25 June 2009, this extension - which is restricted to the warrants issued under the Employee Warrants Grant 2008 - will be implemented subject to the limits and in accordance with the provisions of the Belgian law which was adopted in March 2009 in the framework of the economic relief plan of the Belgian Government.

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# **Annual** Financial Report

## General Information

### HANSEN TRANSMISSIONS INTERNATIONAL NV

**Annual Financial Report**

Consolidated Financial Statements

For the year ended 31 March 2009

### General information

| Directors | start date | end date |
|---|---|---|
| Tulsi R. Tanti. | 10/05/2006 | 25/06/2009 |
| Ivan Brems | 14/09/2006 | 25/06/2009 |
| Alex De Ryck | 08/09/2004 | 24/06/2010 |
| Torben Bjerre-Madsen | 10/05/2006 | 03/10/2007 |
| Bjerres Bureau Aps[1] | 03/10/2007 | 24/06/2010 |
| Marc Desaedeleer | 10/05/2006 | 25/06/2009 |
| Dr.-Ing. Winfried Walzer GmbH[2] | 03/10/2007 | 24/06/2010 |
| Janice Margaret Brown | 26/06/2008 | 23/06/2011 |

1 Represented by Torben Bjerre-Madsen
2 Represented by Dr. Winfried Walzer

### Company Secretary

Bernard Moerman

Registered Office

Leonardo da Vincilaan 1

B-2650 Edegem

Belgium

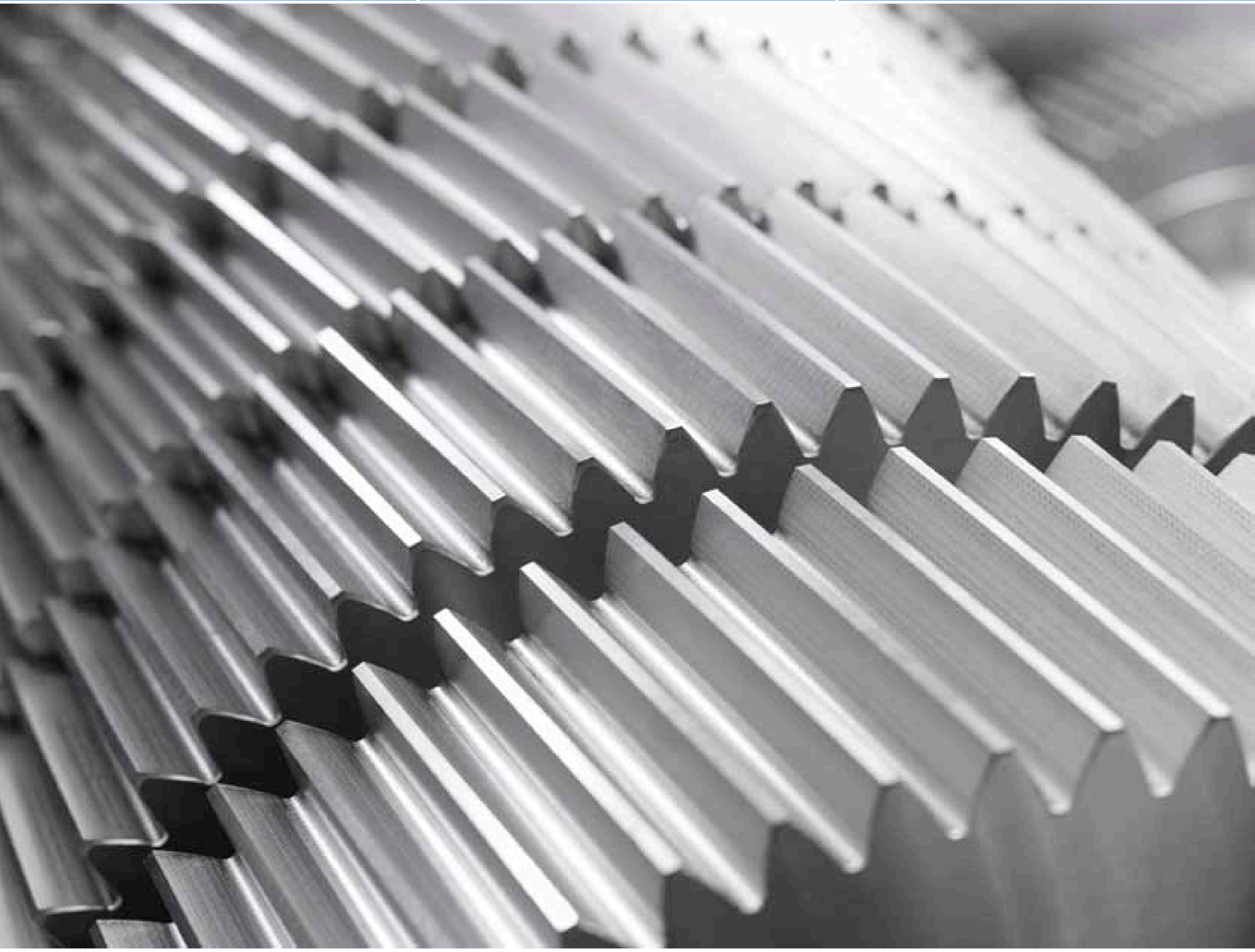
# Consolidated Income Statement

| | Notes | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|---|
| | | (€000) | (€000) |
| Sale of goods | | 609,175 | 421,482 |
| **Revenue** | | **609,175** | **421,482** |
| Cost of sales | 3.4, 3.5 | (465,275) | (318,600) |
| **Gross profit** | | **143,900** | **102,882** |
| Other operating income | 3.1 | 8,377 | 2,973 |
| Sales and distribution costs | 3.4 | (37,994) | (32,868) |
| Administrative expenses | 3.4 | (37,094) | (20,697) |
| Research and development | 3.7 | (13,320) | (9,983) |
| **Operating profit** | | **63,869** | **42,307** |
| Finance revenue | 3.3 | 10,368 | 6,813 |
| Finance costs | 3.2 | (12,102) | (14,605) |
| **Profit before tax** | | **62,135** | **34,515** |
| Income tax expense | 4 | (17,095) | (3,218) |
| **Profit from continuing operations**[1] | | **45,040** | **31,297** |
| **PROFIT FOR THE YEAR** | | **45,040** | **31,297** |
| Earnings per share – adjusted for share split | 5 | | |
| Basic, for profit for the year attributable to ordinary equity holders of the parent | | 0.067 | 0.058 |
| Diluted, for profit for the year attributable to ordinary equity holders of the parent | | 0.067 | 0.058 |
| Total shares (in thousands) – weighted average | | 670,104 | 543,500 |
| Diluted Shares (in thousands) – weighted average | | 670,104 | 543,500 |

1 Since there is no discontinued operation, profit for the year is equal to profit for the year from continuing operations.

## Consolidated Balance Sheet

| | Notes | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|---|
| | | (€000) | (€000) |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment (net) | 6 | 529,131 | 343,147 |
| Goodwill and Intangible assets (net) | 7 | 11,269 | 8,963 |
| Trade receivables | | - | 331 |
| Deferred tax assets | 4 | 1,562 | 1,354 |
| | | **541,962** | **353,795** |
| **Current assets** | | | |
| Inventories (net) | 9 | 209,001 | 136,176 |
| Trade receivables (net) | 10 | 182,016 | 88,452 |
| Other receivables | 10 | 21,544 | 22,142 |
| Cash and short-term deposits | 11 | 126,396 | 325,512 |
| Deferred charges | | 12,545 | 12,318 |
| | | **551,502** | **584,600** |
| **TOTAL ASSETS** | | **1,093,464** | **938,395** |
| EQUITY AND LIABILITIES | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 13 | 17,966 | 17,966 |
| Share premium | 13 | 419,563 | 419,563 |
| Retained earnings | 13 | 162,792 | 117,752 |
| Income and expense recognized directly in equity | 13 | (16,498) | (8,163) |
| **Total equity** | | **583,823** | **547,118** |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 14 | 246,984 | 192,777 |
| Derivative financial instruments | 23 | 4,730 | - |
| Provisions | 15 | 1,171 | 1,005 |
| Employee benefit liability | 17 | 2,570 | 2,158 |
| Deferred income (grant) | 18 | 6,298 | 5,466 |
| Deferred tax liability | 4 | 41,481 | 27,725 |
| | | **303,234** | **229,131** |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 160,762 | 122,445 |
| Advanced payments | | 2,115 | 4,110 |
| Interest-bearing loans and borrowings | 14 | 3,518 | 4 |
| Derivative financial instruments | 23 | - | 544 |
| Taxes payable | | 1,066 | 1,192 |
| Wages and salaries payable | | 23,924 | 20,915 |
| Provisions | 15 | 4,570 | 4,674 |
| Other current liabilities | | 3,454 | 2,385 |
| Accrued charges | | 6,272 | 2,584 |
| Deferred income (grant) | 18 | 726 | 3,293 |
| | | **206,407** | **162,146** |
| **Total liabilities** | | **509,641** | **391,277** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,093,464** | **938,395** |



## Consolidated Statement of Recognized Gains and Losses

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Profit for the period | 45,040 | 31,297 |
| Foreign currency translation (gains/(losses)) | (5,242) | (6,936) |
| Cash-flow hedges (net of tax) | (3,272) | - |
| Shares to issue | 529 | - |
| Actuarial gains recognized directly in equity | (350) | 660 |
| **Net results recognized directly in equity** | **(8,335)** | **(6,276)** |
| **Total recognized gains and losses** | **36,705** | **25,021** |

## Consolidated Cash Flow Statement

| | Notes | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|---|
| **Operating activities** | | (€000) | (€000) |
| Profit before tax from continuing operations | | 62,135 | 34,515 |
| Adjustments to reconcile profit before tax to net cash flows | | | |
| **Non cash** | | | |
| Depreciation and impairment of property, plant and equipment | 6 | 28,309 | 17,392 |
| Amortization and impairment of intangible assets | 7 | 1,529 | 1,413 |
| (Gain)/Loss on disposal of property, plant and equipment | 3.1 | (50) | (169) |
| Finance revenue | 3.3 | (10,368) | (6,813) |
| Finance costs | 3.2 | 12,102 | 14,605 |
| Movements in provisions, pensions and government grants | | (1,261) | (2,775) |
| Employee benefit expense | 16 | 529 | - |
| Receipt of government grants, not included in movement government grants | | (5,603) | - |
| **Working capital adjustments** | | | |
| (Increase)/decrease in trade receivables | | (93,233) | (16,450) |
| (Increase)/decrease in other receivables | | 598 | 44,042 |
| (Increase)/decrease in deferred charges | | (227) | (11,094) |
| (Increase)/decrease in inventories | | (72,825) | (67,755) |
| Increase/(decrease) in trade and other payables | | 38,317 | 44,009 |
| Increase/(decrease) in advanced payments, taxes, wages and salaries payable, other current liabilities and accrued charges | | 5,645 | 3,616 |
| Current tax | | - | - |
| Income tax paid | | (1,929) | (780) |
| **Net cash flows from operating activities** | | **(36,332)** | **53,756** |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 135 | 183 |
| Purchase of property, plant and equipment | | (221,588) | (169,454) |
| Purchase of intangible assets | | (3,920) | (1,555) |
| Interest received | 3.3 | 9,597 | 6,813 |
| Receipt of government grants | 18 | 6,271 | 2,719 |
| Acquisition of subsidiary, net of cash acquired | | - | (1,452) |
| **Net cash flows used in investing activities** | | **(209,505)** | **(162,746)** |
| **Financing activities** | | | |
| Interest paid | 3.2 | (10,677) | (14,787) |
| Proceeds from the issue of share capital | 12, 13 | - | 440,000 |
| Transaction costs of issue of share capital | 12, 13 | - | (19,937) |
| Repayment of share capital | 12, 13 | - | (60,000) |
| Repayment of borrowings | | - | (7,000) |
| Proceeds from borrowings | | 57,350 | 59,000 |
| **Net cash flows from financing activities** | | **46,673** | **397,276** |
| Net increase in cash and cash equivalents | | (199,164) | 288,286 |
| Net foreign exchange difference | | 48 | (1,566) |
| Cash and cash equivalents at 1 April | | 325,512 | 38,792 |
| **Cash and cash equivalents at 31 March** | **11** | **126,396** | **325,512** |

# **Notes** to the Consolidated Financial Statements

## 1 Corporate information

The consolidated financial statements of Hansen Transmissions International NV (the "Company") for the year ended 31 March 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 13 May 2009. Hansen Transmissions International NV is a limited company incorporated and domiciled in Belgium whose shares are partly publicly traded and partly held by Suzlon Energy Limited.

The principal activities of the Group consist of designing and manufacturing gearboxes and drive trains. The Company is a leading global manufacturer and supplier of these gearboxes and drive trains, as a result of its research and development capabilities and market-leading production facilities and is currently one of the largest manufacturers of wind turbine gearboxes for the wind energy market. The Company has built up a leading position in the industrial gearbox markets. The Company has in recent periods focused on the fast-growing wind energy generation sector and the production of gearboxes for wind turbine generators, where it has built up a customer base of wind turbine OEMs around the world.

In December 2007, the Company became publicly quoted on the main market of the London Stock Exchange.

The Company has production facilities in Edegem and Lommel, Belgium, and assembly and/or sales offices in the subsidiaries around the world. Since 2004, the Company has invested significantly in the growth and profitability of its business. In particular, greater focus had been placed on international expansion and the growing wind energy markets. The Company is in the process of increasing its production capacity through the building of new production plants in India and China.

## 2 Basis of preparation, accounting policies and consolidation group

### 2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of euro and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

#### Statement of compliance

The consolidated financial statements of Hansen Transmissions International NV and all its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### Basis for consolidation

The consolidated financial statements comprise the financial statements of Hansen Transmissions International NV and its subsidiaries as at 31 March of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

### 2.2. Changes in accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Change in accounting policies – cash-flow hedge accounting

The accounting treatment of the hedging instruments has been changed. Specifically, the hedging instruments were in previous periods not designated as a hedge and no cash flow hedge accounting was applied, and these instruments were recognized at fair value with the fair value variation through profit and loss. As from 1 October 2008 onwards, the hedging instruments have been designated as a hedge and cash-flow hedge accounting has been applied, with fair value variation of the effective part through equity. The change in accounting policy has been applied to provide the reader of these financial statements with more relevant information on the Group's financial position.

The change is accounting policy has been applied prospectively as from October 1st, 2008. We refer to note 23 of these financial statements for more information on financial instruments.

#### b) The Company has early adopted the following standard which becomes effective in 2009

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group applied IAS 23 (Amendment) prospectively for the qualifying assets as from the current period. The amount of interest capitalized during the twelve months ended as per 31 March 2009 amounts to k€ 2,321.

#### c) Interpretations effective in 2008 without impact on or not relevant to the financial statements of the Group

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008) - the interpretation is not relevant for the company's financial statements.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', (effective from 1 January 2008) provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

## 2.3. Significant accounting judgements, estimates and assumptions

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

*Employee benefits (early retirement)*

The Company has an early retirement plan for its employees in accordance with Belgian governmental legislation and has entered into a collective bargaining agreement. Hansen management determined that the early retirement plan is not a right granted to its employees. Consequently, the early retirement obligation is recorded as a termination benefit and not a post-employment benefit.

*Goodwill (entities under common control)*

The Company purchased certain sales offices in June 2004 and, in the absence of specific guidance in IFRS for the accounting of transactions involving entities under common control, management made the following judgements in developing and applying an accounting policy that is relevant and reliable:
- the assets and liabilities of the acquired entities are reflected in the consolidated accounts of the Company at their carrying amounts, meaning that no adjustments were made to reflect their fair values, or to recognize any new assets or liabilities, as would otherwise be done under the purchase method; and
- the difference between the consideration paid and the net assets acquired is carried in the balance sheet as part of goodwill.

*Share based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 16.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2009 was k€6,057 (2008: k€6,057). Further details are given in Note 7.

### Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred taxes on recognized tax losses is k€1,562 at 31 March 2009 and k€1,354 at 31 March 2008 for foreign subsidiaries. Further details are contained in Note 4.

### Pension – defined benefit plans

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to uncertainty. The net employee liability at year end 31 March 2009 is k€2,570 (2008: k€2,158). Further details are given in Note 17.

## 2.4. Summary of significant accounting policies

### Foreign currency translation

The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currency of the foreign operations is the local currency where the subsidiary operates. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Hansen Transmissions International NV (euro) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

### Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful life of the assets.

When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are recognized as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 "Segment Reporting".

Where goodwill forms part of a cash-generating unit (group of cash-generating units), and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

### Research and development costs

Research costs are recognized as an expense when incurred. The Company did not enter into any development project meeting the recognition criteria as a separate asset in accordance with IAS 38 “Intangible Assets”.

### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

*Goodwill*

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 March in each year.

*Intangible assets*

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

*Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially measured at fair value. After initial measurement receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the receivables are derecognized or impaired, as well as through the amortization process.

At each balance sheet date, the Company assesses whether receivables are impaired. If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

## Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

| | |
|---|---|
| • Raw materials | - purchase cost on a first in, first out basis |
| • Components | - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs |
| • Finished goods and work in progress | - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs |

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and at hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

### Derecognition of financial assets and liabilities

*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

### Provisions

*General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Warranty provisions*

The Company sets a warranty provision up for the warranty commitment for gear units delivered based on detailed and technical analysis on a product level. The assessment includes both an analysis of individual cases of reported malfunctions as well as management estimates of expected malfunctions and repair requirements in certain product lines where defects were reported.

### Pensions

The Group operates three defined benefit pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. All actuarial gains and losses are recognized directly in equity.

The past-service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past-service cost is recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past-service cost not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past-service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The Company also has several contributions plans for employees of the foreign subsidiaries (the United States of America, Australia and the United Kingdom). Certain employees and individuals in Belgium are also entitled to benefits under defined contribution plans. The cost of these pension contribution plans is recognized immediately when incurred.

## Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date or whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or of the extension period for scenario (b).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Operating lease payments are recognized as an expense in the income statement when incurred. There are no financial leases where the Company is the lessee.

## Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

*Sale of goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

*Interest income*

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

## Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

### Taxes

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

*Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*Sales tax*

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### Derivative financial instruments and hedging

The Group uses or may use derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. The Company does not hold any derivative financial instruments for trading purposes or engage in speculative transactions.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 23. Movements on the hedging reserve in shareholders' equity are shown in note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

*(a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group may apply fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognized in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

*(b) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other gains/ (losses) – net'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

*(c) Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other gains/(losses) – net'.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

*(d) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss*

Certain derivative instruments may not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognized immediately in the income statement within 'other gains/(losses) – net'.

### Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalized or expensed as appropriate.

*Equity-settled transactions*

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 16.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 5).

### 2.5. Future changes in accounting policies

The Group did not early apply the following IFRS Standards and Interpretations which were issued at the date of authorization of these financial statements but not yet effective for the accounting year ended 31 March 2009. The Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group in the period of initial application:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 April 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2010. It is not expected to have an impact on the Group's financial statements.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1(Amendment) from 1 April 2009. It is not expected to have any impact on the Group's financial statements.

- IAS 39 (Amendment), Financial instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009) addresses the designation of a one sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Group will apply the amendment from 1 January 2010. It is not expected to have any impact on the Group financial statements.

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply IFRS 1 (Amendment) from 1 April 2009. The amendment will not have any impact on the Group's financial statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 April 2009. It is not expected to have a material impact on the Group's financial statements.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

- Improvements to IFRS's (effective from 1 January 2009) was issued by the IASB in May 2008 and covers minor amendments to IFRS's that the Board considers to be non-urgent but necessary. The amendments will not have any impact on the Group operations.

- IFRS 8, 'Operating segments' replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 April 2009. It is not expected to have a material impact on the Group's financial statements.

The following interpretations and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Group's operations as there are no loans received from the government.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

- IFRIC 17, Distribution of non-cash assets to owners (effective from 1 July 2009). The Interpretation clarifies that: a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group will apply IFRIC 17 from 1 April 2010. It is not expected to have any impact on the Group financial statements.

- IFRIC 18 clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The Group will apply IFRIC 17 from 1 April 2010. It is not expected to have any impact on the Group financial statements.

# 3 Other revenues and expenses

## 3.1. Other operating income

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Government grants (note 18) | 8,006 | 2,304 |
| Payroll refunds | 111 | 70 |
| Rebates | 87 | 371 |
| Net gains on disposal of property, plant and equipment | 50 | 169 |
| Other | 123 | 59 |
| **Other operating income** | **8,377** | **2,973** |

## 3.2. Finance costs

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Interest on bank loans and overdrafts | 11,053 | 12,603 |
| Foreign exchange differences | 1,049 | 1,170 |
| Interest on late payments | - | 278 |
| Change in fair value derivatives | - | 550 |
| Other | - | 4 |
| **Total finance costs** | **12,102** | **14,605** |

## 3.3. Finance revenue

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Interest | 9,597 | 6,813 |
| Change in fair value derivatives | 771 | - |
| Other | - | - |
| **Total finance revenue** | **10,368** | **6,813** |

For further information on financial instruments we refer to Note 23.

### 3.4. Depreciation, amortization, foreign exchange differences and costs of inventories included in the consolidated income statement

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| *Included in cost of sales:* | | |
| Depreciation and amortization | 22,703 | 14,253 |
| Warranty provision (Note 15) | 236 | 64 |
| Minimum lease payments recognized as an operating lease expense | 498 | 401 |
| Costs of inventories recognized as an expense | 441,838 | 303,882 |
| *Included in selling and distribution costs:* | | |
| Depreciation and amortization | 4,417 | 2,479 |
| Minimum lease payments recognized as an operating lease expense | 1,309 | 1,036 |
| *Included in administrative expenses:* | | |
| Depreciation and amortization | 2,718 | 2,073 |
| Minimum lease payments recognized as an operating lease expense | 665 | 386 |

### 3.5. Sale of goods and cost of goods sold

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| **Sale of goods** | **609,175** | **421,482** |
| **Cost of sales:** | | |
| Materials | 322,980 | 223,265 |
| Direct labour | 34,776 | 25,545 |
| Variable works overheads | 49,634 | 35,165 |
| Change in overheads in inventory | (7,233) | (8,122) |
| Fixed works overheads | 65,119 | 42,747 |
| | **465,275** | **318,600** |
| **Gross profit** | **143,900** | **102,882** |

### 3.6. Employee benefits expense

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Wages and salaries | 89,733 | 71,268 |
| Social security costs | 23,262 | 19,002 |
| Pension and Post-employment benefits | 2,958 | 2,299 |
| Other | 1,090 | 971 |
| | **117,043** | **93,540** |

### 3.7. Research and development

Research and development costs consist of k€13,320 (2008: k€9,983) charged directly to the income statement.

## 4 Income tax

The major components of income tax expense for the years ended 31 March 2009 and 2008 are:

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| **Consolidated income statement** | | |
| *Current income tax:* | | |
| Current income tax charge | 1,311 | 943 |
| Adjustments in respect of current income tax of previous year | (111) | (163) |
| *Deferred income tax:* | | |
| Relating to origination and reversal of temporary differences | 15,895 | 2,438 |
| **Income tax expense reported in the income statement** | **17,095** | **3,218** |
| | | |
| **Consolidated statement of recognized gains and losses** | | |
| Deferred income tax impact on actuarial gains and losses on defined benefit pension plans | 304 | 123 |
| **Income tax expense reported in equity** | **304** | **123** |

A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended 31 March 2009 and 2008 is as follows:

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Accounting profit / (loss) before tax | 62,135 | 34,515 |
| **Accounting profit before income tax** | **62,135** | **34,515** |
| | | |
| At aggregate weighted nominal tax rate of 34% (2008: 35%) | 21,413 | 12,054 |
| Adjustments in respect to current income tax of previous years | (111) | (163) |
| Government grants exempt from tax | (493) | (550) |
| Tax disallowed expenses | 1,070 | 695 |
| Notional interest deduction[1] | (4,784) | (2,109) |
| Initial Public Offering expenses[2] | - | (6,709) |
| **At the effective income tax rate of 27.5% (2008: 9%)** | **17,095** | **3,218** |
| | | |
| Income tax expense reported in the consolidated income statement | 17,095 | 3,218 |
| | **17,095** | **3,218** |

1 Notional interest deduction: Since 2006, Belgian companies can deduct from their taxable income an amount that corresponds to a deemed interest calculated on the basis of their shareholders equity.

2 For tax purposes, the expenses related to the Initial Public Offering have been expensed during the financial year 31 March 2008 whereas for IFRS these expenses have been deducted from the capital increase as shown in the equity reconciliation (see also Note 12) .

The Company has accounted for existing tax liabilities and known tax exposures in accordance with IFRS. While it has used its best estimates and current knowledge of the taxable events and transactions in all jurisdictions in which it operates, it cannot be guaranteed that any of the tax administrations in which it operates would not attempt to adjust the corporate tax declared.

## Deferred income tax

| | Consolidated balance sheet | | Consolidated income statement | |
|---|---|---|---|---|
| | As at 31 March 2009 | As at 31 March 2008 | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
| | (€000) | (€000) | (€000) | (€000) |
| **Deferred tax liability**[2] | | | | |
| Accelerated depreciation for tax purposes | (44,403) | (34,385) | 10,294 | 8,292 |
| Effective interest rate amortization borrowings | (628) | (756) | (128) | (107) |
| Difference inventory tooling | (1,806) | (1,211) | 595 | 267 |
| Untaxed reserves | (7) | (7) | - | 3 |
| Derivative financial instruments | - | - | - | 2 |
| | **(46,844)** | **(36,359)** | | |
| **Deferred income tax assets**[2] | | | | |
| Government grants | 1,149 | 1,195 | 46 | (91) |
| Actuarial gains and losses on defined benefit plans[1] | 304 | 123 | - | - |
| Inventory valuation | 1,844 | 297 | (1,547) | 7 |
| Tax losses – Belgium | 411 | 6,112 | 5,701 | (6,112) |
| Tax losses – subsidiaries | 1,562 | 1,354 | (1) | 401 |
| Derivative financial instruments (hedge) | 1,608 | 187 | 262 | (187) |
| Effective interest rate amortization borrowings | - | 300 | 300 | 287 |
| Formation expenses recognized directly in equity | 28 | 52 | 24 | 24 |
| Taxed reserves | 19 | 31 | 12 | (11) |
| Revenue recognition | - | 337 | 337 | (337) |
| | **6,925** | **9,988** | | |
| **Deferred income tax (income)/expense** | | | **15,895** | **2,438** |
| **Deferred tax liabilities net** | **(39,919)** | **(26,371)** | | |
| **Reflected in the balance sheet as follows** | | | | |
| Deferred tax assets | 1,562 | 1,354 | | |
| Deferred tax liabilities | (41,481) | (27,725) | | |
| **Deferred tax liabilities (net)** | **(39,919)** | **(26,371)** | | |

1 Changes in the defined benefit plan obligation have been recognized directly in the statement of recognized income and expenses for k€304 and k€123 as per 31 March 2009 and 31 March 2008 respectively.

2 Before impact of netting the deferred tax assets and liabilities per taxable entity.

The Group has tax losses mainly related to Hansen Transmissions Inc. which arose in the period between 1 April 2003 and 31 March 2006 and which are available for offset against future taxable profits and which can be carried forward for a period of 20 years as from the period of incurring the tax losses. Deferred tax assets have been recognized in respect of these losses for foreign subsidiaries amounting to k€1,562 for March 2009 and k€1,354 for March 2008.

Also for Hansen Transmissions International NV, deferred tax assets were recognized for tax losses incurred in the period between 1 April 2007 and 31 March 2008. As per 31 March 2008 tax losses of k€17,990 were incurred, during the financial year 2009 k€ 16,781 was offset against taxable profits. As at 31 March 2009 k€ 1,209 remains available for offsetting against future profits. Deferred tax assets have been recognized in respect of these losses for Hansen Transmissions International NV amounting to k€411 (2008: k€6,112).

At 31 March 2009, there was no recognized deferred tax liability (2008: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group had determined that undistributed profits of its subsidiaries would not be distributed in the foreseeable future.

## 5 Earnings per share

As the Company has no discontinued operations, profit for the year from continuing operations corresponds to the profit for the year.

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the earnings per share computations:

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Net profit attributable to ordinary equity holders of the parent | 45,040 | 31,297 |
| **Net profit attributable to ordinary equity holders of the parent Adjusted for the effect of convertible preference shares** | **45,040** | **31,297** |
| | in thousands | in thousands |
| Weighted average number of ordinary shares for basic earnings per share | 670,104 | 543,500 |
| **Weighted average number of ordinary shares adjusted for effect of dilution** | **670,104** | **543,500** |

In accordance with IAS 33 §47 the issued warrants have not been taken into account for the calculation of the total number of diluted shares since the average market price of the shares during the period did not exceed the exercise price of the warrants. There is also no effect of discontinued operations.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## 6 Property, plant and equipment (net)

| | Freehold land and buildings | Plant & machinery, vehicles and equipment | Office & computer equipment and others | Construction in progress | Totals |
|---|---|---|---|---|---|
| | (€000) | (€000) | (€000) | (€000) | (€000) |
| **Cost:** | | | | | |
| **At 1 April 2008** | **92,667** | **253,800** | **32,916** | **54,629** | **434,011** |
| Additions | 52,023 | 65,894 | 3,668 | 100,003 | 221,588 |
| Transfer from one category to another | 59,735 | - | 14,162 | (73,897) | - |
| Disposals | - | (136) | (62) | - | (198) |
| Exchange adjustment | (1,183) | (940) | 24 | (5,306) | (7,405) |
| **At 31 March 2009** | **203,242** | **318,618** | **50,708** | **75,429** | **647,996** |
| **Depreciation and impairment:** | | | | | |
| **At 1 April 2008** | **5,588** | **63,244** | **22,032** | **-** | **90,864** |
| Depreciation charge for the year | 2,386 | 11,755 | 14,168 | | 28,309 |
| Disposals | - | (52) | (61) | - | (113) |
| Exchange adjustment | (20) | (162) | (13) | - | (195) |
| **At 31 March 2009** | **7,954** | **74,785** | **36,126** | **-** | **118,865** |
| **Net book value:** | | | | | |
| At 31 March 2009 | 195,288 | 243,833 | 14,582 | 75,429 | 529,131 |
| At 31 March 2008 | 87,079 | 190,556 | 10,884 | 54,629 | 343,147 |

### Useful lives

The useful lives of the assets are estimated as follows:

- freehold land and buildings: 40 to 50 years
- plant and machinery: 2 to 15 years
- moulds: 3 years
- cars: 5 years
- office equipment: 3 to 10 years

No impairment of property, plant and equipment took place between 1 April 2007 and 31 March 2009. Fixed assets with a carrying amount of k€333,790 are subject to a first charge to secure the Group's bank loans (Note 14).

Included in property, plant and equipment at 31 March 2009 was an amount of k€75,429 (2008: k€54,629) relating to expenditures for a plant in the course of construction.

## 7 Goodwill and intangible assets (net)

| | Goodwill | Intangibles | Total |
|---|---|---|---|
| | (€000) | (€000) | (€000) |
| **Cost:** | | | |
| **At 1 April 2008** | **6,057** | **7,705** | **13,762** |
| Additions | - | 3,920 | 3,920 |
| Currency translation adjustment | - | (85) | (85) |
| **At 31 March 2009** | **6,057** | **11,540** | **17,597** |
| **Depreciation and impairment:** | | | |
| **At 1 April 2008** | **-** | **4,799** | **4,799** |
| Amortization | - | 1,529 | 1,529 |
| **At 31 March 2009** | **-** | **6,328** | **6,328** |
| **Net book value:** | | | |
| At 31 March 2009 | 6,057 | 5,212 | 11,269 |
| At 31 March 2008 | 6,057 | 2,906 | 8,963 |

### Useful lives of intangibles

The useful lives of the assets are estimated as follows:

- computer software: 4 to 10 years

No impairment of intangibles took place between 1 April 2007 and 31 March 2009.

## 8 Impairment testing of goodwill

### Key assumptions used in value in use calculations

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. The ‘recoverable amount’ of a CGU is determined based on ‘value in use’ calculations. These calculations are based on cash flow projections as derived from financial budgets approved by management. Cash flows beyond the projected forecast period are extrapolated using estimated growth rates stated below.

Goodwill is allocated to the Group cash-generating units (CGU’s) that are expected to benefit from that business combination. The discount rate (refer below) is derived from market consensus analyst reports on post-tax WACC for the Group grossed-up with the local applicable company tax rate for discounting pre-tax cash flows.

The Company determined that no impairments exist based upon the following key assumptions for the calculation of value in use:

- *Gross margins* – Gross margins are based on average values achieved in the three years preceding the start of the budget period.
- *Growth rate estimates* – Rates are based on internal estimated growth rates.

| | |
|---|---|
| Discount rate – post tax | 9.26 % |
| Inflation | 2.20 % |
| Growth rate | 0.00 % |

### Sensitivity to changes in assumptions

Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to impact adversely on forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term growth rate.

## 9 Inventories (net)

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Raw materials | 40,177 | 28,807 |
| Components | 105,877 | 68,742 |
| Other work in progress | 60,276 | 34,360 |
| Finished goods | 2,671 | 4,267 |
| **Total inventories** | **209,001** | **136,176** |

During the financial year ended 31 March 2009, an expense of k€ 777 was recognized in cost of sales as a result of a reversal of write-down of inventories while at 31 March 2008 an income of k€528 was recognized.

For terms and conditions relating to related party receivables, refer to Note 21.

## 10 Trade and other receivables (net) (current)

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Trade receivables | 182,061 | 88,488 |
| Allowance for bad debtors | (45) | (36) |
| Other receivables | 21,544 | 22,142 |
| | **203,560** | **110,594** |

At 31 March 2009, doubtful trade receivables at nominal value of k€45 (2008: k€36) were fully provided for. Movements in the provision for impairment of receivables were as follows:

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| At 1 April | **36** | **24** |
| Charge for the year | 15 | 12 |
| Amounts written off | (6) | - |
| Unused amounts reversed | - | - |
| **At 31 March** | **45** | **36** |

Trade receivables are non-interest-bearing and are generally on 30 to 90-days terms.

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

| | | | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Neither past due nor impaired | < 30 days | 30 – 60 days | 60 – 90 days | 90 – 120 days | >120 days |
| | (€000) | (€000) | (€000) | (€000) | (€000) | (€000) | (€000) |
| **March 2008** | 88,488 | 74,575 | 11,435 | 635 | 1,255 | 287 | 301 |
| **March 2009** | 182,061 | 93,270 | 22,446 | 26,009 | 15,645 | 176 | 24,515 |

## 11 Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash equivalents include short-term deposits which are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits at 31 March 2009 is k€126,396 (2008: k€325,512).

At 31 March 2009, the Group had € 93.3 million available (2008: € 69.1 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Cash at bank and in hand | 18,016 | 4,556 |
| Short term deposits | 88,380 | 320,956 |
| Short term deposits with maturity between 3 months and 6 months | 20,000 | - |
| | **126,396** | **325,512** |

## 12 Consolidated statement of changes in equity

### For the period ended 31 March 2009

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Issued capital | Share premium | Retained earnings | Net results recognized directly in equity | Total equity |
| | (€000) | (€000) | (€000) | (€000) | (€000) |
| **At 1 April 2008** | **17,966** | **419,563** | **117,752** | **(8,163)** | **547,118** |
| Foreign currency translation | - | - | - | (5,242) | (5,242) |
| Shares to issue (IFRS 2) | | | | 529 | 529 |
| Actuarial gains/ (losses) recognized in the statement of recognized income and expense | - | - | - | (350) | (350) |
| Cash-flow hedges (net of tax) | - | - | - | (3,272) | (3,272) |
| Total income and expense for the year recognized directly in equity | - | - | - | (8,335) | (8,335) |
| Profit for the period | - | - | 45,040 | - | 45,040 |
| Total income and expense for the period | - | - | 45,040 | (8,335) | 36,705 |
| **At 31 March 2009** | **17,966** | **419,563** | **162,792** | **(16,498)** | **583,823** |

### For the period ended 31 March 2008

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Issued capital | Share premium | Retained earnings | Net results recognized directly in equity | Total equity |
| | (€000) | (€000) | (€000) | (€000) | (€000) |
| **At 1 April 2007** | **13,092** | **64,374** | **86,455** | **(1,887)** | **162,034** |
| Foreign currency translation | - | - | - | (6,936) | (6,936) |
| Actuarial gains/ (losses) recognized in the statement of recognized income and expense | - | - | - | 660 | 660 |
| Total income and expense for the year recognized directly in equity | - | - | - | (6,276) | (6,276) |
| Profit for the period | - | - | 31,297 | - | 31,297 |
| Total income and expense for the period | - | - | 31,297 | (6,276) | 25,021 |
| Repayment of share premium | - | (60,000) | - | - | (60,000) |
| Issue of share capital on 11 December 2007 | 4,431 | 395,569 | - | - | 400,000 |
| Issue of share capital on 13 December 2007 | 443 | 39,557 | - | - | 40,000 |
| Transaction costs for issue of shares | - | (19,937) | - | - | (19,937) |
| **At 31 March 2008** | **17,966** | **419,563** | **117,752** | **(8,163)** | **547,118** |

On the extra-ordinary shareholders meeting of 27 November 2007 it was decided that the existing ordinary shares of the Company would be split on the basis of a ratio of 1 existing ordinary share for 1,250 new ordinary shares. As a result, the outstanding ordinary shares of the company were 488,303,750 at that date.

On 11 December 2007 the shareholders agreed to increase the capital by EUR 400 million through a Global Offering with admission to the official list of the London Stock Exchange plc through the emission of 165,273,143 ordinary shares. Additionally, on 13 December 2007 the shareholders agreed to increase the capital again by EUR 40 million through the emission of an additional 16,527,315 ordinary shares.

## 13 Issued capital and reserves

### Share capital and share premium

The issued capital of the Company amounts to k€17,966 at 31 March 2009 (2008: k€17,966), represented by 670,104,208 shares, fully paid-up, without nominal value, each representing an equal part of the capital. All shares are in registered form and admitted to the Official List of the Financial Services Authority and to trading on the main market of the London Stock Exchange. In the section on “Shareholders and Director’s interests” included in this Report, it is explained that depositary interests have been issued in respect of the shares (each depositary interest representing one share).

At 31 March 2009, the share premium reserves amounted to k€419,653 (2008: k€419,653).

On 27 November 2007, the extraordinary shareholders’ meeting authorized the Board of Directors to increase the Company’s share capital, in one or more transactions, up to a maximum amount which must not exceed an aggregate amount of k€5,841.23. The authorization is valid for a period of five years from 21 December 2007 onwards. As a matter of law, the authorization cannot be used for a capital increase primarily effected by contribution in kind by a person holding, alone or with other parties, more than 10% of the voting rights.

In the case of a capital increase pursuant to the authorized capital, the Board of Directors may (in the interests of the Company) restrict or cancel the preferential subscription rights of the shareholders, including in favour of one or more specific persons other than employees. However, such application of the authorization is subject to an additional limitation in time (i.e. for a period not exceeding 15 months) and a limitation to 5% of the share capital (in the aggregate). Offers of equity securities which are open for acceptance (i) to existing shareholders on the basis of preference rights or other persons so entitled (subject to certain exclusions) or (ii) in the framework of share schemes for management and employees of the Company or its subsidiaries are not subject to these additional limitations, however. It should be noted that the above-mentioned limited period may be renewed by resolution of the shareholders’ meeting adopted by a simple majority of the votes cast, each time for a period not exceeding 15 months. At the annual shareholders’ meeting held on 26 June 2008, the meeting resolved to renew this particular authorization for the period expiring on 26 September 2009 or, if earlier, the date of the annual shareholders’ meeting to be held in 2009. A further renewal is being put on the agenda of the upcoming annual shareholders’ meeting.

The Board of Directors has used its authority to increase the share capital of the Company in the financial year ending 31 March 2009 to issue warrants in the framework and within the limits of (i) the Hansen Warrants Plan 2007 as approved by the extraordinary shareholders’ meeting of the Company of 27 November 2007 and (ii) the Employee Warrants Grant 2008, as approved by the extraordinary shareholders’ meeting of the Company of 27 November 2007. See also the section on “Capital structure, shares, depositary interests and warrants” with respect to the Hansen Warrants Plan 2007 and the “Employee Warrants Grant 2008.

### Other reserves

Other reserves includes the actuarial gains and losses on the defined benefit pension plans and the hedging reserve. Cumulative actuarial gains and losses recognized in other reserves amount to (k€589) (2008: (k€239)). The movements year on year of the actuarial gains and losses recognized in other reserves are respectively (k€350) and k€660 for the periods ended 31 March 2009 and 31 March 2008.

The hedging reserve amounts to (k€3,272) as at 31 March 2009 (2008: nil).

### Cumulative translation adjustments

The cumulative translation adjustments reserve represents the cumulative currency translation differences relating to the consolidation of Group companies that use functional currencies other than the euro. The cumulative foreign currency translation reserve amounts to respectively (k€13,166) and (k€7,924) as at 31 March 2009 and 31 March 2008. The year on year movements of the foreign currency translation reserve are respectively (k€5,242) and (k€6,936) for the periods ended 31 March 2009 and 31 March 2008.

## 14 Interest-bearing loans and borrowings

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| **Current** | | |
| Current portion of bank borrowings | 2 | 4 |
| Debentures and other short-term loans | 3,516 | - |
| | **3,518** | **4** |
| **Non-current** | | |
| Bank borrowings | 246,984 | 192,777 |
| | **246,984** | **192,777** |

In 2007 a 'Multi-Currency Term Loan and Revolving Credit Facility' agreement has been signed by Hansen Transmissions International. The total facility of this agreement amounts to € 260 million (2007: € 260 million).

At year-end, the total amount drawn down was € 195 million (2008: € 195 million). The Borrowings linked to the Facilities Agreement bear interest using a Euribor floating interest rate plus a margin depending on Hansen leverage ratio on the covenants of the agreement. The floating interest rate payments are subject to a designated cash flow hedge using cap and floor contracts with a nominal amount of € 105 million, thereby fixing the interest rate for the Group between 3.86% and 4.75%. See Note 23 for further details on these hedges.

The fees paid for the arrangement of the Facilities Agreement are amortized over the estimated term of the Facility.

On 8 April 2008 Hansen Drives Ltd, India together with the parent Hansen company entered into three new loan agreements with Societé Generale for a total amount of € 89.8 million in order to finance the purchasing of production machines and equipment for the new Indian production plant. As at 31 March 2009 € 61.7 million of this facility has been used and € 28.3 million is outstanding as unused borrowing facility. The borrowings linked to the Facilities Agreement bear interest using a Euribor floating interest rate plus a margin depending on the covenants of the agreement.

On 31 March 2009, the floating weighted average interest rate for the Group amounted to 4.96% (2008: 6.15%).

Since the bank borrowings are at a floating interest rate that is reset at maximum every six months, the carrying amount of the bank borrowings equates to its fair value. With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

Please refer to Note 22 for the maturity analysis of the Group borrowings (excluding other financial liabilities).

## 15 Provisions

| | Provision early retirement | Provision warranty | Total |
|---|---|---|---|
| | (€000) | (€000) | (€000) |
| At 1 April 2008 | 1,464 | 4,215 | 5,679 |
| Arising during the year | 398 | 7,292 | 7,690 |
| Utilized | (346) | (7,282) | (7,628) |
| At 31 March 2009 | **1,516** | **4,225** | **5,741** |
| Current 2009 | 345 | 4,225 | 4,570 |
| Non-current 2009 | 1,171 | - | 1,171 |
| | **1,516** | **4,225** | **5,741** |
| Current 2008 | 459 | 4,215 | 4,674 |
| Non-current 2008 | 1,005 | - | 1,005 |
| | **1,464** | **4,215** | **5,679** |

### Warranties

A provision is recognized for expected warranty claims on products. The provision set up for warranties is based on detailed and technical analysis on a product level. The assessment includes both an analysis of individual cases of reported malfunctions as well as management estimates of expected malfunctions and repair requirements in certain product lines where defects were reported. It is expected that most of these costs will be incurred in the next financial year.

### Early retirement

Once a formal agreement on early retirement exists between the Company and the employee, a provision is set up. Assumptions used to calculate the provision for early retirement are expected salary increase as well as actualisation to present obligation.

## 16 Share-based payments

On 26 June 2008, the Company granted in total 1,315 thousand warrants to senior executives under the "Hansen Warrants Plan 2007" ("Executive Warrants") and 757.3 thousand warrants to employees under the "Employee Warrants Grant 2008" ("Employee Warrants"). The warrants issued confer to the right to subscribe to one ordinary share. The exercise price of the warrants of €3.73 (GBP 295 pence) was equal to the average of the closing share price of the Company at the London Stock Exchange during the 30 calendar days prior to the issuance date of the warrants. The warrants may be exercised during the exercise windows occurring as from the first day of the fourth calendar year following the calendar year during which the grant date occurred and until the expiry of the warrant period. The warrant period means the period starting on the grant date of the warrants and ending at the end of the day before the fifth anniversary of the grant date. The Executive Warrants will vest as follows:

- 25% of the number of warrants granted vest upon the grant date;
- An additional 25% of the number of warrants vests upon the first, second and third anniversary of the grant date.

The Employee Warrants vest upon the third anniversary of the grant date.

The Group operates only equity-settled share-based compensation plans, IFRS2 (Share-based Payment) has been applied to all equity instruments.

It follows from the above that, if all the rights attached to these warrants were exercised, Hansen's capital would be k€445,256 and the number of shares issued by Hansen would be 672,175,908.

The services rendered by the employees as consideration for warrants are recognized as an expense. The expense corresponds to the fair value of the warrant plans and is charged to income on a straight-line basis over the vesting period of the plan.

The fair value of the warrant plan is measured at the grant date using the Black and Scholes valuation model taking into account the fair value (market price) of one company's share, the current best estimate of the number of warrants that will vest, the expected life and cancellation rate of the warrants. At each balance sheet date, the entity revises its estimates of the number of warrants that are expected to become exercisable. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

### Expenses for equity compensation plans

The expense recognized as at 31 March 2009 for the warrant plans amounts to k€529 and is included in the relevant functional lines of the income statement:

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Cost of sales | 111 | - |
| Administrative expenses | 418 | - |
| **Total operating expense** | **529** | **-** |
| Of which equity settled: | | |
| Warrant plans | 529 | - |

### Warrant plans

The movements in the number of warrants outstanding and their related weighted average exercise prices as at 31 March are:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Fair value | Exercise price | Number of warrants | Fair value | Exercise price | Number of warrants |
| **Outstanding at 1 April** | - | - | - | - | - | - |
| + New warrants granted | 0.74 | 3.73 | 3,014,400 | - | - | - |
| (-) warrants forfeited | 0.74 | 3.73 | - 943,300 | - | - | - |
| (-) warrants exercised | - | - | - | - | - | - |
| (-) warrants expired | - | - | - | - | - | - |
| **Outstanding at 31 March** | 0.74 | 3.73 | 2,071,100 | - | - | - |
| **Number of warrants fully vested:** | | | | | | |
| At 1 April | - | - | - | - | - | - |
| At 31 March | - | - | 328,750 | - | - | - |
| **Number of rights exercisable:** | | | | | | |
| At 1 April | - | - | - | - | - | - |
| At 31 March | - | - | - | - | - | - |
| **Expected remaining life (years):** | | | | | | |
| At 1 April | - | - | - | - | - | - |
| At 31 March | - | - | 3.5 | - | - | - |

The weighted average fair value of warrants granted in June 2008, determined using the Black-Scholes valuation model, was €0.74. The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over the period since the listing of the share on the stock market and sector averages since the listed period only comprises six months. The expected forfeiture rate is based on actual turnover of employees for categories eligible for stock based compensation. The significant assumptions used in the measurement of warrants granted in June 2008 are:

| | | |
|---|---|---|
| Exercise price | 295 | GBP - pence |
| Share price | 278 | GBP - pence |
| Expected volatility | 20 | % |
| Expected life of the warrant | 4.25 | years |
| Expected dividend yield | 0 | % |
| Risk free interest rate | 4.5 | % |
| Expected annual forfeiture rate | 7 | % |

## 17 Pensions

The Group has three defined benefit pension plans for the employees of Hansen Transmissions International NV. The three defined benefit plans cover in total all employees. There exists one plan for members of the Board of Directors, one for higher management and one for other employees. In all three cases, the employer makes 100% of the contributions to these plans. The plan for members of higher management assumes a retirement age of 62 while the other plans assume an age of 65. The Company has also several contribution plans for employees of the foreign subsidiaries (the United States of America, Australia and the United Kingdom). Certain employees in Belgium are also entitled to benefits under defined contribution plans. The cost of these pension contribution plans is recognized immediately when incurred.

The Group operates a defined benefits plan for its employees in India ("Gratuity plan") for which the contributions are 100% employer contributions. The cost of the plan is recognized immediately when incurred.

## Net benefit expense

The following tables summarise the components of net benefit expense recognized in the income statement and the fund status and amounts recognized in the balance sheet for the respective plans:

**Net benefit expense**

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Current service cost | (705) | (699) |
| Interest cost on benefit obligation | (401) | (360) |
| Expected return on plan assets | 222 | 224 |
| Net actuarial gain/(loss) recognized in the year | - | (21) |
| Past service cost | - | - |
| **Net benefit expense** | **(884)** | **(856)** |
| Actuarial (losses)/gains recognized in the statement of recognized gains and losses | (350) | 660 |
| Actual return on plan assets | 57 | 90 |

At 31 March 2009, the cumulative amount of actuarial gains and losses recognized in the statement of recognized income and expense is (k€589) (2008: (k€239)). These relate to the period between 1 April 2004 and 31 March 2009.

**Benefit asset/(liability)**

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Defined benefit obligation | (8,504) | (7,445) |
| Fair value of plan assets | 5,934 | 5,287 |
| | (2,570) | (2,158) |
| **Benefit liability** | **(2,570)** | **(2,158)** |

The Company elected to recognize immediately all actuarial gains and losses on the defined benefit plans. The liability in the balance sheet corresponds to the difference between the defined benefit obligation and the fair value of plan assets at the end of the period.

Changes in the present value of the defined benefit obligation are as follows:

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| **Defined benefit obligation at 1 April** | **7,445** | **7,958** |
| Interest cost | 401 | 359 |
| Current service cost | 705 | 699 |
| Benefits paid | (413) | (477) |
| Actuarial (gains)/losses on obligation | 366 | (1,094) |
| **Defined benefit obligation at 31 March** | **8,504** | **7,445** |

Changes in the fair value of plan assets are as follows:

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| **Fair value of plan assets at 1 April** | **5,287** | **4,878** |
| Expected return | 222 | 223 |
| Contributions by employer | 1,003 | 796 |
| Benefits paid | (413) | (477) |
| Actuarial gains/(losses) | (165) | (133) |
| **Fair value of plan assets at 31 March** | **5,934** | **5,287** |

The Group expects to contribute k€1,104 to its defined benefit pension plans between 1 April 2009 and 31 March 2010.

The defined benefit plans are all financed through a group insurance product at Fortis. Fortis Insurance Belgium guarantees a certain interest return on the contributions made. The guaranteed interest return is 4.75% for the reserves built up until 1 January 1999 and on the contributions made after this date until the contribution level of 1 January 1999 is reached. On all other contributions a guaranteed interest rate of 3.25% is applicable. Additionally, a profit share is received annually which is dependent upon the results of Fortis Insurance Belgium. The underlying plan assets are managed by Fortis Insurance Belgium in such a way as to meet the guaranteed interest rate mentioned above. Consequently, the Company is not aware of the proportion of total plan assets made up from each of the major categories of plan assets.

The principal assumptions used in determining pension benefit obligations for the Group's plan are shown below:

| | 2009 | 2008 |
|---|---|---|
| | % | % |
| Discount rate | 5.85 | 5.5 |
| Expected rate of return on assets | 4.0 | 4.0 |
| Future salary increases | 3.0 | 3.0 |
| Inflation | 2.2 | 1.8 |
| Future pension increases | 2.2 | 1.8 |

The Company has no post-employment benefit plans which cover future healthcare costs for the employees.

Amounts for the current and previous three periods are as follows:

| | As at 31 March 2009 | As at 31 March 2008 | As at 31 March 2007 | As at 31 March 2006 |
|---|---|---|---|---|
| | (€000) | (€000) | (€000) | (€000) |
| Defined benefit obligation | (8,504) | (7,445) | (7,958) | (6,918) |
| Plan assets | 5,934 | 5,287 | 4,878 | 3,453 |
| (Deficit)/surplus | (2,570) | (2,158) | (3,080) | (3,465) |
| Experience adjustments on plan liabilities | (680) | 183 | (281) | (219) |
| Experience adjustments on plan assets | (165) | (134) | 65 | (47) |

The Company also has several contribution plans for certain foreign subsidiaries (the United Kingdom, Australia, South-Africa and the United States of America). Total contributions paid for the contribution plans amount to k€442 during the financial year ended 31 March 2009 (2008: k€396).

## 18 Deferred income (grant)

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| At 1 April | 8,759 | 10,522 |
| Granted during the year | 6,271 | 540 |
| Released to the income statement | (8,006) | (2,303) |
| **At 31 March** | **7,024** | **8,759** |
| Non-current | 6,298 | 5,466 |
| Current | 726 | 3,293 |
| | **7,024** | **8,759** |

The Company received a grant in accounting year 2006-2007 for an amount of k€7,261 related to the additional investment in the Lommel (Belgium) plant for an increase in capacity. The realisation period for this investment is between 1 May 2006 and 31 December 2009 and the total investment subject to government grants amounts to k€108,831. The new grant was subject to certain criteria of which some were already met (such as, the location having been opened, solvency criteria, a business plan being in place) and others still needed to be attained.

The Company still needs to provide certain documentation to the authorities. From the total grant of k€7,261 an amount of k€4,357 (2008: k€4,357) had already been received in cash from the authorities as at 31 March 2009, an additional k€1,452 has been received on 2 April 2009. Also k€5,809 of the grant had already been released in profit and loss as at 31 March 2009 (2008: k€4,357) and related to the employment criterion of the grant, business plans, solvency, ISO 14001 and the certificate for SA8000, as these were already attained by the Company as at 31 March 2009.

The Company received a grant during the year relating to the investment in China amounting to k€5,603 and released it to the income statement.

## 19 Trade and other payables (current)

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Trade payables | 128,213 | 122,455 |
| Other payables | 32,549 | - |
| | **160,762** | **122,455** |

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest-bearing and are normally settled on 60-day terms.
- Other payables are non-interest-bearing and are normally settled on 75-day terms.

## 20 Commitments

### Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles, items of machinery and buildings. These leases have an average life of between one and 10 years. No renewal options are included in the contracts for motor vehicles and items of machinery. There are renewal clauses included in the lease agreements for the buildings. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

| | As at 31 March 2009 | As at 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Within one year | 4,201 | 2,205 |
| After one year but not more than five years | 10,787 | 4,953 |
| More than five years | 3,300 | 391 |
| | **18,288** | **7,549** |

### Capital commitments

At 31 March 2009, the Group had commitments of € 124.39 million (2008: € 183.83 million) for the completion of the operating facilities in Lommel, Belgium, India and China.

### Environmental commitments

When the Company was sold from Invensys plc to Allianz Capital Partners (through the wholly-owned subsidiary of AE-Rotor Holding BV, Eve Holding NV) in June 2004, Invensys plc indemnified Eve Holding NV from most environmental liabilities but subject to certain limits and conditions. This environmental indemnity by Invensys plc expires for any liabilities which have not been validly notified to Invensys plc before 30 June 2011.

At the plant site in Edegem (Belgium) soil contamination was identified before the closure of the Sale and Purchase Agreement of 19 May 2004 between Invensys plc and Eve Holding NV. This soil pollution is covered through the indemnification by Invensys plc, as explained above.

The soil contamination present at the site of the Edegem facility in June 2004 was cleaned up and is being monitored at the expense of Invensys plc. To the best of its knowledge, Hansen is not aware of any additional soil contamination which would not have been cleaned up by Invensys plc or which would have been caused at the site after June 2004, and which would require further remediation.

The ongoing liquidation of Eve Holding NV was closed by an extraordinary shareholders' meeting of 11 September 2008. It was determined that all remaining debts and claims of Eve Holding were to transfer to its shareholder, AE-Rotor Holding BV, upon the closing of such liquidation.

## 21 Related party disclosures

The financial statements include the financial statements of Hansen Transmissions International NV and the subsidiaries listed in the following table:

| Name | Country of incorporation | % equity interest As at 31 March 2009 | % equity interest As at 31 March 2008 |
|---|---|---|---|
| Hansen Drives Ltd | India | 100 | 100 |
| Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd | China | 99.9 | 99.9 |
| Hansen Wind Energy Drives (China) Co., Ltd | China | 99.0 | - |
| Hansen Transmissions Inc | United States of America | 100 | 100 |
| Hansen Transmissions Pty | Australia | 100 | 100 |
| Hansen Transmissions Pty Ltd | South Africa | 100 | 100 |
| Hansen Transmissions Ltd | United Kingdom | 100 | 100 |
| Hansen Transmissões Mecânicas Ltda | Brazil | 99.9 | 99.9 |
| Lommelpark NV | Belgium | 100 | 100 |
| Hansen Drives Pte. Ltd. | Singapore | 100 | - |
| Hansen Drives Limited | Hong Kong | 100 | - |
| Sunrise Wind Project Private Limited | India | 100 | - |

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year:

| | Sales to related parties | Amounts owed by related parties | Interest paid to related parties |
|---|---|---|---|
| | *(€000)* | *(€000)* | *(€000)* |
| Entity having significant control over the Group: | | | |
| **As at 31 March 2008** | | | |
| Suzlon Energy Ltd. | 33,482 | 17,019 | - |
| **As at 31 March 2009** | | | |
| Suzlon Energy Ltd. | 138,811 | 98,247 | 6 |

Hansen Transmissions International NV has been part of the Suzlon Energy Group since March 2006.

Transactions between Hansen Transmissions International NV and all of its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this Note.

## Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest-bearing and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008: nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

## Compensation of Board members and key management of the Group

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Short-term employee benefits | 4,784 | 3,491 |
| Post-employment pension | 271 | 1,172 |
| Termination Benefits | 357 | - |
| Share based payments | 418 | - |
| Reimbursements of expense notes | 98 | 102 |
| **Total compensation paid to key management personnel** | **5,928** | **4,765** |

The following persons are key management personnel[1]:

- Ivan Brems
- Alex De Ryck[2]
- Peter Flamang
- Koenraad D'Helft[3]
- Stefan Lammens
- Torsten Schultz
- Luc De Proost
- Georges Roobaert
- Bernard Moerman[4]
- Cliff Dawson[5]
- Peter Van Peborgh[6]

The following persons are Board members:

- Tulsi R. Tanti[7]
- Dr Winfried Walzer[8]
- Janice Margeret Brown
- Torben Bjerre-Madsen[9]
- Marc Desaedeleer
- Ivan Brems[10]
- Alex De Ryck[10]

1 Matts Lundgren and Bo Hedenström are included as key management personnel until April 2007 and September 2007 respectively
2 As permanent representative of ADR Consulting BVBA
3 Since May 2007 and as permanent representative of Associatie D'Helft BVBA
4 Since March 2008 and as permanent representative of B.Moerman BVBA
5 Since August 2008 and as permanent representative of Cliff Dawson BVBA
6 Until May 2008
7 Non-remunerated Director – Chairman of the Board
8 As permanent representative of Dr.-Ing. Winfried Walzer GmbH
9 As permanent representative of Bjerres Bureau Aps
10 Non-remunerated Executive Directors

## 22 Financial risk management objectives and policies

The Group is exposed to various financial risks arising from its underlying operational and financing activities. These financial risks comprise market risks (interest risk, currency risk and price risk), credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below. Financial risk management within the Group aims at reducing the impact of these market risks through ongoing operational and financing activities.

It is Hansen's policy and practice to use derivatives exclusively as hedging instruments and not for trading or other speculative purposes. The Group does therefore not hold or issue any such instruments for such purposes. Derivative financial instruments that are economic hedges but that do not qualify for hedge accounting under the strict "IAS 39 Financial Instruments: Recognition and Measurement" hedge accounting rules, however, are accounted for as financial assets or liabilities at fair value through profit or loss.

The principal financial instruments, other than derivatives, comprise bank loans and overdrafts and loans given. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivatives, caps and floors. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance, as listed in the table below.

### Interest rate risk

Changes in market interest rates may cause variations in interest income and expenses resulting from interest bearing assets and liabilities of the Group. As described in note 14 the Group's major debt obligations are floating rate instruments.

The Group's policy is to manage its interest cost by entering into interest rate derivatives (interest caps and floors). These derivatives are designated to hedge underlying interest-bearing loans and borrowings.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivative financial instruments (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the income statement.

#### Effect of interest rate fluctuations

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

| | | 2009 | | | 2008 |
|---|---|---|---|---|---|
| | Increase/decrease in basis points | Effect on profit and loss before tax | | Increase/decrease in basis points | Effect on profit and loss before tax |
| | | (€000) | | | (€000) |
| EUR | +15 | (26) | EUR | +15 | +292 |
| EUR | -10 | +17 | EUR | -10 | (194) |

### Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 8.56% (2008: 9.7%) of the Group's sales are denominated in currencies other than the functional currency of the Company.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The effect of translation exposure arising from the consolidation of the foreign currency denominated financial statements of the Group foreign subsidiaries is shown as a translation adjustment in the Group consolidated statement of changes in equity.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, British pound, Australian dollar, South African rand, Chinese yen, Brazilian real and Indian rupee exchange rate, with all other variables held constant, of the Group's equity and profit after tax:

| | | | 2009 | | | | 2008 |
|---|---|---|---|---|---|---|---|
| | **Increase/ decrease in exchange rate** | **Impact on equity: gain/(loss)** | **Effect on profit and loss before tax: gain/(loss)** | | **Increase/ decrease in exchange rate** | **Impact on equity: gain/(loss)** | **Effect on profit and loss before tax: gain/(loss)** |
| | | (€000) | (€000) | | | (€000) | (€000) |
| USD | +5% | +215 | +56 | USD | +5% | +133 | +77 |
| GBP | +5% | +132 | (5) | GBP | +5% | +161 | +9 |
| AUD | +5% | +110 | +45 | AUD | +5% | +75 | +29 |
| ZAR | +5% | +143 | +43 | ZAR | +5% | +100 | +69 |
| CNY | +5% | +1,777 | (11) | CNY | +5% | +64 | +28 |
| BRL | +5% | (4) | (15) | BRL | +5% | +14 | +4 |
| INR | +5% | +4,978 | (450) | INR | +5% | +2,481 | (19) |
| USD | -5% | (195) | (51) | USD | -5% | (120) | (70) |
| GBP | -5% | (118) | +5 | GBP | -5% | (144) | (8) |
| AUD | -5% | (101) | (40) | AUD | -5% | (67) | (26) |
| ZAR | -5% | (128) | (39) | ZAR | -5% | (90) | (63) |
| CNY | -5% | (1,607) | +10 | CNY | -5% | (56) | (25) |
| BRL | -5% | +3 | +14 | BRL | -5% | (11) | (4) |
| INR | -5% | (4,504) | +407 | INR | -5% | (2,245) | +17 |

## Credit risk

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the head of credit control.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

## Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables and other financial assets) and projected cash flows from operations.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2009 and 31 March 2008 based on contractual undiscounted payments.

| Year ended 31 March 2009 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | (€000) | (€000) | (€000) | (€000) | (€000) | (€000) |
| Interest bearing loans and borrowings | - | 3,518 | - | 226,319 | 20,665 | 250,502 |
| Derivative financial instruments | | - | - | 4,730 | - | 4,730 |
| Trade and other payables | 160,762 | - | - | - | - | 160,762 |
| | **160,762** | **3,518** | **-** | **231,049** | **20,665** | **415,994** |

| Year ended 31 March 2008 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | (€000) | (€000) | (€000) | (€000) | (€000) | (€000) |
| Interest bearing loans and borrowings | - | 4 | 3 | 133,437 | 59,337 | 192,781 |
| Derivative financial instruments | 544 | - | - | - | - | 544 |
| Trade and other payables | 122,445 | - | - | - | - | 122,445 |
| | **122,989** | **4** | **3** | **133,437** | **59,337** | **315,770** |

## Raw materials price risk

The Group's operations and its ability to manufacture, market and sell its products are affected by the prices of raw materials (such as steel and cast iron) and intermediate components (bearings and couplings) used in production.

The Company does not hold any hedges for the risk of raw materials price fluctuations.

## Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy capital ratios in order to support its business and maximise shareholder value while keeping the desired flexibility to execute the strategic projects.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 31 March 2008.

| | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|---|---|---|
| | (€000) | (€000) |
| Interest bearing loans and borrowings | 250,502 | 192,781 |
| Trade and other payables | 160,762 | 122,445 |
| Less cash and short-term deposits | (126,396) | (325,512) |
| Net debt | 284,868 | (10,286) |
| Equity | 583,823 | 547,118 |
| Total capital | 583,823 | 547,118 |
| **Capital and debt** | **868,691** | **536,832** |
| Gearing ratio | 33% | (2%) |

# 23 Financial instruments

### Financial instruments

Since the bank borrowings are at a floating interest rate that is reset at maximum every six months, the carrying amount of the bank borrowings equates to its fair value. With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

### Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk (including those classified under discontinued operations):

| Year ended 31 March 2009 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | (€000) | (€000) | (€000) | (€000) | (€000) | (€000) |
| *Floating rate* | | | | | | |
| Cash assets | 126,396 | - | - | - | - | 126,396 |
| Interest bearing loans and borrowings | - | (3,518) | - | (226,319) | (20,665) | (250,502) |
| Derivative financial instruments | | - | - | (4,730) | - | (4,730) |
| | **126,396** | **(3,518)** | **-** | **(231,049)** | **(20,665)** | **(128,836)** |

| Year ended 31 March 2008 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | (€000) | (€000) | (€000) | (€000) | (€000) | (€000) |
| *Floating rate* | | | | | | |
| Cash assets | 325,512 | - | - | - | - | 325,512 |
| Interest bearing loans and borrowings | - | (4) | (3) | (133,437) | (59,337) | (192,781) |
| Derivative financial instruments | (544) | - | - | - | - | (544) |
| | **324,968** | **(4)** | **(3)** | **(133,437)** | **(59,337)** | **132,187** |

Interest on financial instruments classified as floating rate is reprised at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk.

### Derivative financial instruments

The Company uses derivative financial instruments such as interest rate derivatives to hedge its risks associated with interest rate fluctuations. The Company does not hold any derivative financial instruments for trading purposes, hedges are only economic hedges. For the derivatives that qualify as a hedge under the strict "IAS 39 Financial Instruments: Recognition and Measurement" hedge accounting rules, hedge accounting is applied. Derivative financial instruments that are economic hedges but that do not qualify for hedge accounting under the strict "IAS 39 Financial Instruments: Recognition and Measurement" hedge accounting rules, however, are accounted for as financial assets or liabilities at fair value through profit or loss. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

It is Hansen's policy and practice to use derivatives exclusively as hedging instruments and not for trading or other speculative purposes. The Group does therefore not hold or issue any such instruments for such purposes.

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | For the year ended 31 March 2009 | For the year ended 31 March 2008 | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
| | (€000) | (€000) | (€000) | (€000) |
| Interest rate derivatives – cash flow hedges | - | - | (4,730) | - |
| Interest rate derivatives – fair value through the profit and loss | - | - | - | (544) |
| **Total** | **-** | **-** | **(4,730)** | **(544)** |
| Non-current | - | - | (4,730) | - |
| Current | - | - | - | (544) |

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current liability, if the maturity of the hedged item is less than 12 months. As from 1 October 2008 Hansen has completed the hedge documentation for the interest rate derivative which qualified under "IAS 39 Financial Instruments: Recognition and Measurement" for cash-flow hedge accounting. As at 1 October 2008 the fair value of the hedging items amounted to k€252.

### Credit risk

There are no significant concentrations of credit risk within the Group.

## 24 Events after the balance sheet date

There are no specific events after balance sheet date which have to be disclosed in these financials per 31 March 2009.

# **Auditor's** Report

## Independent Auditor's Report to the Shareholders of Hansen Transmissions International NV

We have audited the consolidated financial statements, included in the Annual Financial Report of Hansen Transmissions International NV and its subsidiaries ('the Group') for the year ended 31 March 2009 which comprise the consolidated balance sheet as at 31 March 2009 and the consolidated income statement, consolidated statement of recognized gains and losses and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and the related notes 1 to 24. These consolidated financial statements have been prepared under International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required under International Standards on auditing to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with the Belgian Company Code and with International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities as included in the Corporate Governance Statement. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are also responsible for the preparation of the Remuneration Report which they have chosen to prepare in accordance with the Companies Act 1985.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The Company has also instructed us to audit the section of the Remuneration Report of the company that is being described as audited.

We have also reviewed whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of

the group's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the part of the Remuneration Report of the company that has been described as audited. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the part of the Remuneration Report of the company to be audited, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the part of the Remuneration Report of the company that has been described as audited.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. In our opinion, the part of the Remuneration Report of the company to be audited, included in the Corporate Governance section of the annual report, has been properly prepared in accordance with the Companies Act 1985.

Antwerp, 14 May 2009
Ernst & Young Bedrijfsrevisoren BCVBA
Independent auditor
represented by
Rudi Braes
Partner

# Abbreviated **Statutory Accounts**

**Introduction**

In accordance with the Belgian company law, it has been decided to present an abbreviated version of the statutory financial statements of Hansen Transmissions International NV. The statutory financial statements of Hansen Transmissions International NV are prepared in accordance with Belgian Generally Accepted Accounting Principles. It should be noted that only the consolidated financial statements, on the following pages, present a true and fair view of the financial position and performance of the Hansen Transmissions International Group.

The Statutory Auditor has issued an unqualified audit opinion and certifies that the non-consolidated financial statements of Hansen Transmissions International NV for the financial year ending 31 March 2009 give a true and fair view of the financial position and results of Hansen Transmissions International NV in accordance with all legal and regulatory dispositions.

In accordance with the applicable regulations, these separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders, as well as the auditors' report, will be filed at the National Bank of Belgium within the statutory periods.

These documents are available on our website www.hansentransmissions.com or can be obtained free of charge upon simple request, addressed to:

Hansen Transmissions International NV
Bernard Moerman
Company Secretary
Leonardo da Vincilaan 1
2650 Edegem, Belgium

| **Income Statement** in euro | 2009 | 2008 |
|---|---|---|
| **Operating income** | **643,785,636** | **450,594,238** |
| Turnover | 598,593,922 | 399,780,182 |
| Increase (decrease) in stocks of finished goods, work and contracts in progress (+)/(-) | 33,112,110 | 44,032,041 |
| Own construction capitalized | 3,379,619 | 2,919,230 |
| Other operating income | 8,699,985 | 3,862,785 |
| **Operating charges** | **-614,648,883** | **-439,335,747** |
| Raw materials, consumables | -370,487,196 | -256,728,862 |
| Services and other goods | -76,169,901 | -50,282,832 |
| Remuneration, social security costs and pensions (+)/(-) | -108,529,063 | -87,238,822 |
| Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets | -59,069,435 | -44,585,559 |
| Amounts written down stocks, contracts in progress and trade debtors – Appropriations (write-backs) | 143,870 | -174,792 |
| Provisions for risks and charges - Appropriations (uses and write-backs) (+)/(-) | -17,547 | 84,714 |
| Other operating charges | -519,611 | -409,594 |
| **Operating profit (loss)** | **29,136,753** | **11,258,491** |
| Financial income | 10,498,998 | 9,882,379 |
| Financial charges | -11,127,407 | -13,993,196 |
| **Gain (loss) on ordinary activities before taxes (+)/(-)** | **28,508,344** | **7,147,674** |
| Extraordinary income | 106,471 | 171,311 |
| Extraordinary charges | -268 | -19,736,656 |
| **Profit (loss) for the period before taxes (+)/(-)** | **28,614,547** | **-12,417,670** |
| Transfer from postponed taxes | 88,535 | 227,133 |
| Income taxes | -14,309 | 148,699 |
| **Profit (loss) for the period (+)/(-)** | **28,688,773** | **-12,041,839** |
| Transfer from untaxed reserves | -3,846 | -3,847 |
| Profit (loss) for the period available for appropriation(+)/(-) | 28,692,619 | -12,037,992 |

| **Balance sheet** in euro | 2009 | 2008 |
|---|---|---|
| **FIXED ASSETS** | **414,508,147** | **279,024,222** |
| Formation expenses | 210,597 | 1,052,937 |
| Intangible fixed assets | | |
| Tangible fixed assets | 203,125,937 | 211,861,787 |
| Financial fixed assets | 211,171,613 | 66,109,498 |
| **CURRENT ASSETS** | **472,694,110** | **548,654,236** |
| Amounts receivable after more than one year | | |
| Stocks and contracts in progress | 157,535,374 | 121,479,460 |
| Amounts receivable within one year | 240,157,581 | 121,822,301 |
| Current investments | 61,500,000 | 303,660,916 |
| Cash at bank and in hand | 12,573,634 | 557,637 |
| Deferred charges and accrued income | 927,521 | 1,133,922 |
| **TOTAL ASSETS** | **887,202,257** | **827,678,458** |
| **EQUITY** | **514,141,066** | **486,899,303** |
| Capital | 17,966,815 | 17,966,815 |
| Share premium account | 439,807,219 | 439,740,046 |
| Revaluation surpluses | | |
| Reserves | 2,156,390 | 1,672,794 |
| Accumulated profits (losses) | 51,193,044 | 22,987,868 |
| Investment grants | 3,017,598 | 4,531,780 |
| **PROVISIONS AND DEFERRED TAXES** | **6,205,189** | **6,276,177** |
| Provisions for liabilities and charges | 5,576,441 | 5,558,894 |
| Deferred taxes | 628,748 | 717,282 |
| **AMOUNTS PAYABLE** | **366,856,002** | **334,502,979** |
| Amounts payable after more than one year | 195,000,000 | 195,000,000 |
| Amounts payable within one year: | 163,373,540 | 134,045,616 |
| Trade debts | 123,373,364 | 110,681,328 |
| Advances received on contracts in progress | 1,551,191 | 2,143,359 |
| Taxes, remuneration and social security | 23,448,985 | 20,757,377 |
| Other amounts payable | 15,000,000 | 463,553 |
| Deferred charges and accrued income | 8,482,462 | 5,457,362 |
| **TOTAL LIABILITIES** | **887,202,257** | **827,678,458** |

# Hansen Transmissions Group
# **List of Subsidiaries**

Hansen Transmissions International NV has twelve subsidiaries. Hansen Transmissions International NV is the holding company of the Group.

The table below shows the list of Subsidiaries. The issued share capital of each subsidiary is fully paid up and each is included in the consolidated accounts of the Group.

| Name | Country of incorporation | % equity interest As at 31 March 2009 |
|---|---|---|
| Hansen Drives Ltd | India | 100 |
| Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd | China | 99.9 |
| Hansen Wind Energy Drives (China) Co., Ltd | China | 99.0 |
| Hansen Transmissions Inc | United States of America | 100 |
| Hansen Transmissions Pty | Australia | 100 |
| Hansen Transmissions Pty Ltd | South Africa | 100 |
| Hansen Transmissions Ltd | United Kingdom | 100 |
| Hansen Transmissões Mecânicas Ltda | Brazil | 99.9 |
| Lommelpark NV | Belgium | 100 |
| Hansen Drives Pte. Ltd. | Singapore | 100 |
| Hansen Drives Limited | Hong Kong | 100 |
| Sunrise Wind Project Private Limited | India | 100 |

# Financial **Glossary**

**EBITDA**
Earnings before interest, tax, depreciation and amortization.

**Earnings per share**
Net profit divided by the weighted average number of ordinary shares.

**Weighted average number of shares**
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighted factor.

**Gearing ratio**
Net debt divided by equity plus net debt.

**Net debt**
Non-current and current borrowings and bank overdrafts less cash and cash equivalents.

**Ordinary shares**
The ordinary shares with no par value in the capital of the Company.

# Hansen on the Stockmarket

Hansen Transmissions International NV was listed on the London Stock Exchange, under the ticker "HSN", in December 2007. The Company raised 440 million euro, including the over-allotment option. The IPO proceeds helped the Company to achieve its objectives of building upon an already strong market position in the wind industry, in particular in the large-scale multi-MW wind turbine sector, and to expand its manufacturing capacity to meet global demand from its customer base. The new factories in Coimbatore, India, and Tianjin, China, are key elements of Hansen's expansion plan, along with the previous extension of the state-of-the-art Lommel plant.

### Share Capital

As at 31 March 2009, the share capital of Hansen amounts to 17,966,814.57 euro. It is represented by 670,104,208 shares, fully paid-up, without nominal value, each representing an equal part of the capital.

### Stock Market Information

| | |
|---|---|
| Listing London Stock Exchange – International Main Market | |
| Ticker Codes: | |
| LSE | HSN |
| Bloomberg | HSN |
| Reuters | HSNT.L |
| ISIN | BE0947727377 |

### Dividend Policy

To support the Group's current growth strategy, for the foreseeable future the Company does not intend to pay any dividends. The payment of dividends in the future will depend on, among other things, the Company's future profits, its financial position, the working capital requirements, the general economic conditions and other factors that the Directors deem significant from time to time.

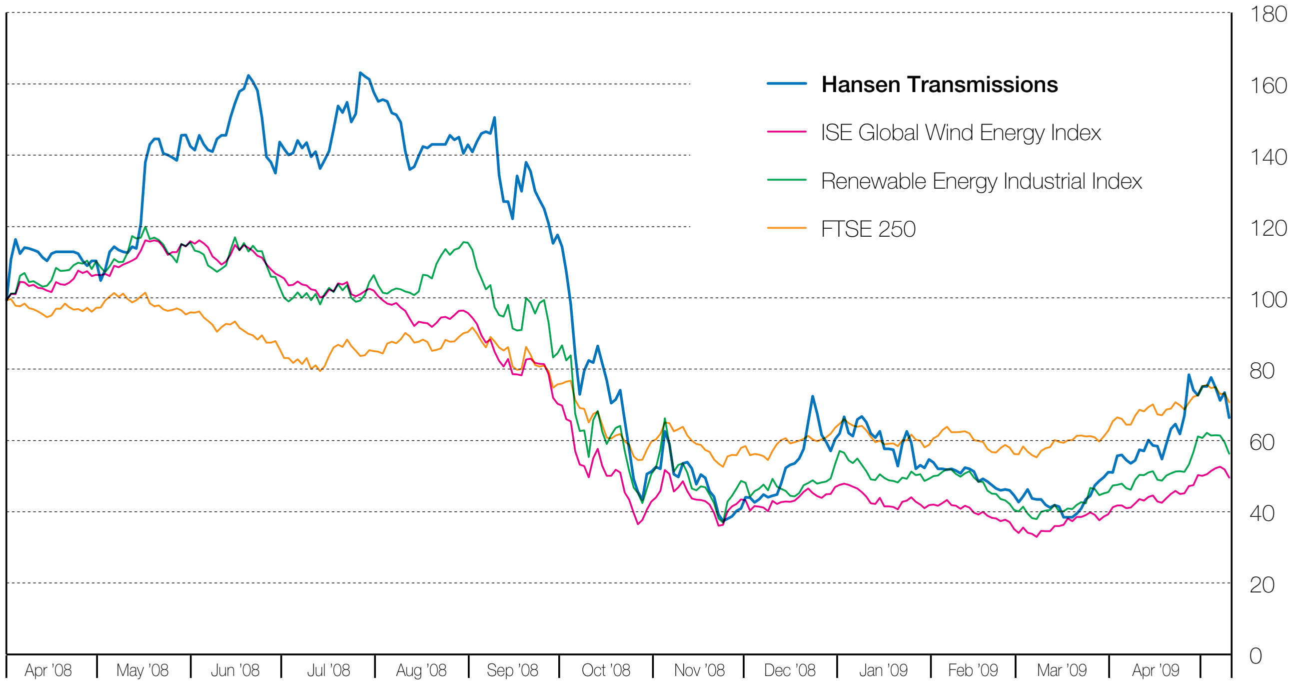
Hansen's Facility Agreement for the 260 million euro Multi-Currency Term Loan and Revolving Credit Facility provides that it cannot pay any dividend prior to 1 April 2010. After such date, Hansen will be entitled to pay dividends under the terms of the Facility Agreement, but only up to 50 per cent of its consolidated net recurrent profit and provided certain conditions are met. Hansen may revise its dividend policy from time to time.

### Share price (in GBX)

IPO price – 11 December 2007: 175 GBX

| | FY 2009 |
|---|---|
| High (28 July 2008) | 325.00 |
| Low (21 November 2008) | 75.00 |
| Close (31 March 2009) | 99.25 |
| | |
| Average daily volume | 729,273 |

| | 31 March 2008 | 31 March 2009 |
|---|---|---|
| Market Cap (in £) | 1,313,404,248 | 665,078,426 |
| Market Cap (in €) | 1,649,964,086 | 714,520,356 |




**Hansen Transmissions International NV – Comparative Share Price Performance**

Start price of this graph is 198 GBX, Price on 1 April 2008 – rebased to 100

- **GWE: ISE Global Wind Energy Index**

  The ISE Global Wind Energy Index provides a benchmark for investors interested in tracking public companies active in wind energy industry. Number of companies in the index: 55. Top 5 (May 2009): EDP Renovaveis, Vestas, Iberdrola Renovables, Hansen, Nordex. More info available on: www.iseoptions.com

- **RENIXX: Renewable Energy Industrial Index**

  This global stock index comprises the performance of the world´s 30 largest companies of the renewable energy industry whose weighting in the index is based on the free float market capitalization. Number of components: 30 companies. Top 5 (May 2009): Vestas, First Solar, Iberdrola Renovables, Gamesa, Suntech Powers. More info available on: www.renixx.com

- **FTSE 250**

**Contact:**

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Director Investor Relations
Investor.relations@hansentransmissions.com
De Villermontstraat 9
B-2550 Kontich – Belgium
http://www.hansentransmissions.com/en/investorrelations.html

A copy of this annual report can be requested at this address.

# Information Sheet
## as at 31 March 2009

| | |
|---|---|
| **Name** | Hansen Transmissions International |
| **Form** | NV |
| **Address** | Leonardo da Vincilaan 1-3 B-2650 Edegem |
| **Phone** | +32 3 450 12 11 |
| **Fax** | +32 3 450 12 20 |
| **E-mail** | info@hansentransmissions.com |
| **Website** | www.hansentransmissions.com |
| **Enterprise no.** | 0403646296 |
| **Vat** | BE 403 646 296 |
| **Establishment date** | 1923 |
| **Auditor** | Ernst & Young Bedrijfsrevisoren BCVBA |
| **Financial year closing** | 31 March |
| **Capital** | €17,966,814.57 |
| **Number of shares** | 670,104,208 |
| **Annual shareholders' meeting** | 25 June 2009 |
| **Listing** | London Stock Exchange: LSE: Ticker "HSN" |

## Language of this annual report

This is an English translation of the Annual Financial Report of Hansen Transmissions International NV, that was originally prepared and audited in Dutch. The original Dutch Annual Financial Report is available on the Company's website www.hansentransmissions.com.

## Availability of the annual report

A copy of this Annual Report can be requested at:
Hansen Corporate Headquarters
Investor Relations
De Villermontstraat 9
B-2550 Kontich – Belgium
http://www.hansentransmissions.com/nl/investorrelations.html
investor.relations@hansentransmissions.com

# Chronological Overview **of Press Releases**

**28 April 2008 Announcement: Hansen Transmissions is granted international environment certificate**
LOMMEL, BELGIUM | 28 APRIL 2008. – Hansen Transmissions International N.V., an established global gearbox designer, manufacturer and supplier and a leader in the wind turbine gearbox market, has been granted the ISO 14001 certificate for the environment management system in its plant in Lommel.

**7 May 2008 Announcement: Hansen Transmissions to announce Full Year Results on 19 May 2008**
EDEGEM, BELGIUM | 7 MAY 2008. – Hansen Transmissions International N.V. (ticker 'HSN'), an established global gearbox designer, manufacturer and supplier and a leader in the wind turbine gearbox market, will be releasing its Full Year Results for the year ended March 31, 2008 on Monday, 19 May 2008.

**19 May 2008 Announcement: Hansen Transmissions International Reports Q4 and Full Year 2008 results**
EDEGEM, BELGIUM / LONDON, UK | 19 MAY 2008. – Hansen Transmissions International NV ("Hansen", "the Group" or "the Company") today announces its results for the 3 months period ended 31 March 2008 and for the 12 months period ended 31 March 2008.

**29 May 2008 Announcement: Hansen announces appointment of Mrs Jann Brown as non-executive Director**
EDEGEM/ANTWERP, BELGIUM | 29 MAY 2008. – Hansen Transmissions International N.V. (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier with a leading position in the wind turbine gearbox market, today announced that the appointment of Mrs Jann Brown as non-executive Director of the Company has been proposed to its annual shareholders' meeting to be held on 26 June 2008.

**29 May 2008 Announcement: Hansen Transmissions International N.V. announces the publication of the Annual Financial Report 2008, for the Financial Year ending 31 March 2008, and the publication of Notice of the annual shareholders' meeting FY 2008 – to be held 26 June 2008 in Edegem, Belgium**
The documents are available on the Hansen website through http://www.hansentransmissions.com/en/reports_publications.html

**12 June 2008 Announcement: Minister-President Kris Peeters opens expanded Hansen factory in Lommel**
LOMMEL | 12 JUNE 2008. – Today, Hansen Transmissions expanded factory in Lommel, Belgium was officially opened by Flemish Minister-President Kris Peeters. The Minister-President also unveiled the recently obtained ISO 14001 environmental certificate and he assisted in the final assembly of Hansen's 20,000th wind turbine gearbox. The investment in the Lommel factory expansion was around 180 million euro where Hansen employs over 800 people.

**27 June 2008 Announcement: Hansen Transmissions announces that the resolutions presented to the annual shareholders' meeting have been adopted**
EDEGEM/ANTWERP, BELGIUM | 27 JUNE 2008. – Hansen Transmissions International N.V. (LSE ticker 'HSN'), announces that all the resolutions presented to the annual shareholders' meeting held on 26 June 2008 in Belgium have been adopted.

**30 June 2008 Announcement: Hansen Transmissions announces appointment of Mrs Jann Brown as non-executive Director of the Company**
EDEGEM/ANTWERP, BELGIUM | 30 JUNE 2008. – At the annual shareholders' meeting held on 26 June 2008, the resolution to appoint Jann Brown (Janice Margaret Brown) as non-executive independent Director was passed. Jann Brown is finance Director in Cairn Energy PLC. Jann Brown has been Director of Cairn India Limited.

**22 July 2008 Announcement: Hansen Transmissions to announce Q1 Financial Year 2009 Interim Management Statement on 28 July**

EDEGEM, BELGIUM | 22 JULY 2008. – Hansen Transmissions International N.V. (ticker 'HSN'), an established global gearbox designer, manufacturer and supplier and a leader in the wind turbine gearbox market, will release its Q1 FY 2009 Interim Management Statement on 28 July.

**28 July 2008 Announcement: Interim Management Statement Q1 FY 2009**

EDEGEM/ANTWERP, BELGIUM / LONDON, UK | 28 JULY 2008. – Hansen Transmissions International NV ("Hansen", "the Group" or "the Company") today announces its Interim Management Statement for the 3 months ended 30 June 2008.

**19 August 2008 Announcement: Hansen announces appointment of Cliff Dawson as Chief Operating Officer**

EDEGEM/ANTWERP, BELGIUM | 19 AUGUST 2008. – Hansen Transmissions International N.V. (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier with a leading position in the wind turbine gearbox market, today announced the appointment of Mr. Cliff Dawson as Chief Operating Officer.

**9 September 2008 Announcement: Groundbreaking ceremony China**

ANTWERP, BELGIUM / TIANJIN,CHINA | 9 SEPTEMBER 2008. – Hansen Transmissions International NV, (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier, and a leader in the wind turbine gearbox market, yesterday held a ceremony to celebrate the breaking of ground for its wind turbine plant in the Beichen Hi-tech Industrial Park, Tianjin, Hansen Wind Energy Drives (China) Co., Ltd.

**30 September 2008 Announcement: Hansen Delivers First Gearbox from Indian Facility**

COIMBATORE, INDIA / EDEGEM, BELGIUM | 30 SEPTEMBER 2008. – Hansen Transmissions International N.V. (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier with a leading position in the wind turbine gearbox market, today announces that it has delivered the first gearbox from its new facility at Karumathampatty, near Coimbatore.

**27 October 2008 Announcement: Hansen Transmissions International reports first half results for the Financial Year 2009**

EDEGEM, BELGIUM / LONDON, UK | 27 OCTOBER 2008. – Hansen Transmissions International NV ("Hansen", "the Group" or "the Company"), (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier with a leading position in the wind turbine gearbox market, today announces its results for the six months ended 30 September 2008.

**31 October 2008 Announcement: Transparency statement by AE-Rotor Holding BV (Suzlon Energy Ltd.)**

Hansen Transmissions International NV reports that on 29 October 2008 it received the transparency statement, which shows that AE-Rotor Holding B.V. (directly controlled by Suzlon Energy Ltd.) holds 477,642,500 shares (or 71.28%) of the total 670,104,208 Hansen Transmissions International N.V. shares outstanding and that four investors acting in concert with AE-Rotor Holding B.V. hold 8,884,375 shares (or 1.33%) of the total 670,104,208 Hansen Transmissions International N.V. shares outstanding.

**5 November 2008 Announcement: Transparency statement by Capita IRG Trustees (Nominees) Ltd**

Hansen Transmissions International NV reports that on 3 November 2008 it received a transparency statement, which shows that on 1 September 2008, Capita IRG Trustees (Nominees) Ltd held 181,793,468 (or 27.13%) voting shares of the total 670,104,208 Hansen Transmission International NV shares outstanding.

**8 December 2008 Announcement: Transparency statement by Wellington Management Company, LLP**

Hansen Transmissions International NV reports that on 4 December 2008 it received a transparency statement, which shows that on 1 September 2008 Wellington Management Company, LLP held 47,076,338 (or 7.03%) voting rights of the total 670,104,208 voting rights in Hansen Transmissions International NV.

**2 January 2009 Announcement: Suzlon sells 10% stake in Hansen to funds managed by Ecofin**

EDEGEM, BELGIUM / LONDON, UK | 2 JANUARY 2009. – Hansen Transmissions International NV, (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier with a leading position in the wind turbine gearbox market, today announces that it has received notification that its controlling shareholder, AE-Rotor Holding B.V., a wholly owned indirect subsidiary of Suzlon Energy Limited, the world's fifth leading and India's largest wind turbine manufacturer agreed on 31 December 2008 to sell 67,010,421 shares (10% equity) in Hansen, to funds managed by Ecofin Limited, a London based specialized investment firm.

**27 January 2009 Announcement: Transparency statement by Capita IRG Trustees (Nominees) Ltd**

Hansen Transmissions International NV reports that on 26 January 2009 it received a transparency statement, which shows that on 21 January 2009, Capita IRG Trustees (Nominees) Ltd held 248,801,014 (or 37.13%) voting shares of the total 670,104,208 Hansen Transmission International NV shares outstanding.

**28 January 2009 Announcement: Interim Management Statement for the third quarter of Financial Year 2009**

EDEGEM/ANTWERP, BELGIUM / LONDON, UK | 28 JANUARY 2009. – Hansen Transmissions International NV ("Hansen", "the Group" or "the Company") today announces its Interim Management Statement for the 3 months ended 31 December 2008.

**2 February 2009 Announcement: Joint Transparency statement by AE Rotor Holding BV and Ecofin Limited.**

LONDON / KONTICH | 2 FEBRUARY 2009. – Hansen Transmissions International NV reports that on 28 January 2009 it received a transparency statement, which shows that effective as from 26 January 2009, AE-Rotor Holding B.V. (directly controlled by Suzlon Energy Ltd.) transferred in aggregate 67,010,421 depositary interests in Hansen Transmissions International NV to Ecofin Limited (being the discretionary investment manager of Ecofin Special Situations Utilities Master Fund Limited, Ecofin Global Utilities Master Fund Limited and Ecofin Water & Power Opportunities plc, the funds that acquired the interests).

**2 February 2009 Announcement: Announcement of transparency statement by AE-Rotor Holding BV**

LONDON / KONTICH | 2 FEBRUARY 2009. – Hansen Transmissions International NV reports that on 30 January 2009 it received a transparency statement, which shows that on 26 January 2009 AE-Rotor B.V. (directly controlled by Suzlon Energy Ltd.) held 410,632,079 (or 61.28%) of the total 670,104,208 voting rights in Hansen Transmissions International NV. and that 4 persons acting in concert with AE-Rotor Holding, held 8,884,375 (or 1.33%) of the total 670,104,208 voting rights in Hansen Transmissions International NV.

**9 February 2009 Announcement: Agreement with Unions in Belgium on Labour Flexibility**

Hansen announces today that it has reached an agreement with the social partners concerned in Belgium in respect of flexibility on direct labour planning, such as possibilities with regards to temporary unemployment.

**16 March 2009 Announcement: Transparency statement by Capita IRG Trustees (Nominees) Ltd**

Hansen Transmissions International NV reports that on 12 March 2009 it received a transparency statement showing that, on 6 March 2009, Capita IRG Trustees (Nominees) Ltd held 315,810,435 (or 47.13%) voting shares of the total of 670,104,208 Hansen Transmission International NV shares outstanding.

**16 March 2009 Announcement: Hansen Delivers First Gearbox from Chinese Facility**

TIANJIN, CHINA / EDEGEM, BELGIUM | 16 MARCH 2009. – Hansen Transmissions International N.V. (LSE ticker 'HSN'), an established global gearbox designer, manufacturer and supplier with a leading position in the wind turbine gearbox market, today announces that it has delivered the first gearbox from its new facility at the Beichen Hi-tech Industrial park in Tianjin.

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# **Financial Calendar** 2009 – 2010

| **DATE** | **TOPIC** |
|---|---|
| *The Financial Year of Hansen Transmissions International NV ends on 31st of March.* | |
| **FY 2009 Results** | |
| 26 May 2009 | Annual Financial Report Financial Year 2009 available |
| 25 June 2009 | Annual Shareholders' Meeting Financial Year 2009 |
| **FY 2010** | |
| **Q1 2010 Update** | |
| 27 July 2009 (*) | Interim Management Statement Q1 2010 |
| **1H 2010 Results** | |
| 26 October 2009 (*) | Press Release First Half 2010 Results |
| **Q3 2010 Update** | |
| 28 January 2010 (*) | Interim Management Statement Q3 2010 |
| **FY 2010 Results** | |
| 17 May 2010 (*) | Press Release Annual Results Financial Year 2010 |
| 26 May 2010 (*) | Annual Financial Report Financial Year 2010 available |
| 24 June 2010 | Annual Shareholders' Meeting Financial Year 2010 |

(*) publication dates are subject to final confirmation

# Notes

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