

PHOTOCAT A/S

Langebjerg 4, 4000 Roskilde

Company reg. no. 32 35 79 03

Annual report

1 January - 31 December 2024

The annual report was submitted and approved by the general meeting on the 22 May 2025.

Henrik Jensen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of PHOTOCAT A/S for the financial year 1 January - 31 December 2024.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2024.

We recommend that the annual report be approved at the Annual General Meeting.

Roskilde, 6 May 2025

Managing Director

Michael Humle
Director

Board of directors

Mette Therkildsen
Chairman

Finn Overgaard

Troels Gert Nielsen

Alexander Lambert Antione
Gérard Van Haren

Independent auditor's report

To the shareholders of PHOTOCAT A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2024, and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of PHOTOCAT A/S for the financial year 1 January to 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Independent auditor's report

Hillerød, 6 May 2025

PrisewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant
mne30221

Preben Bøgeskov Eriksen
State Authorised Public Accountant
mne23370

Company information

The company

PHOTOCAT A/S
Langebjerg 4
4000 Roskilde

Company reg. no. 32 35 79 03
Established: 31 July 2009
Domicile: Roskilde
Financial year: 1 January - 31 December

Board of directors

Mette Therkildsen, Chairman
Finn Overgaard
Troels Gert Nielsen
Alexander Lambert Antione Gérard Van Haren

Managing Director

Michael Humle, Director

Auditors

PrisewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Milnersvej 43
3400 Hillerød

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
Revenue	11.332.794	15.041.092
Change in inventories of finished goods, work in progress and goods for resale	-316.158	-188.826
Own work capitalised	1.502.436	1.849.003
Other operating income	779.994	0
Costs of raw materials and consumables	-3.034.325	-3.924.731
Other external expenses	-4.144.955	-6.450.030
Gross profit	6.119.786	6.326.508
4 Staff costs	-5.271.363	-5.978.915
Depreciation, amortisation, and impairment	-3.104.941	-2.113.271
Operating profit	-2.256.518	-1.765.678
Other financial income	5.756	0
Other financial expenses	-601.454	-561.368
Pre-tax net profit or loss	-2.852.216	-2.327.046
5 Tax on net profit or loss for the year	330.536	406.781
Net profit or loss for the year	-2.521.680	-1.920.265
Proposed distribution of net profit:		
Allocated from retained earnings	-2.521.680	-1.920.265
Total allocations and transfers	-2.521.680	-1.920.265

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
Assets		
6 Completed development projects	6.688.284	5.937.137
7 Acquired patents	852.964	925.492
8 Acquired other rights	4.856.507	5.324.891
9 Development projects in progress	2.643.906	4.280.185
Total intangible assets	<u>15.041.661</u>	<u>16.467.705</u>
10 Plant and machinery	504.281	291.904
11 Other fixtures, fittings, tools and equipment	24.537	46.269
Total property, plant, and equipment	<u>528.818</u>	<u>338.173</u>
12 Other financial investments	1	1
13 Deposits	300.885	315.885
Total investments	<u>300.886</u>	<u>315.886</u>
Total fixed assets	<u>15.871.365</u>	<u>17.121.764</u>
Current assets		
Raw materials and consumables	268.153	388.240
Work in progress	68.499	226.779
Finished goods and goods for resale	100.859	138.650
Total inventories	<u>437.511</u>	<u>753.669</u>
Trade receivables	2.192.563	4.071.809
Income tax receivables	330.530	406.775
Other receivables	392.056	407.011
Prepayments	94.339	116.896
Total receivables	<u>3.009.488</u>	<u>5.002.491</u>
Cash and cash equivalents	<u>306.110</u>	<u>229.888</u>
Total current assets	<u>3.753.109</u>	<u>5.986.048</u>
Total assets	<u>19.624.474</u>	<u>23.107.812</u>

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
Equity and liabilities		
Equity		
Contributed capital	5.995.000	5.850.000
Reserve for development costs	7.279.108	7.795.225
Retained earnings	-2.690.625	-1.400.101
Total equity	<u>10.583.483</u>	<u>12.245.124</u>
Liabilities		
Other payables	4.210.444	3.916.096
Payables to shareholders and management	736.137	706.075
Deferred income	0	779.994
14 Total long term liabilities other than provisions	<u>4.946.581</u>	<u>5.402.165</u>
14 Current portion of other payables	0	268.053
Bank loans	1.514.446	1.748.178
Trade payables	2.178.318	3.126.780
Other payables	401.646	317.512
Total short term liabilities other than provisions	<u>4.094.410</u>	<u>5.460.523</u>
Total liabilities	<u>9.040.991</u>	<u>10.862.688</u>
Total equity and liabilities	<u>19.624.474</u>	<u>23.107.812</u>

1 Key activities

2 Going concern

3 Fees for auditor

15 Charges and security

16 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 January 2023	5.850.000	7.197.109	1.118.281	14.165.390
Retained earnings for the year	0	0	-1.920.266	-1.920.266
Development costs for the year	0	1.442.222	-1.442.222	0
Depreciation, amortisation and impairment for the year	0	-844.106	844.106	0
Equity 1 January 2024	5.850.000	7.795.225	-1.400.101	12.245.124
Cash capital increase	145.000	0	715.039	860.039
Retained earnings for the year	0	0	-2.521.680	-2.521.680
Development costs for the year	0	1.171.900	-1.171.900	0
Depreciation, amortisation and impairment for the year	0	-1.688.017	1.688.017	0
	5.995.000	7.279.108	-2.690.625	10.583.483

Statement of cash flows 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
Net profit or loss for the year	-2.521.680	-1.920.265
17 Adjustments	2.590.109	2.267.859
18 Change in working capital	1.368.589	412.195
Cash flows from operating activities before net financials	1.437.018	759.789
Interest received, etc.	5.756	0
Interest paid, etc.	-545.098	-464.793
Cash flows from ordinary activities	897.676	294.996
Income tax received	406.781	438.072
Cash flows from operating activities	1.304.457	733.068
Purchase of intangible assets	-1.502.436	-3.349.003
Purchase of property, plant, and equipment	-367.106	-149.960
Purchase of fixed asset investments	0	-15.000
Sale of fixed asset investments	15.000	0
Cash flows from investment activities	-1.854.542	-3.513.963
Changes in long-term payables	0	1.459.567
Cash capital increase	860.039	0
Payments in short-term bank loans	-233.732	768.555
Raising of loans from shareholders and management	0	692.851
Cash flows from financing activities	626.307	2.920.973
Change in cash and cash equivalents	76.222	140.078
Cash and cash equivalents at 1 January 2024	229.888	89.810
Cash and cash equivalents at 31 December 2024	306.110	229.888
Cash and cash equivalents		
Cash and cash equivalents	306.110	229.888
Cash and cash equivalents at 31 December 2024	306.110	229.888

Notes

All amounts in DKK.

1. Key activities

Photocat has developed photocatalytic liquids and solutions designed to improve environmental conditions and potentially deliver life-saving enhancements to air quality. These solutions are applicable to various surfaces and offer long-lasting, documented effects.

Founded as a green transition company, Photocat is committed to delivering environmental and climate solutions aligned with the United Nations' Sustainable Development Goals (SDGs). Photocat provides life- and health-saving technologies with a socio-economic advantage, particularly for the public sector. The company maintains focus on delivering these transition goals, with a key emphasis on NOx reduction to improve urban air quality. Indoor air quality has also been a priority, and the company has delivered multiple solutions for VOC reduction in collaboration with Kirkbi portfolio company Vålinge. In the near future, Photocat aims to expand its portfolio to include CO2-reduction technologies.

Photocat's solutions are developed with both economic and scientific objectives, enabling its customers to add enhanced value when delivering their own products such as roofing membranes, coatings, roads, and flooring. The product portfolio is marketed through direct sales approaches to selected potential clients in key markets. Photocat markets its products under the NOxOFF, Actifloor, ShineOn, and Photocat Garden trademarks. All products are currently in the early stages of their lifecycle, due to the nature of the underlying technology and processes, even though the company's core products have been commercially available for several years.

2. Going concern

The going concern of the company depends on continued contribution of liquidity. This indicates an uncertainty to whether the Company will be able to continue its operations. Up until now, operations have been financed by the shareholders. The managing director has issued a letter of financial support maximised to DKK 2,5 mio. until to 30 June 2026 to support the Company's continued operations and consequently the financial statement has been prepared on going concern basis.

3. Fees for auditor

	<u>2024</u>	<u>2023</u>
Total remuneration for PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab	175.000	124.000
Fees for auditors performing statutory audit	175.000	109.000
Tax-related consulting	0	0
Assurance engagements	0	15.000
	<u>175.000</u>	<u>124.000</u>

Notes

All amounts in DKK.

	<u>2024</u>	<u>2023</u>
4. Staff costs		
Salaries and wages	4.988.253	5.795.577
Pension costs	228.800	126.400
Other costs for social security	54.310	56.938
	<u>5.271.363</u>	<u>5.978.915</u>
Average number of employees	<u>7</u>	<u>7</u>
5. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	-330.536	-406.781
	<u>-330.536</u>	<u>-406.781</u>
	<u>31/12 2024</u>	<u>31/12 2023</u>
6. Completed development projects		
Cost 1 January 2024	24.045.012	21.703.328
Transfers	2.217.258	2.341.684
Cost 31 December 2024	<u>26.262.270</u>	<u>24.045.012</u>
Amortisation and write-down 1 January 2024	-18.107.875	-16.747.648
Amortisation and depreciation for the year	-1.466.111	-1.360.227
Amortisation and write-down 31 December 2024	<u>-19.573.986</u>	<u>-18.107.875</u>
Carrying amount, 31 December 2024	<u>6.688.284</u>	<u>5.937.137</u>
See description under note 9 - development projects in progress.		

Notes

All amounts in DKK.

	<u>31/12 2024</u>	<u>31/12 2023</u>
7. Acquired patents		
Cost 1 January 2024	3.144.515	3.144.515
Cost 31 December 2024	<u>3.144.515</u>	<u>3.144.515</u>
Amortisation and write-down 1 January 2024	-2.219.023	-2.142.606
Amortisation and depreciation for the year	<u>-72.528</u>	<u>-76.417</u>
Amortisation and write-down 31 December 2024	<u>-2.291.551</u>	<u>-2.219.023</u>
Carrying amount, 31 December 2024	<u>852.964</u>	<u>925.492</u>
8. Acquired other rights		
Cost 1 January 2024	5.927.465	4.427.465
Additions during the year	<u>0</u>	<u>1.500.000</u>
Cost 31 December 2024	<u>5.927.465</u>	<u>5.927.465</u>
Amortisation and write-down 1 January 2024	-602.574	-159.191
Amortisation and depreciation for the year	<u>-468.384</u>	<u>-443.383</u>
Amortisation and write-down 31 December 2024	<u>-1.070.958</u>	<u>-602.574</u>
Carrying amount, 31 December 2024	<u>4.856.507</u>	<u>5.324.891</u>

Notes

All amounts in DKK.

	<u>31/12 2024</u>	<u>31/12 2023</u>
9. Development projects in progress		
Cost 1 January 2024	4.280.185	4.772.866
Additions during the year	1.502.436	1.849.003
Transfers	<u>-2.217.258</u>	<u>-2.341.684</u>
Cost 31 December 2024	<u>3.565.363</u>	<u>4.280.185</u>
Amortisation and write-down 1 January 2024	0	0
Impairment loss for the year	<u>-921.457</u>	<u>0</u>
Amortisation and write-down 31 December 2024	<u>-921.457</u>	<u>0</u>
Carrying amount, 31 December 2024	<u>2.643.906</u>	<u>4.280.185</u>
<p>The Company's development costs include costs for the development of photocatalytic liquid that can be applied to surfaces giving an air cleaning effect as it removes NOx from the air. Development costs capitalised for the year relate to the development of the Company's solutions for incorporation into products. The expected market for the developed products is the existing customer segments which will incorporate the products into their own product lines. Development projects regarding Bitumen technology is finalised in the year and transfers to completed development projects. The new projects are solutions for dust control and road stabilisation by enhancing the binding properties of soil and other materials. Development projects in progress are projects that are expected to be completed in 2025-2026.</p>		
10. Plant and machinery		
Cost 1 January 2024	5.553.747	5.403.787
Additions during the year	<u>350.268</u>	<u>149.960</u>
Cost 31 December 2024	<u>5.904.015</u>	<u>5.553.747</u>
Depreciation and write-down 1 January 2024	-5.261.843	-5.146.526
Amortisation and depreciation for the year	<u>-137.891</u>	<u>-115.317</u>
Depreciation and write-down 31 December 2024	<u>-5.399.734</u>	<u>-5.261.843</u>
Carrying amount, 31 December 2024	<u>504.281</u>	<u>291.904</u>

Notes

All amounts in DKK.

	<u>31/12 2024</u>	<u>31/12 2023</u>
11. Other fixtures, fittings, tools and equipment		
Cost 1 January 2024	433.673	433.673
Additions during the year	<u>16.838</u>	<u>0</u>
Cost 31 December 2024	<u>450.511</u>	<u>433.673</u>
Depreciation and write-down 1 January 2024	-387.404	-269.477
Amortisation and depreciation for the year	<u>-38.570</u>	<u>-117.927</u>
Depreciation and write-down 31 December 2024	<u>-425.974</u>	<u>-387.404</u>
Carrying amount, 31 December 2024	<u>24.537</u>	<u>46.269</u>
12. Other financial investments		
Cost 1 January 2024	<u>7</u>	<u>7</u>
Cost 31 December 2024	<u>7</u>	<u>7</u>
Revaluation 1 January 2024	<u>-6</u>	<u>-6</u>
Revaluation 31 December 2024	<u>-6</u>	<u>-6</u>
Carrying amount, 31 December 2024	<u>1</u>	<u>1</u>
13. Deposits		
Cost 1 January 2024	315.885	300.885
Additions during the year	0	15.000
Disposals during the year	<u>-15.000</u>	<u>0</u>
Cost 31 December 2024	<u>300.885</u>	<u>315.885</u>
Carrying amount, 31 December 2024	<u>300.885</u>	<u>315.885</u>

Notes

All amounts in DKK.

14. Long term liabilities other than provisions

	<u>Total payables 31 Dec 2024</u>	<u>Current portion of long term payables</u>	<u>Long term payables 31 Dec 2024</u>	<u>Outstanding payables after 5 years</u>
Other payables	4.210.444	0	4.210.444	330.909
Payables to shareholders and management	736.137	0	736.137	0
	<u>4.946.581</u>	<u>0</u>	<u>4.946.581</u>	<u>330.909</u>

15. Charges and security

As Security for the Company's assets, a negative pledge of TDKK 5.800 has been given to the Company's credit institutions. This security comprises the assets below, stating the carrying amounts:

	<u>DKK in thousands</u>
Inventories	438
Trade receivables	2.193
Intangible assets	15.042
Property, plant, and equipment	529

16. Contingencies

Contingent assets

The company has a non-recognized tax asset of TDKK 6.946.

Contingent liabilities

The Company has a total rental obligation of DKK 514.031 (2023: DKK 506.678) and a leasing obligation of DKK 205.320 (2023: DKK 288.439).

Notes

All amounts in DKK.

	<u>2024</u>	<u>2023</u>
17. Adjustments		
Depreciation, amortisation, and impairment	3.104.941	2.113.272
Other financial income	-5.756	0
Other financial expenses	601.454	561.368
Tax on net profit or loss for the year	-330.536	-406.781
Other operation income	-779.994	0
	<u>2.590.109</u>	<u>2.267.859</u>
18. Change in working capital		
Change in inventories	316.158	188.826
Change in receivables	1.916.757	825.382
Change in trade payables and other payables	-864.326	-602.013
	<u>1.368.589</u>	<u>412.195</u>

Accounting policies

The annual report for PHOTOCAT A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations, amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Income statement

Revenue

Revenue which consists of consultancy fee, and sales of licences and goods is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Raw materials and consumables

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

Own work capitalised

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

Other operating income

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external expenses

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Other external expenses also comprise research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses relating to debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and write-downs for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 6-8 years.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 20 years.

Other rights are measured at cost less accrued amortisation. Other rights are amortised on a straightline basis over its useful life, however, for a maximum of 10 years.

Accounting policies

Profit and loss from the sale of development projects, patents, licenses and other rights are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Grants received in connection with development projects are accrued in deferred income and are recognised concurrently in the income statement as the asset is amortised over its expected useful life.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The depreciation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the depreciation period or the residual value is changed, the effect on depreciation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Investments

Other financial instruments

Other unlisted financial instruments are measured at cost. Write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Accounting policies

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are identified, impairment tests are carried out for each individual asset or group of assets, respectively. Write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

Accounting policies

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities

Bank loans are measured at amortised cost which, for cash loans, corresponds to the outstanding payables.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, the changes for the year in cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Accounting policies

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and short-term financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.