

PHOTOCAT A/S

Langebjergerg 4, 4000 Roskilde
CVR no. 32 35 79 03

Annual report for 2025

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Income statement	8
Balance sheet	9 - 10
Statement of changes in equity	11
Cash flow statement	12
Notes	13 - 28

The company

PHOTOCAT A/S
c/o Photocat A/S
Langebjerg 4
4000 Roskilde
Tel.: 70 22 50 55
Website: www.photocat.net
Registered office: Roskilde
CVR no.: 32 35 79 03
Financial year: 01.01 - 31.12

Executive Board

Direktør Michael Humle

Board of Directors

Formand Mette Therkildsen
Finn Overgaard
Troels Gert Nielsen
Alexander Lambert Antoine Gérard Van Haren

Auditors

Beierholm
Godkendt Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.25 - 31.12.25 for PHOTOCAT A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.25 and of the results of the company's activities and cash flows for the financial year 01.01.25 - 31.12.25.

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

Roskilde, May 13, 2026

Executive Board

Michael Humle
Direktør

Board of Directors

Mette Therkildsen
Chairman

Finn Overgaard

Troels Gert Nielsen

Alexander Lambert Antoine Gérard Van
Haren

To the shareholders of PHOTOCAT A/S**AUDITORS'S REPORT ON THE FINANCIAL STATEMENTS****Opinion**

We have audited the financial statements of PHOTOCAT A/S for the financial year 01.01.25 - 31.12.25, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including material accounting policy information. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.25 and of the results of the company's operations and cash flows for the financial year 01.01.25 - 31.12.25 in accordance with the Danish Financial Statements Act.

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.

Material uncertainty regarding going concern

We draw attention to Note 1 in the financial statement, in which management has stated the conditions for the company's ability to continue its operations, thereby justifying why the financial statements have been prepared on a going-concern basis. We agree with management's description of the uncertainty and the choice of accounting principle. Our conclusion is therefore not modified in respect of this matter.

Emphasis of matter**Reference to particular uncertain factors for the recognition and measurement of items in the financial statements - intangible assets**

We draw attention to note 2, which describes material uncertainties related to the value of the Company's intangible assets. We agree with the Management's description and the accounting treatment of the intangible assets. Our conclusion is therefore not modified in respect of this matter.

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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 internal control that we identify during our audit.

VIOLATION OF VAT LEGISLATION

Contrary to the Danish VAT Act, VAT returns have not been submitted correctly to the Danish Tax Agency, as a result of which the management may incur liability.

Soeborg, Copenhagen, May 13, 2026

Beierholm

Godkendt Revisionspartnerselskab
CVR no. 32 89 54 68

Morten Stener

State Authorised Public Accountant
MNE-no. mne32182

Income statement

Note		
	2025 DKK	2024 DKK
	7,185,375	6,119,786
Gross profit		
5 Staff costs	-5,261,101	-5,271,363
	1,924,274	848,423
Profit before depreciation, amortisation, write-downs and impairment losses		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-1,905,787	-3,104,941
	18,487	-2,256,518
Operating profit/loss		
Financial income	0	5,756
Financial expenses	-766,601	-601,454
	-748,114	-2,852,216
Loss before tax		
Tax on loss for the year	452,814	330,536
	-295,300	-2,521,680
Loss for the year		
Proposed appropriation account		
Retained earnings	-295,300	-2,521,680
	-295,300	-2,521,680
Total		

Balance sheet

Note	ASSETS	31.12.25	31.12.24
		DKK	DKK
	Completed development projects	5,467,438	6,688,283
	Acquired rights	1,375,417	852,964
	Goodwill	4,388,136	4,856,507
	Development projects in progress	4,702,149	2,643,906
6	Total intangible assets	15,933,140	15,041,660
	Plant and machinery	3,718,973	504,282
	Other fixtures and fittings, tools and equipment	44,078	24,537
7	Total property, plant and equipment	3,763,051	528,819
8	Other investments	1	1
9	Deposits	300,885	300,885
	Total investments	300,886	300,886
	Total non-current assets	19,997,077	15,871,365
	Raw materials and consumables	187,862	268,153
	Work in progress	0	68,499
	Manufactured goods and goods for resale	205,502	100,859
	Total inventories	393,364	437,511
	Trade receivables	1,176,155	2,192,563
	Other receivables	1,825,416	722,586
	Prepayments	216,585	94,339
	Total receivables	3,218,156	3,009,488
	Cash	443,226	306,110
	Total current assets	4,054,746	3,753,109
	Total assets	24,051,823	19,624,474

EQUITY AND LIABILITIES

Note		31.12.25 DKK	31.12.24 DKK
	Share capital	5,995,000	5,995,000
	Reserve for development costs	7,164,318	7,279,108
	Retained earnings	-2,871,135	-2,690,625
	Total equity	10,288,183	10,583,483
10	Payables to participating interests	808,803	736,137
10	Other payables	424,134	4,210,443
	Total long-term payables	1,232,937	4,946,580
	Payables to other credit institutions	1,718,312	1,514,446
	Trade payables	5,268,705	2,178,318
	Other payables	5,543,686	401,647
	Total short-term payables	12,530,703	4,094,411
	Total payables	13,763,640	9,040,991
	Total equity and liabilities	24,051,823	19,624,474
11	Contingent assets		
12	Other commitments		
13	Charges and security		

Statement of changes in equity

Figures in DKK	Share capital	Reserve for development costs	Retained earnings	Total equity
Statement of changes in equity for 01.01.24 - 31.12.24				
Balance as at 01.01.24	5,850,000	7,795,225	-1,400,101	12,245,124
Capital increase	145,000	0	715,039	860,039
Total depreciation, amortisation, impairment losses and write-downs during the year	0	-1,688,017	1,688,017	0
Transfers to/from other reserves	0	1,171,900	-1,171,900	0
Net profit/loss for the year	0	0	-2,521,680	-2,521,680
Balance as at 31.12.24	5,995,000	7,279,108	-2,690,625	10,583,483
Statement of changes in equity for 01.01.25 - 31.12.25				
Balance as at 01.01.25	5,995,000	7,279,108	-2,690,625	10,583,483
Total depreciation, amortisation, impairment losses and write-downs during the year	0	-1,720,220	1,720,220	0
Transfers to/from other reserves	0	1,605,430	-1,605,430	0
Net profit/loss for the year	0	0	-295,300	-295,300
Balance as at 31.12.25	5,995,000	7,164,318	-2,871,135	10,288,183

Cash flow statement

Note	2025 DKK	2024 DKK
Loss for the year	-295,300	-2,521,680
14 Adjustments	2,219,574	2,590,109
Change in working capital:		
Inventories	44,147	316,158
Receivables	-86,390	1,916,757
Trade payables	3,090,387	-864,326
Other payables relating to operating activities	1,316,586	0
Cash flows from operating activities before net financials	6,289,004	1,437,018
Interest income and similar income received	0	5,756
Interest expenses and similar expenses paid	-766,601	-545,098
Income tax paid	330,536	406,781
Cash flows from operating activities	5,852,939	1,304,457
Purchase of intangible assets	-2,654,957	-1,502,436
Purchase of property, plant and equipment	-3,376,542	-367,106
Sale of property, plant and equipment	0	15,000
Cash flows from investing activities	-6,031,499	-1,854,542
Raising of additional capital	0	860,039
Arrangement of payables to credit institutions	203,866	0
Repayment of payables to credit institutions	0	-233,732
Repayment of payables to participating interests	72,666	0
Repayment of other long-term payables	39,144	0
Cash flows from financing activities	315,676	626,307
Total cash flows for the year	137,116	76,222
Cash, beginning of year	306,110	229,888
Cash, end of year	443,226	306,110
Cash, end of year, comprises:		
Cash	443,226	306,110
Total	443,226	306,110

1. Significant uncertainty as regards going concern

In order to ensure the continued operations of the Company, it is dependent on the continuation of its existing credit facilities as well as the provision of additional liquidity in the form of loans or capital contributions.

The following specific uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern:

- Significant overdue creditors and debt, which exceed the company's current assets and cannot be settled within existing credit facilities. Management expects to continue entering into agreements with creditors regarding repayment as liquidity allows.
- The company is in dialogue with its lender regarding instalments and adjustments to the repayment profile. Management expects to be able to enter into ongoing agreements that ensure the loan can be maintained.
- A verbal agreement has been made with employees regarding the deferral of salary payments. Management has initiated the formalisation of these agreements, ensuring that repayment will only take place as liquidity becomes available.
- The company's credit facility with its bank formally expires on 30 September 2026. Management expects that this facility can be extended on existing terms.
- The company is also dependent on its ability to continue the commercialisation of its developed products, including increasing sales and improving profitability. Management has sufficient confidence that the company will develop positively, supported by its product portfolio and the general societal demand for products that have a positive environmental impact.

The company has authorisation from the general meeting to increase the share capital and is working to obtain new capital from current and new investors to finance the company's ongoing and future development. Management expects that a capital increase will be completed in 2026.

Selected shareholders have also provided security on behalf of the company. The security is capped at DKK 2,500k., and for certain shareholders the security is conditional upon continued employment with the company.

Accordingly, there is material uncertainty regarding the Company's ability to continue as a going concern, as it remains uncertain whether the necessary commitments will be obtained. Management assesses that the required liquidity will be obtained and has therefore prepared the annual financial statements on the assumption of the Company's continued operations

2. Uncertainty concerning recognition and measurement

In the financial statements for 2025, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

In determining the carrying amount of certain of the Company's intangible assets, estimates are required regarding the impact of future events on their value. Estimates that are significant to the preparation of the financial statements are applied, inter alia, in the determination of amortisation and impairment of these non-current assets, including development projects, rights and acquired goodwill.

The estimates applied are based on assumptions which management considers reasonable; however, by their nature, such assumptions are subject to uncertainty and unpredictability. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise.

By definition, there is risk associated with the recognition of development projects. The value of the assets is dependent on (1) the Company achieving sufficient success in completing the development of the technology and subsequently commercialising the developed technologies, and (2) the Company being able to obtain the liquidity required for the completion of development and commercialisation.

Management has chosen to recognise intangible assets relating to development projects, goodwill and patents, etc. The total carrying amount as at 31 December 2025 amounts to DKK 15,933k. The value is based on management's expectations regarding the market potential of the projects and is therefore subject to uncertainty, as it depends on the Company's success in commercialisation.

As in 2024, management has chosen not to recognise the tax value of tax loss carryforwards in 2025.

3. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

	Recognised in the income statement in:	2025 DKK	2024 DKK
Special items:			
Royalty	Other operating income (Gross profit)	2,562,931	779,994

4. Primary 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.

5. Staff costs

Wages and salaries	4,903,414	4,988,253
Pensions	278,240	228,800
Other social security costs	61,557	54,310
Other staff costs	17,890	0
Total	5,261,101	5,271,363
 Average number of employees during the year	 6	 7

6. Intangible assets

Figures in DKK	Completed developmen t projects	Acquired rights	Goodwill	Developmen t projects in progress	Total
Cost as at 01.01.25	26,262,270	3,144,514	5,927,465	3,565,363	38,899,612
Additions during the year	0	600,000	0	2,058,243	2,658,243
Cost as at 31.12.25	26,262,270	3,744,514	5,927,465	5,623,606	41,557,855
Amortisation and impairment losses as at 01.01.25	-19,573,986	-2,291,551	-1,070,949	-921,457	-23,857,943
Amortisation during the year	-1,220,846	-77,546	-468,380	0	-1,766,772
Amortisation and impairment losses as at 31.12.25	-20,794,832	-2,369,097	-1,539,329	-921,457	-25,624,715
Carrying amount as at 31.12.25	5,467,438	1,375,417	4,388,136	4,702,149	15,933,140

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.

Development costs capitalised during the year relate primarily to the continued development of the Company's technologies and product platforms within functional mineral granulates, de-icing solutions, dust control and concrete-related applications.

The development activities are focused on solutions intended for integration into existing industrial products and processes within infrastructure, building materials and environmental applications.

During 2025, several projects progressed from laboratory and formulation stage towards pilot scale testing and industrial validation, including collaborations with industrial partners within roofing materials, concrete products and dust control applications.

Certain development projects related to granulates and dust control are approaching commercialisation, while projects within low-CO2 concrete technologies and functional mineral platforms are expected to continue through 2026 and beyond as part of the Company's long-term technology and intellectual property strategy.

Management assesses that the development activities completed during the year have strengthened the basis for future commercialisation and future earnings potential.

Completed Development Projects

Completed development projects comprise physical/liquid products. The capitalized costs include salaries and other expenditures that are directly attributable to the development of the digital products for internal and external use.

Salaries consist of internal hours based on time spent on the individual projects and an hourly/cost rate derived from actual payroll costs.

Completed development projects are recognized when the project is ready for use and when the general recognition criteria under the Company's accounting policies are fulfilled.

Development Projects in Progress

Development projects in progress comprise physical/liquid products. The related costs include salaries and other expenditures that are directly attributable to the development of the digital products for internal and external use.

Salaries consist of internal hours based on time spent on the individual projects and an hourly/cost rate derived from actual payroll costs.

Development costs are expensed in the financial year in which they are incurred, to the extent that the criteria for capitalization are not met. In accordance with industry practice, capitalization of development costs is initiated only when it is assessed as realistic that the physical product can be completed. Furthermore, there must be sufficient assurance that the future economic benefits will cover not only production and administrative costs but also the development costs.

7. Property, plant and equipment

Figures in DKK	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.25	5,904,015	450,511
Additions during the year	3,413,000	50,950
Cost as at 31.12.25	9,317,015	501,461
Depreciation and impairment losses as at 01.01.25	-5,399,734	-425,974
Depreciation during the year	-198,309	-31,409
Depreciation and impairment losses as at 31.12.25	-5,598,043	-457,383
Carrying amount as at 31.12.25	3,718,972	44,078

8. Other investments

Figures in DKK	Other investments
Cost as at 01.01.25	7
Cost as at 31.12.25	7
Depreciation and impairment losses as at 01.01.25	-6
Depreciation and impairment losses as at 31.12.25	-6
Carrying amount as at 31.12.25	1

9. Other non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.25	300,885
Cost as at 31.12.25	300,885
Carrying amount as at 31.12.25	300,885

10. Long-term payables

Figures in DKK	Total payables at 31.12.25	Total payables at 31.12.24
Payables to participating interests	808,803	736,137
Other payables	424,134	4,210,443
Total	1,232,937	4,946,580

11. Contingent assets

The company has a deferred tax asset of DKK 7,235k, which has not been recognised in the balance sheet. The tax asset can be attributed to tax losses carried forward which are not expected to be utilised within the next 3-5 years. The tax asset can be carried forward indefinitely.

12. Other commitments*Lease commitments*

The company has concluded lease agreements with terms to maturity of 6-20 months and total lease payments of DKK 481k.

13. Charges and security

As security for debt to credit institutions of DKK 5,800k., a company charge has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 21,051k.

14. Adjustments for the cash flow statement

Other operating income	0	-779,994
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	1,905,787	3,104,941
Financial income	0	-5,756
Financial expenses	766,601	601,454
Tax on profit or loss for the year	-452,814	-330,536
Total	2,219,574	2,590,109

15. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, work performed for own account and capitalised, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken

15. Accounting policies - continued -

place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Work performed for own account and capitalised

Work performed for own account and capitalised comprises cost of sales, wages and salaries and other internal expenses incurred during the year and included in the cost of self-constructed or self-produced intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets.

15. Accounting policies - continued -

Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Completed development projects	8	
Acquired rights	8-20	0
Goodwill	10-15	0
Plant and machinery	3-10	0
Other plant, fixtures and fittings, tools and equipment	3	0

Goodwill is amortised over 10-15 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET**Intangible assets**

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at

15. Accounting policies - continued -

developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

15. Accounting policies - continued -**Property, plant and equipment**

Property, plant and equipment comprise plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

15. Accounting policies - continued -**Inventories**

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Equity investments that are not classified as group enterprises, associates or participating interests and which are not traded in an active market are measured in the balance sheet at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

15. Accounting policies - continued -**Equity**

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

15. Accounting policies - continued -**CASH FLOW STATEMENT**

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

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.