
Photocat A/S

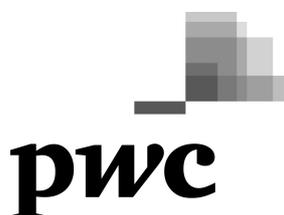
Langebjerg 4, DK-4000 Roskilde

Annual Report for 1 January - 31 December 2018

CVR No 32 35 79 03

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
/ 2019

Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Photocat A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations and cash flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Roskilde, 10 April 2019

Executive Board

Michael Humle

Board of Directors

Mette Therkildsen
Chairman

Theis Reenberg

Tom Weidner

Gitte Haaning Høj

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Photocat A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

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 misstate-

Independent Auditor's Report

ment, 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 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

Independent Auditor's Report

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.

Hellerup, 10 April 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

Company Information

The Company

Photocat A/S
Langebjerg 4
DK-4000 Roskilde

CVR No: 32 35 79 03
Financial period: 1 January - 31 December
Municipality of reg. office: Roskilde

Board of Directors

Mette Therkildsen, Chairman
Theis Reenberg
Tom Weidner
Gitte Haaning Høj

Executive Board

Michael Humle

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

Photocat develops environmental technology for air quality improvement in urban environments focusing on NO_x control as well as solutions for indoor air quality improvement focusing on VOC reduction such as formaldehyde. Photocat's solutions are developed for surface integration on a wide variety of the materials generally used in urban open spaces and on normal cladding materials in residential properties.

Photocat focuses on and considers itself one of the important cornerstones when it comes to developing solutions which ensure that both districts and residential properties become NO_x neutral and achieve the other benefits of photocatalyst technology.

Photocat's product portfolio is marketed to direct customers in a few selected markets. The products are marketed under the brands NO_xOFF™, ACTIFLOOR™, SHINE-ON®, and Photocat Garden™. It is the very early product phase, and the first products are only just now being directed at end-customers. The products NO_xOFF and ACTIFLOOR are primarily directed at manufacturers of roofing felt/bitumen, concrete and wooden floors. The products Photocat Garden and Shine-On are both intended for the after-market, which means that the products are suitable for appliance on existing surfaces in urban open spaces.

Development in the year

The income statement of the Company for 2018 shows a loss of DKK 5,119,183, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 7,568,175.

The Company's revenue reflects a sales development at a moderate level and below expectations for the year. Our product sales of active fluids were slightly higher compared to 2017, while we had a setback in our sales of product application units, which further feeds growth. The primary reason for this is, as it has turned out, that it takes longer for our customers to build strong markets with their products featuring our unique properties. Part of the missing equipment sales will be picked up in 2019 and 2020.

During 2018 we have had a strong focus on cost improvements and streamlining, both amongst our existing customer base as new clients. Despite reduced revenue we have improved the bottom-line by 1,8 MDKK, which is very satisfactory.

In 2018, we saw a net influx of new customers, primarily in Belgium, Germany and Spain. Photocat's solutions to reduce NO_x is in the process of capture momentum! This was underlined by the recent acceptance of Photocatalytic products as part of air cleaning by the municipalities of Frederiksberg and Copenhagen in Denmark – opening for new market opportunities.

Management's Review

Expectations for 2019

Photocat enters 2019 with a strong pipeline including a number of new customers and application areas and at the same time a much more streamlined cost structure. Based on this Photocat expects a substantial revenue growth from both private and public projects reaching 8 MDKK for the year and a much improved bottom line result.

Subsequent events

In February 2019, Photocat successfully completes private placement of SEK 8.9 million by Danish investors.

The funds have been used to restructure the balance sheet in order to lower debt and financial expenses. Further the cash injection will be used to realize the growth expectations and provide a cash base as well.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Revenue		4,587,123	5,616,426
Other operating income		590,076	454,416
Expenses for raw materials and consumables		-1,315,904	-1,829,674
Other external expenses		-4,232,129	-4,569,012
Gross profit/loss		-370,834	-327,844
Staff expenses	1	-2,770,324	-4,209,170
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2,001,610	-2,356,874
Resultat før finansielle poster		-5,142,768	-6,893,888
Financial expenses		-243,031	-256,269
Resultat før skat		-5,385,799	-7,150,157
Tax on profit/loss for the year	2	266,616	322,557
Net profit/loss for the year		-5,119,183	-6,827,600

Distribution of profit

	2018 DKK	2017 DKK
Proposed distribution of profit		
Retained earnings	-5,119,183	-6,827,600
	-5,119,183	-6,827,600

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Completed development projects		6,749,290	7,795,316
Acquired patents		291,394	358,857
Development projects in progress		<u>2,173,775</u>	<u>1,466,171</u>
Intangible assets	3	<u>9,214,459</u>	<u>9,620,344</u>
Plant and machinery		1,492,799	1,884,466
Other fixtures and fittings, tools and equipment		<u>11,134</u>	<u>16,942</u>
Property, plant and equipment	4	<u>1,503,933</u>	<u>1,901,408</u>
Other investments		1	1
Deposits		<u>290,302</u>	<u>290,302</u>
Fixed asset investments		<u>290,303</u>	<u>290,303</u>
Fixed assets		<u>11,008,695</u>	<u>11,812,055</u>
Inventories		<u>910,656</u>	<u>1,090,954</u>
Trade receivables		1,923,440	1,533,835
Other receivables		251,228	236,914
Corporation tax		266,615	322,557
Prepayments		<u>140,893</u>	<u>173,848</u>
Receivables		<u>2,582,176</u>	<u>2,267,154</u>
Cash at bank and in hand		<u>37,355</u>	<u>811,117</u>
Currents assets		<u>3,530,187</u>	<u>4,169,225</u>
Assets		<u>14,538,882</u>	<u>15,981,280</u>

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		3,248,928	3,000,000
Reserve for development costs		2,830,077	2,020,554
Retained earnings		1,489,170	6,300,189
Equity	5	7,568,175	11,320,743
Other provisions		0	50,000
Provisions		0	50,000
Credit institutions		0	375,000
Payables to owners and Management		2,173,590	10,873
Deferred income		1,540,334	1,552,574
Long-term debt	6	3,713,924	1,938,447
Credit institutions	6	1,145,301	782,374
Trade payables		1,242,753	719,930
Other payables		414,316	715,373
Deferred income	6	454,413	454,413
Short-term debt		3,256,783	2,672,090
Debt		6,970,707	4,610,537
Liabilities and equity		14,538,882	15,981,280
Contingent assets, liabilities and other financial obligations	9		
Accounting Policies	10		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	3,000,000	2,020,554	6,300,189	11,320,743
Capital increase	248,928	0	1,117,687	1,366,615
Development costs for the year	0	934,636	-934,636	0
Depreciation, amortisation and impairment for the year	0	-125,113	125,113	0
Net profit/loss for the year	0	0	-5,119,183	-5,119,183
Equity at 31 December	3,248,928	2,830,077	1,489,170	7,568,175

Cash Flow Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Net profit/loss for the year		-5,119,183	-6,827,600
Adjustments	7	1,523,609	1,836,170
Change in working capital	8	423,275	-1,313,200
Cash flows from operating activities before financial income and expenses		-3,172,299	-6,304,630
Financial expenses		-243,032	-256,270
Cash flows from ordinary activities		-3,415,331	-6,560,900
Corporation tax paid		322,558	255,321
Cash flows from operating activities		-3,092,773	-6,305,579
Purchase of intangible assets		-1,198,248	-1,751,301
Purchase of property, plant and equipment		0	-49,744
Cash flows from investing activities		-1,198,248	-1,801,045
Repayment of loans from credit institutions		-12,073	-244,335
Raising of loans from owners and Management		2,162,717	50,364
Cash capital increase		1,366,615	8,939,345
Cash flows from financing activities		3,517,259	8,745,374
Change in cash and cash equivalents		-773,762	638,750
Cash and cash equivalents at 1 January		811,117	172,367
Cash and cash equivalents at 31 December		37,355	811,117
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		37,355	811,117
Cash and cash equivalents at 31 December		37,355	811,117

Notes to the Financial Statements

	2018 DKK	2017 DKK	
1 Staff expenses			
Wages and salaries	3,758,067	5,397,986	
Other social security expenses	50,836	69,233	
Other staff expenses	159,673	208,122	
	3,968,576	5,675,341	
Transfer to development	-1,198,252	-1,466,171	
	2,770,324	4,209,170	
Average number of employees	7	11	
2 Tax on profit/loss for the year			
Current tax for the year	-266,616	-322,557	
	-266,616	-322,557	
3 Intangible assets			
	Completed development projects DKK	Acquired pa- tents DKK	Development projects in progress DKK
Cost at 1 January	16,372,843	2,273,557	1,466,171
Additions for the year	0	0	1,198,251
Transfers for the year	490,647	0	-490,647
Cost at 31 December	16,863,490	2,273,557	2,173,775
Impairment losses and amortisation at 1 January	8,577,527	1,914,700	0
Amortisation for the year	1,536,673	67,463	0
Impairment losses and amortisation at 31 December	10,114,200	1,982,163	0
Carrying amount at 31 December	6,749,290	291,394	2,173,775

Notes to the Financial Statements

3 Intangible assets (continued)

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 further development of the Company's solutions for incorporation into products during production. The expected market for the developed products is the existing customer segments which will incorporate the products into their own product lines. Development projects in progress are projects that are expected to be completed in 2020.

4 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	4,966,195	17,426
Cost at 31 December	4,966,195	17,426
Impairment losses and depreciation at 1 January	3,081,729	485
Depreciation for the year	391,667	5,807
Impairment losses and depreciation at 31 December	3,473,396	6,292
Carrying amount at 31 December	1,492,799	11,134

5 Equity

The general meeting decided on the 20 December 2016 to authorize the board of directors to issue warrants of up to 500,000 shares without existing shareholders having pre-emption rights.

As of April 2019, in total, 132,500 warrants have been issued to the chairman of the board of directors, the CEO and two other key employees which the management find exceptionally important for the successful execution of the Company's strategy. Furthermore, a total of 82,500 warrants have been issued to other key employees in the Company. Each warrant entitles its holder to subscribe for one share in Photocat A/S of nominally DKK 1 at a price of SEK 19.4.

The employees can exercise the issued warrants three years from grant and at the latest six years from grant, i.e. primo 2020 and primo 2023 (exercise period) after which unexercised warrants no longer apply.

Notes to the Financial Statements

6 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018 DKK	2017 DKK
Credit institutions		
Between 1 and 5 years	0	375,000
Long-term part	<u>0</u>	<u>375,000</u>
Within 1 year	0	732,344
Other short-term debt to credit institutions	1,145,301	50,030
Short-term part	<u>1,145,301</u>	<u>782,374</u>
	<u>1,145,301</u>	<u>1,157,374</u>
Payables to owners and Management		
Between 1 and 5 years	2,173,590	10,873
Long-term part	<u>2,173,590</u>	<u>10,873</u>
Within 1 year	0	0
	<u>2,173,590</u>	<u>10,873</u>
Deferred income		
Between 1 and 5 years	1,540,334	1,552,574
Long-term part	<u>1,540,334</u>	<u>1,552,574</u>
Within 1 year	454,413	454,413
Short-term part	<u>454,413</u>	<u>454,413</u>
	<u>1,994,747</u>	<u>2,006,987</u>

Deferred income comprises grants received in respect of intangible assets and is recognised over the expected useful life of the assets.

Notes to the Financial Statements

	2018	2017
	DKK	DKK
7 Cash flow statement - adjustments		
Financial expenses	243,031	256,269
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,001,610	2,356,874
Tax on profit/loss for the year	-266,616	-322,557
Other adjustments	-454,416	-454,416
	1,523,609	1,836,170

8 Cash flow statement - change in working capital

Change in inventories	180,297	-133,182
Change in receivables	-370,964	271,609
Change in other provisions	-50,000	50,000
Change in trade payables, etc	663,942	-1,501,627
	423,275	-1,313,200

9 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has a total rental obligation of DKK 1,005k of which DKK 861k falls due for payment in 2019.

As security for the Company's bank facility, a floating company charge of DKK 4,000k has been attached to the Company's assets.

A dividend announcement has been made to bank as security for the Company's bank facility.

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Photocat A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

Recognition and measurement

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

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

10 Accounting Policies (continued)

Income Statement

Revenue

Revenue which consists of consultancy fee, licences and goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses include expenses for distribution, sales, advertising, administration, premises, bad debts, rental expenses under operating leases, etc.

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Notes to the Financial Statements

10 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Acquired patents and licences relating to activity take over are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Development projects are measured at the lower of cost less accumulated amortisation and recoverable amount. Development projects are amortised over the expected useful life which corresponds to 6-8 years.

Costs of development in progress are recognised at cost. Costs of development in progress are not amortised.

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

Property, plant and equipment

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

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

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

Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years

Notes to the Financial Statements

10 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments, which consist of unlisted investments.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

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

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

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

10 Accounting Policies (continued)

Prepayments

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Notes to the Financial Statements

10 Accounting Policies (continued)

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.