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**Haamann**  
statsautoriserede revisorer

**IRD Fuel Cells A/S**

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

**CVR no. 14 68 96 05**

**Annual Report 2021**

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

29 June 2022

DocuSigned by:



F5D3A9EF5D114CC...  
Jakob Kristensen

Chairman of the General Meeting

**ANNUAL REPORT 2021**

(32. financial year)

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## **COMPANY INFORMATION**

### Company

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

### CVR no.

14 68 96 05

### Financial year

1 January - 31 December

### Principal activities

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

### The company's board of directors

Xiaodong Wang  
Yunfeng Xu  
Jinjun Liu  
Gang Li  
Madeleine Odgaard

### CEO

Madeleine Odgaard

### The company's auditor

Haamann A/S, State Authorized Public Accountant Firm  
Filmbyen 20  
2650 Hvidovre  
CVR no. 24 25 69 95

**MANAGEMENT'S STATEMENT**

The board of directors and the executive board have today presented the annual report for the financial year 1 January - 31 December 2021 for IRD Fuel Cells A/S.

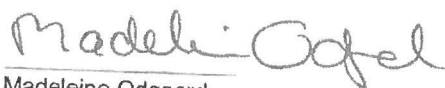
The annual report is presented in accordance with the Danish Financial Statements Act.

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

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

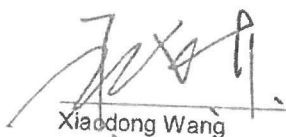
Odense, 29 June 2022

**Executive Board:**

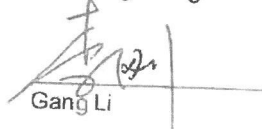


Madeleine Odgaard

**Board of Directors:**



Xiaodong Wang



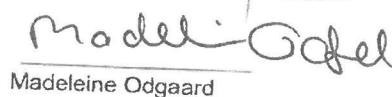
Gang Li



Yunfeng Xu



Jinjun Liu



Madeleine Odgaard

## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholder of IRD Fuel Cells A/S**

#### **Opinion**

We have audited the Financial Statements of Selskab B ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Company. The Financial Statements are prepared under the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

#### **Basis of opinion**

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

#### **Management's Responsibilities for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Statement on Management's Review**

Management is responsible for Management's Review.

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

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

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

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

Hvidovre, 29 June 2022

Haamann A/S  
State Authorized Public Accountant Firm  
CVR.no. 24 25 69 95

  
Jan Østergaard  
State Authorized Public Accountant  
mne30203

## MANAGEMENT'S REVIEW

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

### Financial highlights and ratios

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><u>Income statement (DKK '000)</u></b>					
Gross profit	-4.537	-5.815	-1.487	-5.993	-8.845
Operating profit	-26.246	-21.456	-18.052	-24.502	-19.879
Net financials	-1.332	-2.558	-2.208	-1.699	-1.714
Net profit for the year	-27.577	-24.014	-20.260	-22.000	-17.294
<b><u>Balance sheet (DKK '000)</u></b>					
Balance sheet total	133.669	72.839	90.422	24.024	35.410
Equity	118.324	45.901	69.915	6.331	-2.477
<b><u>Financial ratios (%)</u></b>					
Return on assets	-19,6	-29,5	-20,0	-102,0	0,0
Solvency ratio	88,5	63,0	77,3	26,4	-7,0

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

## **MANAGEMENT'S REVIEW**

### **Primary activities**

IRD Fuel Cells A/S' (IRD) primary activities remain unchanged from recent years. I.e. IRD develops, produces and commercially sells tailor-made components for fuel cell, hydrogen and flow battery market applications.

The Company is based on core competencies that cover key fuel cell and hydrogen technologies, which are developed in cooperation with international customers, strategic partners and research groups.

IRD continues to be one of the world's leading components companies in the emerging market for hydrogen and fuel cells technologies.

The Company delivers components for solutions that address climate challenges in the transport sector, stationary systems and balancing of renewable energy systems.

99% of the Company's customers are based outside Denmark, primarily in Europe, North America and Asia.

Its primary activities are located in Odense, Denmark, and the Company has a subsidiary, IRD Fuel Cells LLC, in Albuquerque in New Mexico, USA.

### **Development in activities and finances**

Covid-19 affected IRD Fuel cells substantially during 2021. In general, dialogues with existing and potential customers have been positive and encouraging and many dialogues have opened during the year. However, the situation with Covid-19 has caused many to await the development of vaccines and expected opening of societies, and thus existing and potential business partners have been hesitant to order larger quantities, even though they have been very satisfied with the performance in a broad sense of the IRD-products.

The year of 2021 was still affected negatively in the world by the COVID-19 pandemic, and the year as a whole turned out to be unusual in many aspects. We experienced a strained situation in the component market, which created supply chain challenges in the form of longer lead times and higher costs. Despite these challenges, IRD managed to increase sales, while many very constructive dialogues with existing customers continued and many exiting and concrete dialogues with potential customers were entered. The encouraging spurs has continued into 2022 and thus, we remain positive about the future.

Due to a number of initiatives revenue in 2021 increased by 40% compared to 2020. At the same time, while being very cost conscious, IRD also is investing in the future. Accordingly, more staff and better technology are necessary, increasing expense levels. As a result of such investments, loss in 2021 was realized at planned 27.6 mDKK, which is 3.6 mDKK higher than 24.0 mDKK in 2020.

The investments realized during recent years have a long-term focus of winning attractive market shares in the fast-developing fuel cells industry. To support the development of further growth, our parent company Weifu Holding ApS injected 100 mDKK in cash in IRD during 2021 in order to support these long-term objectives.

### **Uncertainty relating to recognition and measurement**

No uncertainties have been identified in relation to recognition and measurement in the annual report.

### **Unusual circumstances affecting recognition and measurement**

The Company's financial position as per 31 December 2021 and the results of its activities and cash flows for the financial year 2021 are not affected by unusual circumstances.



## **Outlook**

IRD and the Weifu Group remain very positive about prospects for the fuel cell industry as a whole and about IRD specifically. Investments are being undertaken in plant, equipment, development and industrialization to support world-wide business opportunities within the clean-tech segments that IRD address and we experience increasing interest in entering business arrangements from various parts of the world.

The hydrogen and fuel cells market is still considered volatile and in an early stage, however, as prospects are attractive, we believe that challenges that will appear, will be overcome.

## **Particular risks**

The risk environment is fundamentally unchanged since 2020.

## **Business risks**

IRD continues to be dependent on how the perception of the hydrogen and fuel cells greentech and overall market conditions will develop. The industry is relatively new in a commercial context and may be adapted by customers at a slower pace than anticipated. The political impact continues to be essential, and thus, will be able to significantly impact the market for renewable energy worldwide.

## **Intellectual capital resources**

An important part of servicing our customers, is constantly optimizing the components they buy for their intended use. Therefore, IRD's employees are typically specialists within the relevant technologies. Production staff are also well-educated and attend long-term in-house training.

## **Environmental performance**

Reporting on the Company's impact on the external environment and prevention and reduction measures is anchored in the Company. The Company's environmental impact is deemed insignificant.

## **Research and development activities**

IRD continues to be deeply involved in research and development to extend useful lives of our product offerings and reduce costs for the next generation of fuel cell components and electrolyzers. This work is carried out in cooperation with customers and is based on the most recent findings from reputable international universities and other research groups.

Our current and potential customers continue to have a strong focus on the development of materials that are friendly for the environment and that improve performance and reduce costs, and often for quantities that by far surpass historical levels.

The Company's research and development activities are supported by public programs in Denmark, EU and USA.

## **Events after the balance sheet date**

In 2022 IRD has received a cash injection of 22.5 mDKK from Weifu Holding ApS, and more is committed.

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

**INCOME STATEMENT**  
**1 January - 31 December 2021**

	<u>Note</u>	<u>2021 DKK</u>	<u>2020 TDKK</u>
<b>Gross result</b>		-4.536.984	-5.815
Staff costs	2	-18.788.987	-12.673
Depreciation		-2.904.493	-2.967
Other operating costs		<u>-15.158</u>	<u>0</u>
<b>Operating profit and loss</b>		-26.245.622	-21.456
Income from investments in subsidiaries		-3.826.944	-2.217
Financial income	3	3.284.604	783
Financial expenses	4	<u>-789.364</u>	<u>-1.124</u>
<b>Profit or loss before tax</b>		-27.577.326	-24.014
Tax on profit or loss for the year		<u>0</u>	<u>0</u>
<b>Net profit or loss for the year</b>		<u>-27.577.326</u>	<u>-24.014</u>
<b>Proposed distribution of results</b>			
Retained earnings		<u>-27.577.326</u>	<u>-24.014</u>
		<u>-27.577.326</u>	<u>-24.014</u>

**BALANCE 31 December 2021**

**ASSETS**

	<u>Note</u>	<u>2021 DKK</u>	<u>2020 TDKK</u>
<b><u>Fixed assets</u></b>			
<b>Intangible assets</b>			
Acquired licences		<u>405.009</u>	<u>802</u>
<b>Property, plant and equipment</b>			
Property, plant and equipment in progress		23.322.539	8.048
Leasehold improvements		707.743	1.866
Plant and machinery		7.053.054	8.020
Other fixtures and fittings, tools and equipment		<u>61.909</u>	<u>83</u>
		<u>31.145.245</u>	<u>18.017</u>
<b>Fixed assets</b>			
Deposits		<u>888.588</u>	<u>871</u>
<b>Fixed assets, total</b>		<u>32.438.842</u>	<u>19.691</u>
<b><u>Current assets</u></b>			
<b>Inventories</b>			
Raw materials and consumables		9.303.660	9.111
Finished goods and goods for resale		<u>5.078.627</u>	<u>4.514</u>
		<u>14.382.287</u>	<u>13.625</u>
<b>Receivables</b>			
Trade receivables		5.525.620	6.277
Receivables from group enterprises		13.496.388	7.009
Other short-term receivables		11.234.342	13.237
Prepayments		<u>1.048.962</u>	<u>684</u>
		<u>31.305.312</u>	<u>27.207</u>
<b>Cash and cash equivalents</b>		<u>55.542.163</u>	<u>12.317</u>
<b>Current assets</b>		<u>101.229.762</u>	<u>53.148</u>
<b>Assets</b>		<u>133.668.604</u>	<u>72.839</u>

**BALANCE 31 December 2021**

**LIABILITIES AND EQUITY**

	<u>Note</u>	<u>2021 DKK</u>	<u>2020 TDKK</u>
<b><u>Equity</u></b>	5		
Share capital		86.600.000	85.600
Retained earnings		<u>31.723.996</u>	<u>-39.699</u>
<b>Total equity</b>		<u>118.323.996</u>	<u>45.901</u>
 <b><u>Liabilities</u></b>			
<b>Short-term liabilities other than provisions</b>			
Prepayments received from customers		8.137.189	15.319
Trade payables		3.575.509	2.754
Payables to group enterprises		99.480	4
Other payables		<u>3.532.430</u>	<u>8.862</u>
		<u>15.344.608</u>	<u>26.938</u>
<b>Total liabilities</b>		<u>15.344.608</u>	<u>26.938</u>
 <b>Total liabilities and equity</b>		<u>133.668.604</u>	<u>72.839</u>
 <b>Events occurring after the end of the financial year</b>	1		
<b>Contingent assets etc.</b>	6		
<b>Contingent liabilities etc.</b>	7		
<b>Related parties</b>	8		

**STATEMENT OF CHANGES IN EQUITY**

	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total eqiuty</u>
Equity at 1 January	85.600.000		-39.698.678	45.901.322
Cash capital increase	1.000.000	99.000.000		100.000.000
Share premium transferred		-99.000.000	99.000.000	0
Profit (loss)			<u>-27.577.326</u>	<u>-27.577.326</u>
Equity at 31 December	<u>86.600.000</u>	<u>0</u>	<u>31.723.996</u>	<u>118.323.996</u>

**NOTES**

1. Events occurring after the end of the financial year

In 2022 IRD has received a cash injection of 22.5 mDKK from Weifu Holding ApS, and more is committed.

	2021 DKK	2020 TDKK
2. <u>Staff costs</u>		
Wages and salaries	24.769.503	20.262
Pension costs	1.943.195	1.633
Social security costs	582.052	403
Other staff expenses	811.033	416
	28.105.783	22.715
Transfer to development projects	-9.316.796	-10.041
	18.788.987	12.673
Average number of employees	49	42
3. <u>Financial income</u>		
Interest received from group enterprises	202.754	146
Other financial income	0	68
Exchange gains	3.081.850	569
	3.284.604	783
4. <u>Financial expenses</u>		
Interest paid to group enterprises	0	11
Other financial expenses	577.993	126
Exchange loss	211.371	986
	789.364	1.124

**NOTES**

5. Equity

The share capital consists of 86,600 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	<u>2021</u> TDKK	<u>2020</u> TDKK	<u>2019</u> TDKK	<u>2018</u> TDKK	<u>2017</u> TDKK
Share capital at 1 January	85.600	85.600	2.000	2.000	2.000
Capital increase	1.000	0	83.600	0	500
Capital decrease	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-500</u>
Share capital at 31 December	<u>86.600</u>	<u>85.600</u>	<u>85.600</u>	<u>2.000</u>	<u>2.000</u>

6. Contingent assets etc.

The company has a tax asset of TDKK 28.912 which is not capitalized.

7. Contingent liabilities etc.

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

8. Related parties

**Controlling interest**

Weifu Holding ApS

Basis

Parent Company

## **ACCOUNTING POLICIES**

The Annual Report of IRD Fuel Cells A/S for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with the option of certain provisions for class C.

The accounting policies applied remain unchanged from last year.

### **Consolidated financial statements**

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

### **General principles for recognition and measurement**

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

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

Liabilities are recognised in the Balance Sheet when it is probable that future financial benefits will flow out of the Company, and the value of the liability can be measured reliably

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

## **INCOME STATEMENT**

### **Revenue**

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

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

### **Expenses for raw materials and consumables**

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

### **Other external expenses**

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



## **ACCOUNTING POLICIES**

### **Staff expenses**

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

### **Amortisation, depreciation and impairment losses**

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

### **Other operating income and expenses**

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

### **Income from investments in subsidiaries**

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

### **Financial income and expenses**

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

### **Tax on net profit/loss for the year**

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

## **BALANCE SHEET**

### **Intangible assets**

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

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

### **Tangible assets**

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

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

## ACCOUNTING POLICIES

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

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

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

Depreciation period and residual value are reassessed annually.

### Impairment of assets

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

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

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

### Fixed asset investments

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

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

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

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

### Inventories

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

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

## **ACCOUNTING POLICIES**

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

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

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

### **Receivables**

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

### **Prepayments**

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

### **Tax payable and deferred tax**

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

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

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

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

### **Liabilities**

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

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

### **Foreign currency translation**

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

**ACCOUNTING POLICIES**

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

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

**Financial Highlights**

Explanation of financial ratios

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