



IRD

IRD Fuel Cells

Annual Report 2022

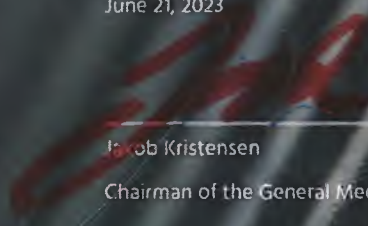
COMPANY DATA AND CONTACT

COMPANY NAME:
IRD Fuel Cells A/S

COMPANY ADDRESS
Emil Neckelmans Vej 15A&B
5220 Odense SØ

CVR no:
14 68 96 05

The Annual Report was presented and adopted at the company's annual general meeting on:
June 21, 2023



Jakob Kristensen
Chairman of the General Meeting

ANNUAL REPORT 2022

(33. financial year)

CONTENTS

Company information	2
Management's statement	3
Independent auditor's report	4-5
Financial Highlights	6-8
Income statement	9
Assets	10
Liabilities and equity	11
Statement of changes in equity	12
Notes	13-14
Accounting policies	16-17

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 2022 for IRD Fuel Cells A/S.

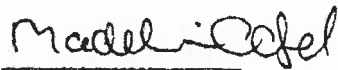
The annual report is presented in accordance with the Danish Financial Statements Act.

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, June 21, 2023

Executive Board:



Madeleine Odgaard

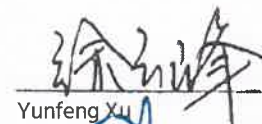
Board of Directors:



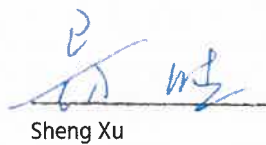
Xiaodong Wang



Madeleine Odgaard



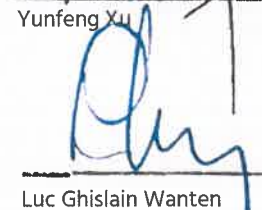
Yunfeng Xu



Sheng Xu



Dajun Dong



Luc Ghislain Wanten

INDEPENDENT AUDITOR'S REPORT

To the shareholder of IRD Fuel Cells A/S

Opinion

We have audited the Financial Statements of IRD Fuel Cells A/S (Company) for the financial year 1 January - 31 December 2022, 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 2022, and of the results of the operations for the financial year 1 January - 31 December 2022 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, June 21, 2023

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



Jan Østergaard
State Authorized Public Accountant
mne30203

FINANCIAL HIGHLIGHTS

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

Financial highlights and ratios

	2022	2021	2020	2019	2018
<u>Income statement (DKK '000)</u>					
Gross profit	23.998	-4.537	-5.815	-1.487	-5.993
Operating profit	-2.101	-26.246	-21.456	-18.052	-24.502
Net financials	-3.714	-1.331	-2.558	-2.208	-1.699
Profit before tax	-5.815	-27.577	-24.014	-20.260	-22.000
Net profit for the year	-20.129	-27.577	-24.014	-20.260	-22.000
<u>Balance sheet (DKK '000)</u>					
Balance sheet total	297.214	133.669	72.839	90.422	24.024
Equity	206.134	118.324	45.901	69.915	6.331
<u>Financial ratios (%)</u>					
Return on assets	-0,7	-19,6	-29,5	-20,0	-102,0
Solvency ratio	69,4	88,5	63,0	77,3	26,4

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.

FINANCIAL HIGHLIGHTS

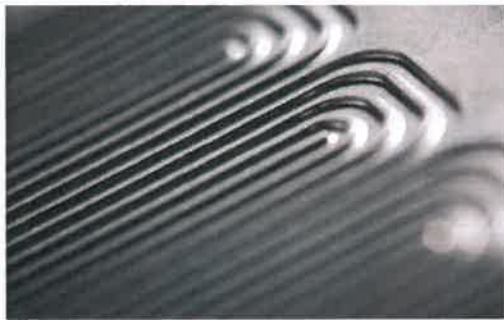
Primary activities

IRD Fuel Cells A/S' (IRD) primary activity is production of tailor-made components for fuel cell, hydrogen, and flow battery applications.

The production is based on well-tested technologies, which have been developed with internal commercial and research partners.

While the solutions IRD develop have the flexibility to be applied in many industries and applications, IRD focus especially on the -mobility market and renewable energy sectors.

Headquartered in Odense, Denmark, export makes up almost 100% of revenue.



Development in activities and finances during the year

2022 was an exciting and eventful year at IRD. During the year, the negative effects from COVID-19 have started to fade and we have experienced a continuously increasing interest from existing as well as potential customers.

Revenue in 2022 reflected both revenue from on-going trade with our core base of products as well as the value of many years of dedicated work of developing IRD to the level the company is today.

Very encouragingly, revenue of our core products almost doubled and we see signs that the positive trend will continue into 2023. In addition, the development effort especially during the past years of focus on fuel cells have been rewarding for IRD in several ways. One of these rewards materialized financially in 2022, as IRD entered a five-year license deal concerning production of plates and membranes abroad. The license deal represents the largest single revenue deal in IRD's history to date, generating significant revenue and is regarded as further verification of the strategy IRD pursue.

Even though revenue is increasing, costs are kept under control, and thus, grow at a slower pace than revenue. Accordingly, IRD realize the best revenue and profit before tax for many years.

In order to meet the opportunities within the hydrogen industry and the related demands, IRD received capital contributions of 108 mDKK from the parent company during the year in order to facilitate new production facilities, state-of-art machinery as well as funding the investment in operations overall and staff in particular. It is thus with great satisfaction that the building of addition-

al production facilities was commenced during the late autumn, which is planned for commissioning during 2023 in parallel with the delivery of the aforementioned machinery.

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 2022 and the results of its activities and cash flows for the financial year 2022 are not affected by unusual circumstances.

Outlook

Based on the increasing number of dialogues with business partners across the world, IRD and the Weifu Group stay optimistic about 2023 and beyond. Combining the increased demand for hydrogen solutions and the increasing amounts invested into hydrogen related businesses worldwide, only further support our positive expectations. However, geopolitical challenges, shocks from e.g. pandemics, wars and the nature of having an early stage hydrogen industry, can still pose significant challenges and volatility, which can create interruptions in the otherwise positive outlook.

Particular risks

The risk environment is fundamentally unchanged since last year's annual report.

Business risks

The hydrogen industry is developing quickly but is still in its relative early stages compared to the expected commercial potential. The key perceived business risks include primarily the political impact on hydrogen and fuel cells as future solutions as climate friendly winning alternatives or geopolitical shocks that will change the overall worldwide market conditions.



Intellectual capital resources

Maintaining a competitive technological edge is also key for a specialized company like IRD. IRD thus seek to invest in the most long-term efficient production capacity to offer the best produced quality products as possible to customers and in parallel, we constantly pursue to optimize the product components, to service our customers as best as possible.

To facilitate that our customers get the best product experience, IRD's employees are typically specialists within the relevant technologies. Specialists as well as production staff are well-educated through in-house long-term structured training programs.

In order to extend our focus on existing and future products and product capabilities, IRD also increase its focus on trademarks.

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 still considered to be insignificant.

Research and development activities

A constant prioritization of a commercial R&D focus is pivotal for IRD. Accordingly, already during the first period of 2023 more international staff have been hired to continue the R&D focus and to further develop the very close cooperation with customers.

R&D concerning products that are friendly for the environment continue to be decisive for customers as well as IRD. Accordingly, we continue to be deeply involved in research and development with partners and customers to extend useful lives of our product offerings and reduce costs for the next generation of fuel cell and electrolysis components.

IRD thus continue the appreciated, long-standing cooperation with reputable international universities and other research groups in public supported R&D-projects in Denmark, EU, and USA.

Events after the balance sheet date

In order to continue to support the plan of further capacity expansion and operations, in 2023 IRD has received a cash injection of 35 mDKK from Weifu Holding ApS and more is committed to support the continuous development of IRD.

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 2022

	Note	2022 DKK	2021 TDKK
Gross result		23.998.236	-4.537
Staff costs	1	-24.084.557	-18.789
Depreciation		-2.015.009	-2.905
Other operating costs		0	-15
Operating profit and loss		-2.101.330	-26.246
Income from investments in subsidiaries		-4.134.704	-3.827
Financial income	2	2.652.707	3.285
Financial expenses	3	-2.231.966	-789
Profit or loss before tax		-5.815.293	-27.577
Tax on profit or loss for the year		-14.314.007	0
Net profit or loss for the year		-20.129.300	-27.577
Proposed distribution of results			
Reserve for net revaluation according to equity method		0	0
Retained earnings		-20.129.300	-27.577
		-20.129.300	-27.577

ASSETS

31 December 2022

Fixed assets	Note	2022 DKK	2021 TDKK
Intangible assets			
Acquired licences		17.289	405
Property, plant and equipment			
Property, plant and equipment in progress		46.880.090	23.323
Leasehold improvements		9.374.592	707
Plant and machinery		7.679.644	7.053
Other fixtures and fittings, tools and equipment		107.948	62
		64.042.274	31.145
Financial assets			
Investments in subsidiaries		10.803.618	0
Capital interests		75.256.031	0
Deposits		1.598.335	889
		87.657.984	889
Fixed assets, total		151.717.547	32.439
Current assets			
Inventories			
Raw materials and consumables		21.170.817	9.304
Finished goods and goods for resale		4.413.914	5.079
		25.584.731	14.383
Receivables			
Trade receivables		3.422.056	5.525
Receivables from group enterprises		40.372.523	13.496
Other short-term receivables		13.627.917	11.235
Prepayments		2.879.975	1.049
		60.302.471	31.305
Cash and cash equivalents		59.608.899	55.542
Current assets		145.496.101	101.230
Assets		297.213.648	133.669

LIABILITIES AND EQUITY

BALANCE 31 December 2022

	Note	2022 DKK	2021 TDKK
Equity	4		
Share capital		101.080.000	86.600
Retained earnings		105.054.172	31.724
Total equity		206.134.172	118.324
Provisions			
Provisions for deferred tax		0	0
Liabilities			
Short-term liabilities other than provisions			
Prepayments received from customers		8.852.490	8.137
Trade payables		3.760.979	3.575
Payables to group enterprises		0	99
Corporation tax		4.579.498	0
Other payables		3.581.719	3.534
Deferred income		70.304.790	0
		91.079.476	15.345
Total liabilities		91.079.476	15.345
Total liabilities and equity		297.213.648	133.669
Contingent assets etc.	5		
Contingent liabilities etc.	6		
Related parties	7		

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total equity</u>
Equity at 1 January	86.600.000		31.723.996	118.323.996
Cash capital increase	14.480.000	93.459.476		107.939.476
Share premium transferred		-93.459.476	93.459.476	0
Profit (loss)			-20.129.300	-20.129.300
Equity at 31 December	<u>101.080.000</u>	<u>0</u>	<u>105.054.172</u>	<u>206.134.172</u>

NOTES

	2022 DKK	2021 TDKK
1. Staff costs		
Wages and salaries	29.861.078	24.770
Pension costs	2.298.032	1.943
Social security costs	759.194	582
Other staff expenses	975.115	811
	<u>33.893.419</u>	<u>28.106</u>
Transfer to development projects	-9.808.862	-9.317
	<u>24.084.557</u>	<u>18.789</u>
Average number of employees	<u>58</u>	<u>49</u>
2. Financial income		
Interest received from group enterprises	607.299	203
Other financial income	89.841	0
Exchange gains	1.955.567	3.082
	<u>2.652.707</u>	<u>3.285</u>
3. Financial expenses		
Other financial expenses	507.572	578
Exchange loss	1.724.394	211
	<u>2.231.966</u>	<u>789</u>

NOTES

4. Equity

The share capital consists of 101.080 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	86.600	85.600	85.600	2.000	2.000
Capital increase	14.480	1.000	0	83.600	0
Share capital at 31 December	101.080	86.600	85.600	85.600	2.000

5. Contingent assets etc.

The company has a tax asset of TDKK 33.852 which is not capitalized.

6. 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.

The company has a lease commitment for the premises of t.DKK 1.377 per year, and maximised at t.DKK 12.446 in total.

7. Related parties

Controlling interest

Basis

Weifu Holding ApS

Parent Company

ACCOUNTING POLICIES

The Annual Report of IRD Fuel Cells A/S for 2022 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.

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.

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, unsaleability 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.

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	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$