Deloitte.

Unibio A/S

Langebjerg 1
4000 Roskilde
CVR No. 26110262

Annual report 2019

The Annual General Meeting adopted the annual report on 22.04.2020

Jan Boeg Hansen
Conductor

Contents

Entity details

Entity
Unibio A/S

Langebjerg 1

4000 Roskilde

CVR No.: 26110262

Date of foundation: 01.07.2001

Registered office: Roskilde

Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Jan Boeg Hansen, chairman

Sten Bay Jørgensen

Henrik Busch-Larsen

Jeppe Høier

Executive Board
Henrik Busch-Larsen, CEO

Jakob Brix Christensen, CFO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Unibio A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Roskilde, 22.04.2020

Executive Board

Henrik Busch-Larsen
CEO

Jakob Brix Christensen
CFO

Board of Directors

Jan Boeg Hansen
chairman

Sten Bay Jørgensen

Henrik Busch-Larsen

Jeppe Høier

Independent auditor's report

To the shareholders of Unibio A/S

Opinion

We have audited the financial statements of Unibio A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Odense, 22.04.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Allan Dydensborg Madsen
State Authorised Public Accountant
Identification No (MNE) mne34144

Management commentary

Primary activities

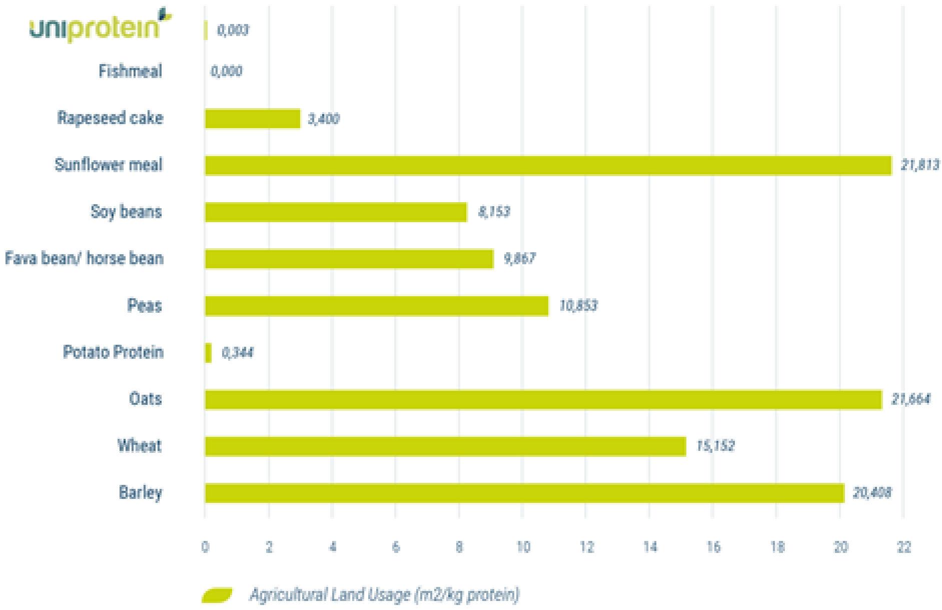
Unibio will disrupt the protein value chain by decoupling protein production from farming and fishing, providing a sustainable solution when compared to past protein production methods.

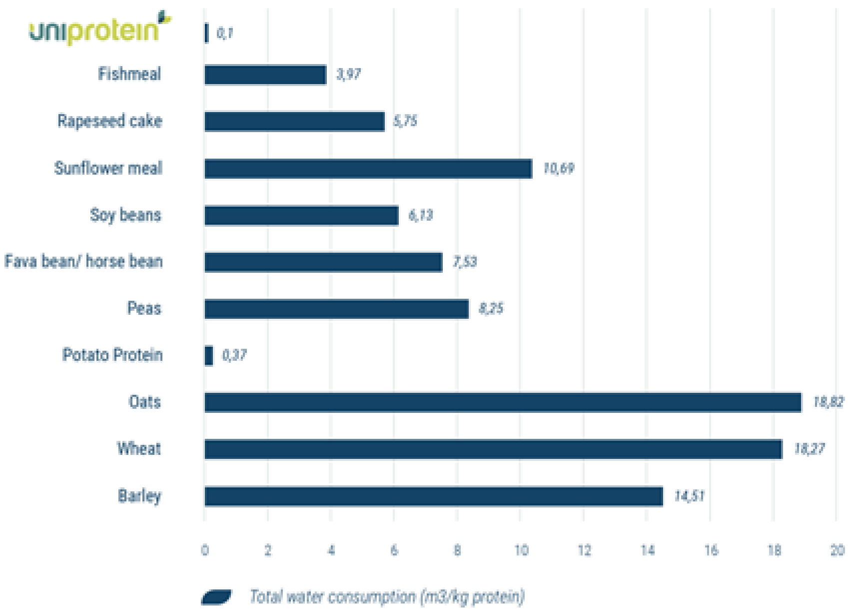
Unibio is the developer of an innovative production technology that converts methane from any source into highly concentrated organic protein – Uniprotein® – for sustainable feed, targeting the animal and fish compound feed markets. In the longer term, Unibio expects to produce protein products for food applications.

Unibio’s technology replicates microbiological processes that occur in nature every day. Unibio has succeeded in transferring this natural conversion of methane to protein into a viable bio-industrial process using a patent protected vertical U-Loop® fermentor. The technology has been demonstrated in pilot and demonstration scale and is currently being commissioned at commercial scale by one of Unibio’s technology partners.

Uniprotein® is approved as an animal feed material under EU regulations and can be used as a direct supplement in all animal feed applications. Uniprotein® is a close substitute to high-quality fishmeal and can also substitute premium concentrated soybean-derived products, both being increasingly scarce resources. Uniprotein® is a certified organic product that is made by a non-genetically modified microbial culture with methane as the sole carbon source. The product is free from toxins and dioxin and has a very low environmental footprint. There is no practical upper limit to the amount of protein that can be produced through Unibio's technology as methane is a cheap and abundant feedstock, making Uniprotein® an important protein source needed to feed the world’s growing population.

Uniprotein® provides a sustainable and environmentally friendly, nutritionally correct, affordable and socio-culturally acceptable alternative to current fish- and meat-based protein sources. This is emphasized by the lean production efficiency. A plant producing 12,500 tonnes of Uniprotein® a year, for example, occupies approximately 5 hectares of land, and the process only uses around 5,000 litres of water per tonne of product, much less than for other proteins.





More than 1,000 million tonnes animal feed is produced per annum, a number that is growing every year driven by the increasing world population and the rising demand for meat products in developing countries. The value of the market exceeds USD 500bn, and it is expected to grow significantly in the coming years. The feed industry today is facing a protein shortage challenge which leads to the depletion of fish stocks and the clearing of rainforest, and Unibio's protein technology provides an innovative way of battling this protein shortage challenge by decoupling protein production from farming and fishing. In addition there is a growing trend in some countries for food protein that does not come from animals. This market is expected to grow rapidly in the years to come, and Unibio intends to become an ingredient supplier to this segment too.

Utilizing methane that is generated from energy production, household waste or other biological sources is a sustainable solution not previously introduced into the feed or food industry. Only few companies work within the protein-from-methane field, and management believes that Unibio is in a strong position to become one of the major players within the industry. Unibio aims to develop global brands for its protein products and to ensure high quality production processes are followed by its production partners.

Development in activities and finances

In 2019 several technological milestones were met. First of all, Unibio made very significant improvements in productivity at our Danish pilot plant – meeting or exceeding all goals we had set. Secondly, the target fermentation length was surpassed, and thirdly, we further improved the cost of our input materials. Management sees these three milestones, together with the fact that the protein quality exceeds our original expectations, as major achievements, underlining the significant economic potential of the technology.

The first commercial-size plant has been built by Unibio's Russian licensee. Commissioning of the plant is ongoing although this is taking longer than originally expected. The plant has an expected production capacity of approx. 6,250 tonnes per annum. Discussions with Unibio's US licensee regarding establishment of a production plant in the United States have also been initiated. The first US plant will likely be located near Houston, Texas, as this is considered a good location with the necessary infrastructure already in place.

In August 2019, Unibio and its local partner in Saudi Arabia signed a Memorandum of Understanding with SAGIA, the General Investment Authority of Saudi Arabia. This is the initial step in establishing a production plant in Saudi Arabia. As a part of the Saudi Arabian 2030 Vision, the plan is to transform the economy using local investment power to create a more diverse and sustainable future.

Unibio is also is in dialogue with other potential partners and licensees.

Unibio has also experienced interest from a large number of potential clients (off-takers) wishing to source Uniprotein®. The interest is seen from both regional and global players. In order to handle the increased interest, a commercial team with broad market knowledge as well as knowledge of animal nutrition and protein applications has been established. This has already resulted in a notable pipeline of potential customers, and the first significant order was signed in early 2020.

In 2019, Unibio initiated a research project together with four Danish companies/institutions with the aim to validate and optimize nutritional and functional properties of Uniprotein® for aquaculture and piglets. The project was granted DKK 9.5m (GBP 1.1m) by the Green Development and Demonstration Programme (GUDP) of the Danish Ministry of Environment and Food. The research project began in July 2019 and will continue for three years. The preliminary results look promising, and were disclosed by Danish Agro and Unibio at NutriFair 2020.

By invitation of the United Nations Development Program (UNDP) Unibio participated in the SDG Accelerator programme in 2019. SDG Accelerator is aimed at small & medium-sized industrial companies capable of making a difference in terms of scalability and working towards a more sustainable future. Unibio was chosen because we address one of the biggest challenges of our time - How to feed 10 billion people in 2050 without destroying the planet.

Through the SDG Unibio commenced a collaboration with Goodvalley, a fast growing pork producer aiming for sustainable farming with production facilities in several East European countries. Together with Goodvalley, we aim co-locate our U-Loop® production systems together with biogas plants at pig farms and thus producing protein from the biogas from the pigs, creating a true circular economy.

In September 2019 Unibio was selected as one of the top ten sustainable innovations by the International Feed-X programme. The objective of the FEED-X is to replace 10% of the global feed usage with feed produced with a significantly reduced environmental impact. The selection panel included representatives from the World Wildlife Foundation (WWF), the World Bank, IKEA, Cambridge University, Skretting and EIT Climate-KIC as well as private wealth and impact investment partners.

By the end of 2019 Unibio had 34 dedicated professionals/employees comprising a strong technical team consisting of fermentation specialists (covering the process from lab work to industrial fermentation and automatic process controlling), a dedicated R&D team focusing on technology and product development and a commercial team with knowledge of both the feed and food markets.

In 2019 Unibio A/S's parent company, Unibio International plc, raised GBP 14.4 million (DKK 120 million) as new equity. The funds enable commencement of a global roll-out of full-scale protein-from-methane production technology, expansion of R&D and strengthening of the organization. The funds were raised from both existing and new shareholders. Mitsubishi Corporation participated in the financing round and thus became a shareholder of Unibio International plc.

Gross loss for the year amounted to DKK 10,422k / GBP 1,225k (gross loss of DKK 7,445k / GBP 884k for 2018). The post-tax loss for the year amounted to DKK 25,985k / GBP 3,054k (post-tax loss of DKK 19,949k/GBP 2,368k for 2018). The loss for the year is mainly related to costs associated with research and development activities and the costs associated with the operation of Unibio's pilot and demonstration plants. The increase in costs is also associated with the Unibio developing its organization to enable the commercial roll-out of its technology. Management considers the loss for the year satisfactory in light of the Company's expectations for the future. Equity at end-2019 increased to DKK 66,447k/GBP 7,580k (DKK 15,801k/GBP 1,910k at end-2018), due to a capital increase during the year. The Company generated no revenues in 2019.

Uncertainty relating to recognition and measurement

In a subsidiary, an amount of DKK 2,003k/GBP 228k is recognized as a receivable. The amount relates to the commissioning of the full-scale commercial plant under Unibio's first licence agreement. The amount falls due upon completed commissioning of the plant. As this is the first full-scale commercial plant, the amount is subject to uncertainty.

In Management's view, there is no other specific uncertainty about the recognition or measurement of any items in the financial statements.

Outlook

In 2020, Unibio expects to continue its global roll-out of the U-Loop® technology and dialogues with potential technology partners/licensees. Unibio plans to expand its R&D activities and take part in product trials and research aimed at creating value-added products. Finally, Unibio will continue to build the customer pipeline with the intention of signing more commercial agreements.

Events after the balance sheet date

In March 2020, Denmark and many other countries experienced a (partial) lockdown due to the seriousness of the coronavirus (COVID 19) pandemic. Unibio took the Danish government's recommendations very seriously and ordered most employees to work from home. Where it was required for employees to be physically present due to ongoing fermentations etc., a balance was struck between meeting a minimum staff requirement to ensure the safety of the employees and enabling the continuation of production and development activities. It is the management's assessment that despite the critical situation, the coronavirus pandemic will have minimal negative impact on Unibio.

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Gross profit/loss		**(10,422)**	**(7,445)**
Staff costs	2	(19,369)	(14,830)
Depreciation, amortisation and impairment losses	3	(2,877)	(2,671)
Operating profit/loss		**(32,668)**	**(24,946)**
Other financial income		128	6
Other financial expenses		(777)	(625)
Profit/loss before tax		**(33,317)**	**(25,565)**
Tax on profit/loss for the year	4	7,332	5,616
Profit/loss for the year		**(25,985)**	**(19,949)**
Proposed distribution of profit and loss			
Retained earnings		(25,985)	(19,949)
Proposed distribution of profit and loss		**(25,985)**	**(19,949)**

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects	6	1,361	2,096
Acquired patents		1,972	2,172
Development projects in progress	6	762	0
Intangible assets	5	**4,095**	**4,268**
Plant and machinery		19,922	21,292
Other fixtures and fittings, tools and equipment		918	184
Property, plant and equipment	7	**20,840**	**21,476**
Investments in group enterprises		150	100
Other financial assets		**150**	**100**
Fixed assets		**25,085**	**25,844**
Raw materials and consumables		396	433
Inventories		**396**	**433**
Receivables from group enterprises		2,087	2,042
Deferred tax	8	7,186	3,422
Other receivables		2,143	1,192
Income tax receivable	9	3,568	7,174
Prepayments	10	130	318
Receivables		**15,114**	**14,148**
Cash		**64,940**	**4,011**
Current assets		**80,450**	**18,592**
Assets		**105,535**	**44,436**

Equity and liabilities

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		4,750	3,137
Reserve for development expenditure		425	494
Retained earnings		61,272	12,170
Equity		**66,447**	**15,801**
Debt to other credit institutions		6,511	6,863
Other payables		519	0
Non-current liabilities other than provisions	11	**7,030**	**6,863**
Current portion of non-current liabilities other than provisions	11	374	0
Payables to other credit institutions		1	4
Trade payables		1,546	1,943
Payables to group enterprises		18,900	7,516
Other payables	12	3,447	2,756
Deferred income	13	7,790	9,553
Current liabilities other than provisions		**32,058**	**21,772**
Liabilities other than provisions		**39,088**	**28,635**
Equity and liabilities		**105,535**	**44,436**
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		

Statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	3,137	493	12,170	15,800
Increase of capital	1,613	0	75,019	76,632
Transfer to reserves	0	(68)	68	0
Profit/loss for the year	0	0	(25,985)	(25,985)
Equity end of year	**4,750**	**425**	**61,272**	**66,447**

Notes

1 Uncertainty relating to recognition and measurement

In a subsidiary, an amount of DKK 2,003k is recognised as a receivable. The amount relates to the commisioning of the full scale commercial plant under the Company's first licens agreement. The amount falls due upon completed commissioning of the plant. As this is the first full scale commercial plant, there is uncertainty related to this amount.

Deferred tax has been capitalized and amounts to DKK 7,186k as of 31.12.2019. The recognised amount is expected to be used within 3-5 years according to forecasts. The uncertainty relating to the measurement of amount is significant as the use is related to the last years of the period.

In Management's view, there is no other specific uncertainty about the recognition or measurement of any items in the financial statements.

2 Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	17,943	13,698
Pension costs	744	313
Other social security costs	298	222
Other staff costs	384	597
	19,369	**14,830**

Average number of full-time employees	**30**	**26**

3 Depreciation, amortisation and impairment losses

	2019 DKK'000	2018 DKK'000
Amortisation of intangible assets	1,161	1,103
Depreciation of property, plant and equipment	1,716	1,568
	2,877	**2,671**

4 Tax on profit/loss for the year

	2019 DKK'000	2018 DKK'000
Current tax	(3,568)	(3,538)
Change in deferred tax	(3,764)	(2,072)
Adjustment concerning previous years	0	(6)
	(7,332)	**(5,616)**

5 Intangible assets

	Completed development projects DKK'000	Acquired patents DKK'000	Development projects in progress DKK'000
Cost beginning of year	4,693	4,231	3,000
Additions	237	0	762
Cost end of year	**4,930**	**4,231**	**3,762**
Amortisation and impairment losses beginning of year	(2,608)	(2,059)	(3,000)
Amortisation for the year	(961)	(200)	0
Amortisation and impairment losses end of year	**(3,569)**	**(2,259)**	**(3,000)**
Carrying amount end of year	**1,361**	**1,972**	**762**

6 Development projects

Completed development projects relate to the project at DTU that is related to the EFPRO2-project. The completed development projects are expected to generate a positive cash flow for the company through license agreements. The Executive Board expect that the positive cash flow will increase through new license agreements.

7 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	23,999	344
Additions	268	810
Cost end of year	**24,267**	**1,154**
Depreciation and impairment losses beginning of year	(2,705)	(160)
Depreciation for the year	(1,640)	(76)
Depreciation and impairment losses end of year	**(4,345)**	**(236)**
Carrying amount end of year	**19,922**	**918**

8 Deferred tax

Deferred tax relates to intangible and tangible assets and other provisions.

9 Income tax receivable

Income tax receivable relates to repayments in accordance with Danish tax legislation § 8X.

10 Prepayments

Prepayments consist of incurred costs related to subsequent financial years.

11 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years 2019 DKK'000
Debt to other credit institutions	374	6,511	1,223
Other payables	0	519	0
	374	**7,030**	**1,223**

12 Other payables

	2019 DKK'000	2018 DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	1,710	2,197
Other costs payable	1,737	559
	3,447	**2,756**

13 Deferred income

Deferred income consist of grants to development projects. The amount will be transferred to the income statement in line with depreciation and execution on the development projects.

14 Unrecognised rental and lease commitments

The Company has entered three lease contracts concerning office rent and other rents. The contracts can be terminated with a 2 - 6 months' notice. The last contract is timelimited with end at 1 January 2024. Total lease obligations at 31 December 2019 amount to DKK 4,104k.

15 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

16 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of t.DKK 7.000 nominal.

The carrying amount of mortgaged plant is t.DKK 29.694.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and other operating income less cost of raw materials and consumables and external expenses.

Revenue
Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity’s primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses
Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises payables and transactions in foreign currencies etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on trade payables and payables and transactions in foreign currencies etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc
Intellectual property rights etc. comprise development projects in progress with related patents.

Intellectual property rights etc. comprise development projects in progress with related patents. Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Acquired patents and completed development projects are amortised over 5-15 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Property, plant and equipment, other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	15 years

Equipment is written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.