



Unibio A/S

Langebjerg 1
4000 Roskilde
CVR No. 26110262

Annual report 2020

The Annual General Meeting adopted the
annual report on 28.05.2021

Jan Boeg Hansen
Conductor

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Entity details

Entity

Unibio A/S

Langebjerg 1

4000 Roskilde

CVR No.: 26110262

Date of foundation: 01.07.2001

Registered office: Roskilde

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Jan Boeg Hansen, chairman

Sten Bay Jørgensen

Jeppe Høier

Henrik Busch-Larsen

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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, 28.05.2021

Executive Board

Henrik Busch-Larsen
CEO

Jakob Brix Christensen
CFO

Board of Directors

Jan Boeg Hansen
chairman

Sten Bay Jørgensen

Jeppe Høier

Henrik Busch-Larsen

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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, 28.05.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

Martin Skov Nielsen
State Authorised Public Accountant
Identification No (MNE) mne45861

Management commentary

Primary activities

Unibio is a sustainable protein company that has developed a technology, the U-Loop® technology, to produce affordable high-quality protein – Uniprotein® – for fish and animal feed. The production is based on a proprietary continuous-flow microbial fermentation technology converting natural gas into protein and has now reached full industrial scale. Uniprotein® is an organic and sustainable alternative to traditional protein sources such as prime fishmeal and concentrated soy-based products. In contrast to fishmeal and soy-based products the production of Uniprotein® does not adversely affect the world's ecosystems. Using Uniprotein® in feed mixes instead of conventional proteins could reduce overfishing of oceans and deforestation of rainforests and will increase the world's ability to feed a growing population and address hunger. In 2018 Unibio started a development project funded by EU to explore the opportunities to develop the protein produced by the U-Loop® technology for human consumption. The project is progressing according to plan and is expected to end in 2023. Based on the results we have achieved so far, we expect to continue the development of protein for food.

Sustainability is part of Unibio's DNA, which fits naturally into the UNDP's programme to accelerate business solutions with Sustainable Development Goals - SDG2 Zero hunger, SDG12 Responsible Consumption and Production, SDG14 Life Below Water and SDG15 Life on Land.

Uniprotein® can be sold at a competitive price and be produced in almost unlimited quantities. In addition, the production facilities can be placed almost everywhere on solid ground – preferably close to the natural gas source. Uniprotein® is certified organic by OF&G Ltd.

To date, Uniprotein® is approved for feed in the EU, and further geographical distribution is expected. The first industrial-scale plant is in production, several feed compounders have shown interest in Uniprotein®, and contracts for Uniprotein® have been signed after test of Uniprotein®.

Unibio will continue to improve Uniprotein® and the production method both at its own research and development facilities in Kalundborg, Denmark, and in collaboration with the customers of industrial-scale plants.

Unibio International plc is the holding company of Unibio A/S.

Development in activities and finances

2020 has been a challenging year due to the COVID-19 pandemic. Unibio has also been affected by the pandemic but has been able to continue most of its activities unaffected. A lot of attention has been focused on the well-being of the employees during these difficult times, and management has increased its communicative efforts towards the organization. It has been a challenge not to be able to meet physically with potential customers and clients but we expect to catch up when the COVID-19 pandemic is under control. Most research and development activities have continued as planned during the pandemic, and we have achieved significant results, e.g increased productivity and fermentation length and seen the production of the first samples of our protein as potential food ingredient.

Strong market interest in our protein – and significant off-take contract signed

In 2020 Unibio signed a contract for the delivery over five years of a significant quantity of Uniprotein® to Grupo Blumos, a large South American feed and food company. The delivery of large volumes is expected to begin in 2023. We do, however, expect product from Ivangorod to be delivered much earlier.

Furthermore, Unibio signed a letter of intent with Skretting, one of the world's largest suppliers of feed for aquaculture production. Skretting is located in Norway and is expected to start testing Uniprotein® in 2021.

Improved growth with Uniprotein®

In 2020 Uniprotein® applications have been developed, tested and improved in close cooperation with the feed compounding companies Danish Agro and Biomar. The applications were tested on piglets and salmon. Tests were conducted in relation to protein and fat digestion, taste and growth. The results are very promising, and compared to conventional feed products, Uniprotein® did in some situations show better growth and digestion measured as FCR (feed conversion ratio). Furthermore, the tests also showed that medical zinc for piglets is redundant if Uniprotein® is used in the feed mixture – as Uniprotein® stabilizes the pigs' overall intestinal well-being and digestion.

Productivity of U-Loop® technology increased by more than 25%

At the beginning of 2020, the U-Loop® pilot plant was moved from the Technical University of Denmark (DTU) in Lyngby to our demonstration and development facilities in Kalundborg, a municipality boasting one of Denmark's largest concentrations of bioindustrial companies outside Copenhagen. Many synergies have been achieved, and Unibio's research and development activities progress at a high pace. In 2020 Unibio increased the productivity of the U-Loop® technology by more than 25% as we increased the fermentation time and yield.

In 2020 we began the construction of new facilities at our site in Kalundborg for the development and optimization of our downstream process and new products. The facilities have been commissioned at the beginning of 2021. Unibio has high expectations for the further development of products and new processes in the new settings.

The facilities in Kalundborg are used to produce product samples to be tested on fish, piglets and poultry in collaboration with potential customers from all over the world.

New headquarters and laboratory facilities

In December 2019 Unibio moved from DTU to our newly established headquarters in Roskilde, Denmark with offices and laboratory facilities. The laboratory will support the optimization of the U-Loop® technology processes and various new application projects. The new facilities have had a positive impact on Unibio's development and the motivation of our employees.

Access to industrial-scale technology

During 2020 we have been in close dialogue with our first licensee Stafilies and its operational subsidiary Protelux to deepen the collaboration and to gain valuable industrial-scale experience. Protelux now operates the world's first industrial-scale protein plant based on the U-Loop® technology. Under an Umbrella agreement signed in May 2021, we can use the facility in Ivangorod to demonstrate recipes and procedures from our demonstration plant and to showcase the U-Loop® technology to potential new partners. Subject to completion of the Umbrella agreement, Unibio have furthermore obtained a call option to acquire 49% of Protelux and thus become a shareholder in the world's first industrial-scale "Protein-from-Methane" manufacturing facility. Under the agreement Stafilies will become a shareholder in Unibio upon closing of the transaction.

Industry 4.0 and simulation will be part of our future

In 2020 Unibio entered a partnership with Novo Nordisk Engineering (NNE). NNE will install the most novel digitalization equipment at Unibio's plant facilities in Kalundborg. With the new technology Unibio has taken a large step into the digital world and the Industry 4.0 standard. It will be possible to monitor and collect much more data from our U-Loop® technology to help improve its productivity. The data collection and management

will become an important part of our future research and development activities.

Business development and joint ventures

Unibio A/S has already signed 2 license agreements (Russia and USA) and is in dialogue with several potential new licensees from different geographical locations who have shown interest in investing in Unibio A/S's technology. Though, it has not been possible to meet physically due to the COVID-19 pandemic, negotiations have progressed well and in April 2021, Unibio A/S signed the 3rd license agreement with Gulf Biotech in Qatar. Several negotiations are still ongoing, and the subsidiary hopes to conclude additional agreements during 2021.

In December 2019 Mitsubishi Corporation became a shareholder in Unibio, and during 2020 we have continued a good and constructive dialogue in relation to the development of various joint projects.

Patent protection

In 2020 Unibio continued its focus on patents and an offensive IPR strategy - primarily on our U-Loop® technology and the various production processes. Unibio has applied for patents in selected territories, and several national patents have already been registered.

Financials

Gross loss for the year amounted to DKK 13,099k (gross loss of DKK 10,422k for 2019). The post-tax loss for the year amounted to DKK 41,743k (post-tax loss of DKK 25,984k for 2019). 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 facilities. The increase in costs is also associated with Unibio developing its organization to enable the increased activity in both development and commercial activities. The Company generated no revenues in 2020.

Equity at end-2020 amounted to DKK 24,705k (DKK 66,448k at end-2019).

Uncertainty relating to recognition and measurement

In the subsidiary, Unibio Russia ApS, an amount of DKK 1,817k 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 facility. As this is our first full-scale commercial facility, 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 2021, Unibio will continue its R&D activities and expect to improve the productivity in both the upstream (the U-Loop® technology) and the downstream processes. Unibio will continue the work with development and optimization of the microbiology in our laboratory and demonstration facilities combined with the above-mentioned new access to industrial verification in Protelux/Russia.

Unibio expects to continue its global roll-out of the U-Loop® technology and its dialogue with potential technology partners/licensees. Unibio will continue to build the customer pipeline with the intention of signing more commercial agreements.

Unibio plans to raise more capital for the development activities during 2021 and for the preparation of the global roll-out of the technology as well as for strengthening the organization.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Gross profit/loss		(13,099)	(10,422)
Staff costs	2	(27,712)	(19,368)
Depreciation, amortisation and impairment losses	3	(3,921)	(2,877)
Operating profit/loss		(44,732)	(32,667)
Other financial income		81	128
Other financial expenses		(2,501)	(777)
Profit/loss before tax		(47,152)	(33,316)
Tax on profit/loss for the year	4	5,409	7,332
Profit/loss for the year		(41,743)	(25,984)
Proposed distribution of profit and loss			
Retained earnings		(41,743)	(25,984)
Proposed distribution of profit and loss		(41,743)	(25,984)

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	6	219	1,362
Acquired patents		1,772	1,972
Development projects in progress	6	0	762
Intangible assets	5	1,991	4,096
Plant and machinery		21,180	19,922
Other fixtures and fittings, tools and equipment		3,733	918
Property, plant and equipment	7	24,913	20,840
Investments in group enterprises		150	150
Financial assets		150	150
Fixed assets		27,054	25,086
Raw materials and consumables		315	396
Inventories		315	396
Receivables from group enterprises		1,913	2,087
Deferred tax	8	7,105	7,186
Other receivables		9,710	2,143
Income tax receivable	9	5,500	3,568
Prepayments	10	241	130
Receivables		24,469	15,114
Cash		15,830	64,940
Current assets		40,614	80,450
Assets		67,668	105,536

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		4,750	4,750
Reserve for development expenditure		1,445	425
Retained earnings		18,510	61,273
Equity		24,705	66,448
Debt to other credit institutions		6,046	6,511
Other payables		1,539	519
Non-current liabilities other than provisions	11	7,585	7,030
Current portion of non-current liabilities other than provisions	11	697	374
Payables to other credit institutions		1	1
Trade payables		2,038	1,546
Payables to group enterprises		16,216	18,900
Other payables	12	7,894	3,447
Deferred income	13	8,532	7,790
Current liabilities other than provisions		35,378	32,058
Liabilities other than provisions		42,963	39,088
Equity and liabilities		67,668	105,536
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 2020

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4,750	425	61,273	66,448
Transfer to reserves	0	1,020	(1,020)	0
Profit/loss for the year	0	0	(41,743)	(41,743)
Equity end of year	4,750	1,445	18,510	24,705

Notes

1 Uncertainty relating to recognition and measurement

In the subsidiary, Unibio Russia ApS, an amount of DKK 1,817k is recognised as a receivable. The amount relates to the commissioning 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 7,105k as of 31.12.2020. 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

	2020	2019
	DKK'000	DKK'000
Wages and salaries	24,536	17,942
Pension costs	1,909	744
Other social security costs	305	298
Other staff costs	962	384
	27,712	19,368
Average number of full-time employees	33	30

3 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Amortisation of intangible assets	1,344	1,161
Depreciation of property, plant and equipment	2,577	1,716
	3,921	2,877

4 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	(5,500)	(3,568)
Change in deferred tax	81	(3,764)
Adjustment concerning previous years	10	0
	(5,409)	(7,332)

5 Intangible assets

	Completed development projects DKK'000	Acquired patents DKK'000	Development projects in progress DKK'000
Cost beginning of year	4,931	4,231	3,762
Transfers	0	0	(2,096)
Additions	0	0	1,334
Cost end of year	4,931	4,231	3,000
Amortisation and impairment losses beginning of year	(3,568)	(2,259)	(3,000)
Amortisation for the year	(1,144)	(200)	0
Amortisation and impairment losses end of year	(4,712)	(2,459)	(3,000)
Carrying amount end of year	219	1,772	0

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	24,267	1,154
Transfers	0	2,096
Additions	3,055	1,498
Cost end of year	27,322	4,748
Depreciation and impairment losses beginning of year	(4,345)	(236)
Depreciation for the year	(1,797)	(779)
Depreciation and impairment losses end of year	(6,142)	(1,015)
Carrying amount end of year	21,180	3,733

8 Deferred tax

Deferred tax relates to intangible and tangible assets, tax losses brought forward and other provisions.

Tax losses brought forward with a value of DKK 6.837k is not included in deferred tax

9 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 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Debt to other credit institutions	697	374	6,046	2,708
Other payables	0	0	1,539	0
	697	374	7,585	2,708

The company have in 2021 started a dialog with Den Grønne Investeringsfond, about repayment of debt to other credit institutions.

12 Other payables

	2020 DKK'000	2019 DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	6,854	1,710
Other costs payable	1,040	1,737
	7,894	3,447

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 two lease contracts concerning office rent and other rents. The contracts can be terminated with a 6 months' notice. The last contract is timelimited with end at 1 January 2024. Total lease obligations at 31 December 2020 amount to DKK 2,392k.

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

As security for bank loans the company has provided floating charge at nominal value of DKK 7,000k. The security include plant and machinery at a carrying amount of DKK 21,180k.

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.

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.

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.