BUUS JENSEN
Statsautoriserede
Revisorer

Alkalon A/S

Farverland 6, st., 2600 Glostrup

Company reg. no. 30 27 38 26

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 28 April 2021.

Ricki Boye
Chairman of the meeting

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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MOORE
REVISORGRUPPEN DANMARK

Contents

Management's report

The board of directors and the managing director have today presented the annual report of Alkalon A/S for the financial year 1 January to 31 December 2020.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2020 and of the company's results of its activities in the financial year 1 January to 31 December 2020.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Glostrup, 25 March 2021

Managing Director

Rolf Eckersberg

Board of directors

Søren Fæster Chairman of the Board	Thor Nels Andersen	Rasmus Forup Helmich
Peter Sølbeck	Rolf Eckersberg	

Independent auditor's report

To the shareholders of Alkalon A/S

Opinion

We have audited the annual accounts of Alkalon A/S for the financial year 1 January to 31 December 2020, which comprise profit and loss account, balance sheet, statement of changes in equity, notes and accounting policies. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the audit of the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 by management and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management’s review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management’s review and in that connection consider whether the management’s review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 25 March 2021

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Benjamin Møller Obel
State Authorised Public Accountant
mne44149

Company information

The company	Alkalon A/S Farverland 6, st. 2600 Glostrup	
	Company reg. no.	30 27 38 26
	Domicile:	Glostrup
	Financial year:	1 January - 31 December
Board of directors	Søren Fæster, Chairman of the Board Thor Nels Andersen Rasmus Forup Helmich Peter Sølbeck Rolf Eckersberg	
Managing Director	Rolf Eckersberg	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Subsidiary	Alkalon Pharmaceuticals Inc., Canada	

Management commentary

The principal activities of the company

Alkalon's activities are to develop, register and commercialize new generic NRT products to the pharmaceutical industry and retailers around the world.

Events subsequent to the financial year

Alkalon develops and supplies medical chewing gum, including competitive nicotine chewing gum to brands around the world. Primary sales take place in the industrialized world and has been growing 20%+ on main market. Several launches are underway including in other regions of the world.

The result in 2020 was -2,2 mil. DKK and EBITDA -0,3 mil. DKK. This is not considered satisfactory. The result is affected by COVID-19 and non recurring turnaround costs.

•COVID-19 lead to app. -0,6 mil. DKK lower EBITDA. Sales delays due to longer lead times in the supply chain, and significant increased shipping costs.
•A turnaround was completed in 2020 with non recurring costs of app. 1,3 mil. DKK. Focus has been on strengthening the supply chain, organization, quality, and productivity.

The shareholders have strengthened the equity by 5,4 mil. DKK by a capital deposit which led to a solvency ratio at 28,4% by year end.

In 2021, a solid increase in revenue and result is expected, as well as investment in increased production capacity.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2020	2019
	Gross profit	**2.900.382**	**778.264**
2	Staff costs	-3.198.230	-3.914.850
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-1.340.248	-1.229.322
	Operating profit	**-1.638.096**	**-4.365.908**
	Other financial income	36.984	83.611
3	Other financial costs	-646.308	-1.276.113
	Pre-tax net profit or loss	**-2.247.420**	**-5.558.410**
	Net profit or loss for the year	**-2.247.420**	**-5.558.410**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-2.247.420	-5.558.410
	Total allocations and transfers	**-2.247.420**	**-5.558.410**

Statement of financial position at 31 December

All amounts in DKK.

Note	Assets	2020	2019
	Non-current assets		
4	Completed development projects, including patents and similar rights arising from development projects	3.107.018	4.038.102
5	Goodwill	214.132	471.088
	Total intangible assets	3.321.150	4.509.190
7	Other fixtures and fittings, tools and equipment	134.569	244.189
	Total property, plant, and equipment	134.569	244.189
8	Equity investments in group enterprises	1	1
9	Other debtors	1.571.757	1.571.757
	Total investments	1.571.758	1.571.758
	Total non-current assets	**5.027.477**	**6.325.137**
	Current assets		
	Raw materials and consumables	1.809.204	1.344.622
	Manufactured goods and trade goods	9.791.081	6.173.989
	Total inventories	11.600.285	7.518.611
	Trade debtors	4.845.378	6.157.697
	Deferred tax assets	1.672.000	1.672.000
	Prepayments and accrued income	161.584	69.263
	Total receivables	6.678.962	7.898.960
	Available funds	765.997	158.038
	Total current assets	**19.045.244**	**15.575.609**
	Total assets	**24.072.721**	**21.900.746**

Statement of financial position at 31 December

All amounts in DKK.

Note	Equity and liabilities	2020	2019
	Equity		
	Contributed capital	4.120.172	2.773.598
	Reserve for development expenditure	3.072.732	4.038.102
	Retained earnings	-358.385	-3.169.829
	Total equity	**6.834.519**	**3.641.871**
	Liabilities other than provisions		
	Bank debts	7.766.981	6.853.977
	Trade payables	8.075.718	9.274.388
	Other payables	1.395.503	2.130.510
	Total short term liabilities other than provisions	17.238.202	18.258.875
	Total liabilities other than provisions	**17.238.202**	**18.258.875**
	Total equity and liabilities	**24.072.721**	**21.900.746**

1 Uncertainties concerning recognition and measurement

10 Charges and security

11 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Reserve for development costs	Retained earnings	Total
Equity 1 January 2019	1.699.417	0	3.882.090	-720.920	4.860.587
Cash capital increase	1.074.181	0	0	0	1.074.181
Profit or loss for the year brought forward	0	0	0	-5.558.410	-5.558.410
Transferred from results brought forward	0	0	156.012	0	156.012
Transfer to development expenditure	0	0	0	-156.012	-156.012
Transaction debt conversion	0	0	0	3.265.513	3.265.513
Equity 1 January 2020	2.773.598	0	4.038.102	-3.169.829	3.641.871
Cash capital increase	1.346.574	4.093.494	0	0	5.440.068
Profit or loss for the year brought forward	0	0	0	-2.247.420	-2.247.420
Transferred to retained earnings	0	-4.093.494	0	4.093.494	0
Transferred from results brought forward	0	0	-965.370	0	-965.370
Transfer to development expenditure	0	0	0	965.370	965.370
	4.120.172	**0**	**3.072.732**	**-358.385**	**6.834.519**

Notes

All amounts in DKK.

	2020	2019

1. Uncertainties concerning recognition and measurement

A deferred tax asset of DKK 1,672,000 has been incorporated into the annual accounts which, in all material respects, concerns unutilized tax losses. The deferred tax asset has been measured based on then management's expectations to the company's short time future earnings. Based on the above, the management is of the opinion that the measurement is reasonable and justifiable. The company has a total deferred tax asset of a value of DKK 10,450,000 of which DKK 1,672,000 have been recognized in the balance.

2. Staff costs

	2020	2019
Salaries and wages	2.502.622	3.559.751
Pension costs	668.120	323.525
Other costs for social security	27.488	31.574
	3.198.230	**3.914.850**
Average number of employees	5	5

3. Other financial costs

	2020	2019
Other financial costs	646.308	1.276.113
	646.308	**1.276.113**

Notes

All amounts in DKK.

		31/12 2020	31/12 2019
4.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2020	4.861.839	0
	Additions during the year	42.588	0
	Transfers	0	4.861.839
	Cost 31 December 2020	**4.904.427**	**4.861.839**
	Amortisation and writedown 1 January 2020	-823.737	0
	Amortisation and writedown for the year	-973.672	-823.737
	Amortisation and writedown 31 December 2020	**-1.797.409**	**-823.737**
	Carrying amount, 31 December 2020	**3.107.018**	**4.038.102**
5.	**Goodwill**		
	Cost 1 January 2020	3.158.408	3.158.408
	Cost 31 December 2020	**3.158.408**	**3.158.408**
	Amortisation and writedown 1 January 2020	-2.687.320	-2.430.364
	Amortisation and writedown for the year	-256.956	-256.956
	Amortisation and writedown 31 December 2020	**-2.944.276**	**-2.687.320**
	Carrying amount, 31 December 2020	**214.132**	**471.088**
6.	**Development projects in progress and prepayments for intangible assets**		
	Cost 1 January 2020	0	3.882.090
	Additions during the year	0	979.749
	Transfers	0	-4.861.839
	Carrying amount, 31 December 2020	**0**	**0**

All amounts in DKK.

		31/12 2020	31/12 2019
7.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2020	1.503.797	1.459.938
	Additions during the year	0	43.859
	Cost 31 December 2020	**1.503.797**	**1.503.797**
	Depreciation and writedown 1 January 2020	-1.259.608	-1.110.978
	Depreciation and writedown for the year	-109.620	-148.630
	Depreciation and writedown 31 December 2020	**-1.369.228**	**-1.259.608**
	Carrying amount, 31 December 2020	**134.569**	**244.189**

8.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2020	1	0
	Additions during the year	0	1
	Cost 31 December 2020	**1**	**1**
	Carrying amount, 31 December 2020	**1**	**1**

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	Equity	Results for the year	Carrying amount, Alkalon A/S
Alkalon Pharmaceuticals Inc., Canada	100 %	0	0	0
		0	**0**	**0**

9.	**Other debtors**		
	Cost 1 January 2020	1.571.757	1.571.757
	Cost 31 December 2020	**1.571.757**	**1.571.757**
	Book value 31 December 2020	**1.571.757**	**1.571.757**

Notes

All amounts in DKK.

10. Charges and security

For bank debts, DKK 7,766,981, the company has provided security in company assets representing a nominal value of DKK 9,500,000.

11. Contingencies

Contingent liabilities

	DKK in thousands
Contingent liabilities in total	683

Accounting policies

The annual report for Alkalon A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in group enterprises

Dividend from equity investments in group enterprises is recognised in the financial year in which the dividend is declared.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 5 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Goodwill

Goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years. The amortisation period is determined on the basis of an expected payback period, being the longer for strategical acquirees with a strong market position and an expected long-term earnings profile.

Other plants, operating assets, fixtures and furniture

Other plants, operating assets, fixtures and furniture are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are measured at cost. If the recoverable amount is lower than the cost, writedown for impairment is done to match this lower value.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.