

Alkalon A/S
Farverland 6, st., 2600 Glostrup
Company reg. no. 30 27 38 26

Annual report
1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 2 March 2023.

Kristian Uggerhøj
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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Management's statement

Today, the board of directors and the managing director have presented the annual report of Alkalon A/S for the financial year 1 January - 31 December 2022.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2022 and of the company's results of activities in the financial year 1 January – 31 December 2022.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

Glostrup, 9 February 2023

Managing Director

Kristian Uggerhøj

Board of directors

Søren Fæster
Chairman of the Board

Thor Nels Andersen

Rasmus Forup Helmich

Peter Sølbeck

Independent auditor's report

To the Shareholders of Alkalon A/S

Opinion

We have audited the financial statements of Alkalon A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

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

Independent auditor's report

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

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

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

Copenhagen, 9 February 2023

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
Managing Director	Kristian Uggerhøj
Auditors	BUUS JENSEN, Statsautoriserede revisorer
Subsidiary	Alkalon Pharmaceuticals Inc., Canada

Management's review

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.

Development in activities and financial matters

Alkalon develops and supplies medical chewing gum, including competitive nicotine chewing gum to customers around the world. Primary sales take place in the industrialized world.

The 2022 Result ended at +1.5 mil. DKK and are according to expectations and as such satisfactory.

The 2022 result have been negatively affected by increasing cost of Raw-material and Manufacturing and the continued very high shipping costs.

For 2023, continued business growth is expected.

Significant events after the closing of the accounts

No significant changes have occurred.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Gross profit	6.449.154	3.381.869
2 Staff costs	-3.254.050	-2.615.407
Depreciation, amortisation, and impairment	<u>-1.009.703</u>	<u>-1.294.389</u>
Operating profit	2.185.401	-527.927
Other financial income	72.450	301.451
3 Other financial costs	<u>-782.369</u>	<u>-961.641</u>
Pre-tax net profit or loss	1.475.482	-1.188.117
Net profit or loss for the year	<u>1.475.482</u>	<u>-1.188.117</u>
Proposed distribution of net profit:		
Transferred to retained earnings	1.475.482	0
Allocated from retained earnings	<u>0</u>	<u>-1.188.117</u>
Total allocations and transfers	<u>1.475.482</u>	<u>-1.188.117</u>

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>	
Assets			
Non-current assets			
4	Completed development projects, including patents and similar rights arising from development projects	1.145.477	2.126.248
	Total intangible assets	1.145.477	2.126.248
6	Other fixtures and fittings, tools and equipment	6.150	35.082
	Total property, plant, and equipment	6.150	35.082
7	Investments in group enterprises	1	1
8	Other receivables	1.488.557	1.571.757
	Total investments	1.488.558	1.571.758
	Total non-current assets	2.640.185	3.733.088
Current assets			
	Raw materials and consumables	1.607.730	1.356.843
	Manufactured goods and goods for resale	8.890.279	11.727.757
	Total inventories	10.498.009	13.084.600
	Trade receivables	6.076.539	4.589.067
	Deferred tax assets	1.672.000	1.672.000
	Other receivables	953.622	802.250
	Prepayments and accrued income	64.973	77.416
	Total receivables	8.767.134	7.140.733
	Cash on hand and demand deposits	1.459.687	816.142
	Total current assets	20.724.830	21.041.475
	Total assets	23.365.015	24.774.563

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Equity and liabilities		
Equity		
Contributed capital	4.120.172	4.120.172
Reserve for development costs	1.111.191	2.091.962
Retained earnings	1.890.521	-565.732
Total equity	<u>7.121.884</u>	<u>5.646.402</u>
 Long term liabilities other than provisions		
Other debts	1.862.676	1.782.700
Total long term liabilities other than provisions	<u>1.862.676</u>	<u>1.782.700</u>
Bank loans	7.563.351	7.862.355
Trade payables	5.695.623	7.015.918
Other payables	1.121.481	2.467.188
Total short term liabilities other than provisions	<u>14.380.455</u>	<u>17.345.461</u>
Total liabilities other than provisions	<u>16.243.131</u>	<u>19.128.161</u>
Total equity and liabilities	<u>23.365.015</u>	<u>24.774.563</u>

- 1 Uncertainties concerning recognition and measurement
- 9 Charges and security
- 10 Contingencies

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2021	4.120.172	3.072.732	-358.385	6.834.519
Profit or loss for the year brought forward	0	0	-1.188.117	-1.188.117
Transferred from results brought forward	0	-980.770	0	-980.770
Transfer to development expenditure	0	0	980.770	980.770
Equity 1 January 2022	4.120.172	2.091.962	-565.732	5.646.402
Profit or loss for the year brought forward	0	0	1.475.482	1.475.482
Transferred from results brought forward	0	-980.771	0	-980.771
Transfer to development expenditure	0	0	980.771	980.771
	4.120.172	1.111.191	1.890.521	7.121.884

Notes

All amounts in DKK.

	<u>2022</u>	<u>2021</u>
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 10.381.000 of which DKK 1,672,000 have been recognized in the balance		
2. Staff costs		
Salaries and wages	2.976.062	2.477.605
Pension costs	251.318	111.579
Other costs for social security	26.670	26.223
	<u>3.254.050</u>	<u>2.615.407</u>
Average number of employees	<u>4</u>	<u>4</u>
3. Other financial costs		
Other financial costs	<u>782.369</u>	<u>961.641</u>
	<u>782.369</u>	<u>961.641</u>
4. Completed development projects, including patents and similar rights arising from development projects		
Cost 1 January 2022	<u>4.904.427</u>	<u>4.904.427</u>
Cost 31 December 2022	<u>4.904.427</u>	<u>4.904.427</u>
Amortisation and writedown 1 January 2022	-2.778.179	-1.797.409
Amortisation and writedown for the year	-980.771	-980.770
Amortisation and writedown 31 December 2022	<u>-3.758.950</u>	<u>-2.778.179</u>
Carrying amount, 31 December 2022	<u>1.145.477</u>	<u>2.126.248</u>

Notes

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>
5. Goodwill		
Cost 1 January 2022	3.158.408	3.158.408
Cost 31 December 2022	3.158.408	3.158.408
Amortisation and writedown 1 January 2022	-3.158.408	-2.944.276
Amortisation and writedown for the year	0	-214.132
Amortisation and writedown 31 December 2022	-3.158.408	-3.158.408
6. Other fixtures and fittings, tools and equipment		
Cost 1 January 2022	1.503.797	1.503.797
Cost 31 December 2022	1.503.797	1.503.797
Depreciation and writedown 1 January 2022	-1.468.715	-1.369.228
Depreciation and writedown for the year	-28.932	-99.487
Depreciation and writedown 31 December 2022	-1.497.647	-1.468.715
Carrying amount, 31 December 2022	6.150	35.082
7. Investments in group enterprises		
Acquisition sum, opening balance 1 January 2022	1	1
Carrying amount, 31 December 2022	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
		<u>0</u>	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>
8. Other receivables		
Cost 1 January 2022	1.571.757	1.571.757
Transfers	<u>-83.200</u>	<u>0</u>
Cost 31 December 2022	<u>1.488.557</u>	<u>1.571.757</u>
Carrying amount, 31 December 2022	<u>1.488.557</u>	<u>1.571.757</u>
9. Charges and security		
For bank debts, DKK 7,563,351, the company has provided security in company assets representing a nominal value of DKK 9,500,000.		
10. Contingencies		
Contingent liabilities		
		DKK in thousands
Total contingent liabilities		<u>332</u>

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 income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting 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.

Accounting policies

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

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit

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

The enterprise will be applying 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. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Accounting policies

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible 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 investments in subsidiaries

Dividend from investments in subsidiaries is recognised in the financial year in which the dividend is declared.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

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.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 5 years.

Property, plant, and equipment

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

Accounting policies

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 and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

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 subsidiaries 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.

Accounting policies

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost. If the recoverable amount is lower than the cost price, it shall be written down for impairment to 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 estimated selling 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.

Accounting policies

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on 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.