Oncology Venture Product Development ApS

Venlighedsvej 1, DK-2970 Hoersholm

Annual Report for 1 January - 31 December 2019

CVR No 34 62 35 62

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 18/06 2020

Henrik Moltke
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Oncology Venture Product Development ApS for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Hoersholm, 18 June 2020

Executive Board

Henrik Moltke
CEO

Independent Auditor’s Report

To the Shareholder of Oncology Venture Product Development ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company’s operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Oncology Venture Product Development ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies (”the Financial Statements”).

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’ 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.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management’s Review 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 in Management’s Review.

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.

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 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

Independent Auditor's Report

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.

Hellerup, 18 June 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorized Public Accountant
mne18651

Thomas Lauritsen
State Authorized Public Accountant
mne34342

Company Information

The Company	Oncology Venture Product Development ApS Venlighedsvej 1 DK-2970 Hoersholm CVR No: 34 62 35 62 Financial period: 1 January - 31 December Municipality of reg. office: Rudersdal
Executive Board	Henrik Moltke
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's Review

Financial Statements of Oncology Venture Product Development ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

Oncology Venture Product Development ApS is a Danish Drug Development company formed in 2012 dedicated to unlock the potential of new oncology products, and rescue failed - to improve the efficacy of the drugs, increase the response rate in cancer patients, reduce timelines and through this improve success rates in Oncology Drug Development.

Development in the year

The income statement of the Company for 2019 shows a loss of DKK 33,965k, and at 31 December 2019 the balance sheet of the Company shows negative equity of DKK 128,504k.

The loss for the year is negatively impacted by an impairment of one of the development projects, amounting to DKK 3.5 million.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

The Company has however been affected by the global Covid-19 pandemic. Please refer to note 3.

Income Statement 1 January - 31 December

	Note	2019 DKK '000	2018 TDKK
Gross profit/loss		**(27,706)**	**(40,918)**
Staff expenses	4	(4,411)	(2,128)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		(7,006)	(3,605)
Profit/loss before financial income and expenses		**(39,123)**	**(46,651)**
Income from investments in associates		0	10,864
Financial income	5	4,238	5,153
Financial expenses	6	(4,057)	(3,464)
Profit/loss before tax		**(38,942)**	**(34,098)**
Tax on profit/loss for the year	7	4,977	3,277
Net profit/loss for the year		**(33,965)**	**(30,821)**

Distribution of profit

Proposed distribution of profit

Retained earnings	(33,965)	(30,821)
	(33,965)	**(30,821)**

Balance Sheet 31 December

Assets

	Note	2019	2018
		DKK '000	TDKK
Acquired patents		682	939
Development projects in progress		9,000	15,306
Intangible assets	8	**9,682**	**16,245**
Plant and machinery		173	236
Other fixtures and fittings, tools and equipment		0	12
Property, plant and equipment	9	**173**	**248**
Investments in subsidiaries	10	8,653	3,345
Deposits		211	206
Fixed asset investments		**8,864**	**3,551**
Fixed assets		**18,719**	**20,044**
Receivables from group enterprises		10,639	6,466
Other receivables		1,699	2,393
Corporation tax receivable from group enterprises		3,170	3,279
Prepayments		446	687
Receivables		**15,954**	**12,825**
Cash at bank and in hand		**5,607**	**19**
Currents assets		**21,561**	**12,844**
Assets		**40,280**	**32,888**

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK '000	2018 TDKK
Share capital		2,197	2,197
Retained earnings		(130,701)	(96,736)
Equity		**(128,504)**	**(94,539)**
Payables to group enterprises		97,910	98,451
Long-term debt	11	**97,910**	**98,451**
Credit institutions		0	4
Trade payables		10,845	7,773
Payables to group enterprises	11	59,374	20,802
Other payables		655	397
Short-term debt		**70,874**	**28,976**
Debt		**168,784**	**127,427**
Liabilities and equity		**40,280**	**32,888**

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Notes to the Financial Statements

1 Going concern

As a development company, and like other similar companies, Oncology Venture Product Development ApS has shown negative cash flow over the years, why the Company is dependent on financing until reaching the point where a positive cash flow begins. Management are constantly monitoring the Company's financial position and are preapred to take the adequate measures to secure the ongoing acitivites of the company. The Company is financed by a long-term loan from the Parent Company, Oncology Venture A/S.

On March 26, 2020 the Company received a letter of financial support from the Parent Company Oncology Venture A/S. In the letter, the Parent Company stated that they will:
1) Support the Company financially
2) The loan to the Company will not be recalled, unless the liquidity position of the Company is adequate to justify such repayment
3) The Parent Company and group enterprises will subordinate their receivables in favour of other creditors of the Company.
The letter is effective until 31 May 2021.

In March 2020, the Parent Company entered into an agreement which can provide funding up to SEK 100 million through a convertible note facility. The facility consists of up to 10 tranches of up to 10 million SEK each, during af period of 24 months.
As disclosed in the Annual Report 2019 for the Ultimate Parent Company, Management has assessed that the financing is sufficient to cover the capital needs for the Group. No matters have occurred that change this assessment

On this basis, the Board of Directors and Management have confidence in the Company as a going concern, and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

2 Uncertainty connected with recognition and measurement

Intangible assets

In connection with the preparation of the financial statements for the Parent Company (Oncology Venture A/S), management has performed a review of indicators of impairment concerning the Company's intangible assets and has performed an impairment test for the respective assets, as applicable.

Management has chosen a value-in-use approach and applied a discounted cash flow model (risk-adjusted NPV, rNPV) to estimate the recoverable amounts for the Company's intangible assets. The Company has several on-going programs, of which the two main capitalized programs are E7449 Ovarian (2x-121) and 2BBB-101 Breast (2x-111).

The model takes into account several factors, of which the most dominant are as follows:
1) Probability of success with the program (final approval for marketing)
2) The expected price and contribution margin for the product if approved for marketing, taking into

Notes to the Financial Statements

2 Uncertainty connected with recognition and measurement (continued)

consideration the percentage of the product, owned by the Company
3) The net debt the Company has incurred to conduct its research and development.

The rNPV impairment test has not shown indications that the development project related to 2x-121 are subject to impairment and that the discounted risk-adjusted cash flow exceeds the carrying amount as at 31 December 2019. However, on the basis of the rNPV impairment test, the development project related to 2x-111, Management has concluded that this project are impaired why an impairment of DKK 3,461k has been booked.

Considering the nature of the impairment test, the accounting estimate include significant key assumptions that are encumbered with uncertainty. Consequently, the valuation of the Company's intangible assets is subject to significant valuation uncertainties.

Investments in subsidiaries

The Company owns shares in two subsidiaries. One of the subsidaries has been impaired to a value amounting to DKK 0, due to a material doubt when assessing the value of the subsidiary.

The subdiary OV-SPV2 ApS has not been impaired. The subsidiary presented an equity of DKK 2,480k in the 2019 Annual Report. It is recognized with a value amounting to DKK 8,653k, measured at cost price, which indicates that the subdiary might be impaired.

In connection with the preparation of the Consolidated Financial Statements for the Ultimate Parent Company (Oncology Venture A/S), an impairment assessment was made regarding the development projects recognized in OV-SPV2 ApS. The assessment was prepared using the same method as stated above. This assessment showed that the fair value of the development projects by far exceeded the book value. As a result of the assessment of the development projects in the subsidiary, Management has concluded that the subsidiary is not impaired.

Notes to the Financial Statements

3 Subsequent events

The consequences of Covid-19, prompting governments around the world to make the decision to “close down countries”, have had great effect on the world economy. Management see the consequences of Covid-19 as a non-adjusting post balance sheet event for the Company, as it has happened in the new year.

This means that the assessments of indications for impairment, and the subsequent conducted impairment tests at the balance sheet date, is based on the expected future cash flows at the balance sheet date by the Management, which might differ from the expected future cash flow at the time of approval of this Annual Report.

Company and the Managements first and foremost concern has been the employee’s safety, why we have chosen to follow the recommendations of the Danish government and authorities. As a result of this, Oncology Venture has requested most employees to work from home, except for those who needs to be present to keep the company’s laboratory operational. All employees have been asked to follow strict safety measures to safeguard their own and other people’s health.

However, at the time of approval of this Annual Report it is unclear how long time Covid-19 will affect the society, and thus the ongoing drug development. While there are still several uncertainties, the Management do not expect that the situation will have long lasting consequences on the drug development plan. Management continues to monitor the situation closely.

Moreover, Management monitors the liquidity situation on the market. The Group is highly dependent on liquidity and capital contributions from investors. If the Covid-19 will have lasting severe consequences on the overall economy, it could affect the Group’s ability to secure the necessary funding to continue its research. Please refer to note 1.

As of this moment it is not possible to assess the overall impact of Covid-19.

4 Staff expenses

	2019 DKK '000	2018 TDKK
Wages and salaries	4,323	2,038
Pensions	46	70
Other social security expenses	42	20
	4,411	**2,128**
Average number of employees	**6**	**3**

Notes to the Financial Statements

		2019	2018
		DKK '000	TDKK
5	**Financial income**		
	Interest received from group enterprises	121	0
	Other financial income	0	168
	Exchange gains	4,117	4,985
		4,238	**5,153**
6	**Financial expenses**		
	Interest paid to group enterprises	981	956
	Other financial expenses	155	56
	Exchange loss	2,921	2,452
		4,057	**3,464**
7	**Tax on profit/loss for the year**		
	Current tax for the year	(3,170)	(3,281)
	Adjustment of tax concerning previous years	(1,807)	4
		(4,977)	**(3,277)**

8 Intangible assets

	Acquired patents	Development projects in progress
	DKK '000	DKK '000
Cost at 1 January	2,385	21,458
Additions for the year	0	328
Cost at 31 December	2,385	21,786
Impairment losses and amortisation at 1 January	1,446	6,152
Impairment losses for the year	0	3,461
Amortisation for the year	257	3,173
Impairment losses and amortisation at 31 December	1,703	12,786
Carrying amount at 31 December	**682**	**9,000**

Notes to the Financial Statements

9 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK '000	DKK '000
Cost at 1 January	487	65
Additions for the year	40	0
Cost at 31 December	527	65
Impairment losses and depreciation at 1 January	251	53
Depreciation for the year	103	12
Impairment losses and depreciation at 31 December	354	65
Carrying amount at 31 December	**173**	**0**

10 Investments in subsidiaries

	2019	2018
	DKK '000	TDKK
Cost at 1 January	3,345	40
Additions for the year	5,308	3,305
Carrying amount at 31 December	**8,653**	**3,345**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
OV-SPV2 ApS	Denmark	40 %	2,480	(425)
Oncology Venture US Inc.	USA	84 %	(3,407)	(6,949)

The Parent Company, Oncology Venture A/S, holds an ownership of 23% in OV-SPV2 ApS, why the Company is classified as a subsidiary.

Notes to the Financial Statements

11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2019	2018
	DKK '000	TDKK
Payables to group enterprises		
Between 1 and 5 years	97,910	98,451
Long-term part	97,910	98,451
Other short-term debt to group enterprises	59,374	20,802
	157,284	**119,253**

12 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	257	247
	257	**247**

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Oncology Venture A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

13 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the Parent Company

Name	Place of registered office
Oncology Venture A/S	Denmark

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Oncology Venture Product Development ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK '000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

14 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of test data is recognised when the risks and rewards relating to the test data sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

The item “Income from investments in associates” in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with other companies in the Oncology Venture A/S Group. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Patents and licences, as well as acquired development projects, are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 6 years, with no residual value. Depreciation methods, useful lives and residual values are reviewed every year.

Cost of development projects comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use, including cost for licences, cost of drugs and other expenses directly or indirectly attributable to the Company's development activities.

Costs incurred in relation to individual development projects are capitalized only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) Management has the intention and ability to complete the intangible asset and use or sell it.

Since our development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied. Management assess on a continuous basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects.

Notes to the Financial Statements

14 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Equity investments are classified as investments in subsidiaries if the Company excercised the main control over the subsidiary, whether the control is excercised through ownership or other direct and/or indirect structures.

Other fixed asset investments

Other fixed asset investments consist of depositories. Depositories are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value. Depositories are classified as a fixed asset when it is not considered probable that the deposit will be paid in full during the following 12 months after the balance sheet date.

Notes to the Financial Statements

14 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, etc.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.