Agro Intelligence A/S

Agro Food Park 13
8200 Aarhus N
CVR No. 36942975

Annual report 2023

The Annual General Meeting adopted the annual report on 04.07.2024

Ole Green
Chairman of the General Meeting

Contents

Entity details

Entity

Agro Intelligence A/S
Agro Food Park 13
8200 Aarhus N

Business Registration No.: 36942975
Registered office: Aarhus
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Mogens Stampe Rüdiger, Chairman
Jakob Fuhr Hansen
Troels Øberg, Deputy Chairman
Jonas Krøll Bjaaland

Executive Board

Ole Green
Brian Bisgaard Meinertz

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Lead Client Service Partner: Mads Fauerskov

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Agro Intelligence A/S for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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

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

Aarhus, 04.07.2024

Executive Board

Ole Green

Brian Bisgaard Meinertz

Board of Directors

Mogens Stampe Rüdiger
Chairman

Jakob Fuhr Hansen

Troels Øberg
Deputy Chairman

Jonas Krøll Bjaaland

Independent auditor's report

To the shareholders of Agro Intelligence A/S

Opinion

We have audited the financial statements of Agro Intelligence A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the financial statements" section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board 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.

Material uncertainty related to going concern

As stated in the management commentary and in note 1, the Company's going concern status depends on an expected new capital injection in the Company.

The Company's owners have initiated a sale of the Company, which is also expected to add new liquidity to the Company. Management expects this transaction to be finalised in 2024 and that the buyer will add new liquidity to the Company at the same time.

The Company has received a letter of intent from two of its largest shareholders to support liquidity until completion of the expected transaction.

We have read Management's disclosure in the management's commentary and note 1, and we agree with Management's disclosure and draw attention to the uncertainty associated with the completion of the transaction and new liquidity to the Company, and the Company's ability to meet operating and cash budgets.

Our opinion has not been modified with respect to this matter.

Emphasis of matter

We draw attention to note 2, which states that the Company is in an ongoing sales process, and the outcome of the sales process involves significant uncertainty related to the measurement of the Company's intangible assets and inventories. As the sales process has not yet been finalised and negotiations are ongoing, it cannot be concluded with certainty whether there are indications of impairment of the Company's intangible assets and inventories, as their value depends on the transaction being completed and at a value at least equal to the carrying amount. It is Management's expectation that the transaction price exceeds the carrying amounts, but a binding price has not yet been agreed. Management's best estimate is that the values of the Company's development projects and inventories can be maintained, but there may be a risk of impairment if a transaction is not completed or if the transaction is completed at a lower value than the carrying amount of equity.

Our opinion has not been modified with respect to this matter.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

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

Aarhus, 04.07.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jonas Thøstesen Svensson
State Authorised Public Accountant
Identification No (MNE) mne47824

Management commentary

Primary activities

AGROINTELLI is dedicated to the vision of enhancing global food production's reliability, sustainability, and profitability. We aim to achieve this by introducing state-of-the-art automated farming systems for outdoor plant production on the global market.

Agriculture faces significant structural challenges due to global issues such as an anticipated population increase to 10 billion people by 2050 and the need for a worldwide reduction in greenhouse gas emissions, particularly CO2. In the European Union, farming encounters specific challenges such as the requirement to reduce pesticide usage, a projected 4% reduction in arable land for farming by 2030, and a severe labor shortage in several EU countries. Traditional productivity improvements, relying on faster, larger, and heavier machinery, are insufficient to tackle these challenges. Instead, increased robotization and precision farming are necessary, and AGROINTELLI´s Robotti is at the forefront of pioneering this new solution.

AGROINTELLI's primary focus is on developing, producing, and selling the automated Robotti platform for arable farming, horticultural production, and outdoor plant production. Robotti enables high-value crop farmers to transition towards sustainable farming practices by reducing labor costs and providing an autonomous and precise drive-train system that utilizes standard implements. AGROINTELLI primarily supplies Robotti and its digital infrastructure to end-users through its dealer network.

Development in activities and finances

The global market for field robots is still limited and underdeveloped, despite the growing demand for precise and autonomous robotized farming. However during 2023 we have observed a change/shift in the market, with an increased and more intense approach to what and how robotized farming can support and increase the yield for the farmer.

The continuous war in Ukraine, inflation and global market uncertainty have led to the lowest optimism in the agricultural industry in years (ref. CEMA). In addition, subsidy schemes have stalled the market growth on several markets due to lack of clarification of the different schemes. The combination of uncertainty and lack of subsidy clarification have had a negative impact and consequently AGROINTELLIS sale has decreased in 2023. To counter the lack of sales the streamlining of the organization from 2022 was fully phased in during the spring of 2023. To be more attractive to new investors, AGROINTELLI have changed the company registration form in 2023, from an ApS (Limited Liability Company to a A/S (Shareholder company). During the year several continuous discussions with potential investors have been ongoing. The field of potential investors have been narrowed down, and the discussions will continue during 2024.

The financial results for 2023 were unsatisfactory, with a pre-tax loss of 36 million DKK (compared to -36 million DKK in 2022). During the year AGROINTELLI managed to adapt OPEX to the activity to accommodate the decrease in sales thus compensating the reduced Gross Profit.

Events after the balance sheet date

AGROINTELLI has during 2024 expanded the negotiations with potential strategic and financial investors to support ongoing development. The negotiations are progressing firmly and are expected to be completed during 2024.
Majority shareholders of AGROINTELLI are adding further financial support to the company through Shareholder

loans in 2024.

The increased market curiosity is continuing into 2024, with high attendees to fairs, exhibitions and demonstrations of the ROBOTTI, for now culminating in January when AGROINTELLI was awarded with the “FIRA WORLD BEST ROBOT” at the FIRA exhibition in Toulouse.

No other significant events have occurred after the balance sheet date that would impact the evaluation of this annual report up to the present time.

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss	3	**4,987,963**	**5,163,365**
Staff costs	4	(18,822,781)	(25,733,336)
Depreciation, amortisation and impairment losses	5	(16,791,722)	(11,309,471)
Other operating expenses		(315,242)	(958,564)
Operating profit/loss		**(30,941,782)**	**(32,838,006)**
Other financial income		101,226	32,747
Other financial expenses	6	(4,766,475)	(3,144,534)
Profit/loss before tax		**(35,607,031)**	**(35,949,793)**
Tax on profit/loss for the year	7	1,491,686	2,346,886
Profit/loss for the year		**(34,115,345)**	**(33,602,907)**
Proposed distribution of profit and loss			
Retained earnings		(34,115,345)	(33,602,907)
Proposed distribution of profit and loss		**(34,115,345)**	**(33,602,907)**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	9	57,092,320	58,796,010
Acquired licences		0	0
Development projects in progress	9	20,281,356	28,127,255
Intangible assets	8	**77,373,676**	**86,923,265**
Plant and machinery		2,515,834	4,168,156
Other fixtures and fittings, tools and equipment		797,553	116,687
Leasehold improvements		60,472	102,879
Property, plant and equipment	10	**3,373,859**	**4,387,722**
Deposits		389,169	371,492
Financial assets	11	**389,169**	**371,492**
Fixed assets		**81,136,704**	**91,682,479**
Raw materials and consumables		9,957,377	9,301,621
Manufactured goods and goods for resale		6,223,311	8,139,109
Prepayments for goods		44,042	0
Inventories		**16,224,730**	**17,440,730**
Trade receivables		1,589,159	2,569,284
Other receivables		814,473	1,144,975
Income tax receivable	12	1,491,686	8,096,381
Prepayments		0	364,374
Receivables		**3,895,318**	**12,175,014**
Cash		**783,023**	**631,499**
Current assets		**20,903,071**	**30,247,243**
Assets		**102,039,775**	**121,929,722**

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		6,592,174	438,640
Reserve for development expenditure		60,351,467	67,800,147
Retained earnings		(60,239,909)	(33,532,598)
Equity		**6,703,732**	**34,706,189**
Other provisions	13	60,000	60,000
Provisions		**60,000**	**60,000**
Lease liabilities		1,254,128	2,278,058
Debt to other credit institutions		53,888,149	33,510,836
Payables to owners and management		2,751,154	2,762,335
Other payables		1,791,727	1,731,137
Non-current liabilities other than provisions	14	**59,685,158**	**40,282,366**
Current portion of non-current liabilities other than provisions	14	615,558	3,759,676
Prepayments received from customers		35,051	296,481
Trade payables		2,967,951	5,244,719
Other payables		1,441,241	3,458,844
Deferred income	15	30,531,084	34,121,447
Current liabilities other than provisions		**35,590,885**	**46,881,167**
Liabilities other than provisions		**95,276,043**	**87,163,533**
Equity and liabilities		**102,039,775**	**121,929,722**

Going concern	1
Uncertainty relating to recognition and measurement	2
Unrecognised rental and lease commitments	16
Assets charged and collateral	17

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	438,640	67,800,147	(33,532,598)	34,706,189
Increase of capital	6,153,534	0	0	6,153,534
Costs related to equity transactions	0	0	(40,646)	(40,646)
Transfer to reserves	0	(7,448,680)	7,448,680	0
Profit/loss for the year	0	0	(34,115,345)	(34,115,345)
Equity end of year	**6,592,174**	**60,351,467**	**(60,239,909)**	**6,703,732**

Notes

1 Going concern

The Company's owners have initiated a sale of the Company, which is also expected to add new liquidity to the Company. Management expects this transaction to be finalised in 2024 and that the buyer will add new liquidity to the Company at the same time. The Company's principal shareholders are EIFO and Nordic Alpha Partners, who have also initiated a process to raise capital to support the Company in the period leading up to an expected sale of the Company.

The Company's operating and cash budgets show sufficient liquidity until July, after which the Company will need a new cash injection. The Company has received letters of intent from two of the Company's largest shareholders to support liquidity until the expected transaction is completed. The letters of intent are not legally binding for the shareholders.

It is Management's expectation that the Company will be able to meet its operating and cash budgets and that the potential buyer will refinance the Company in connection with the transaction. At the time of presentation of the financial statements, the transaction has not been completed, nor has the future cash injection been secured. The Company's continued operation is thus dependent on additional liquidity being provided during 2024 or the completion of the transaction. If this transaction is not completed, the Company's budgets show that with the current investment round there will be sufficient liquidity to continue operations until October 2024. Should additional liquidity be required, Management expects that the Company's principal shareholders EIFO and Nordic Alpha Partners will provide additional liquidity as a result of their letters of intent.

Based on the ongoing negotiations with a potential buyer, it is Management's best assessment that the Company will be sold and refinanced at the same time, and the annual report is therefore presented on a going concern basis. However, at the time of presenting the annual report, this assessment is subject to considerable uncertainty due to the state of discussions with potential buyers.

2 Uncertainty relating to recognition and measurement

The purpose of the Company is to develop a functional and stable robot for a later sale to a large industrial buyer who can drive sales and distribution of the robot.

The Company is in an ongoing sales process, and the outcome of the sales process involves significant uncertainty related to the measurement of the Company's intangible assets and inventories. As the sales process has not yet been finalised and negotiations are ongoing, it cannot be concluded with certainty whether there are indications of impairment of the Company's intangible assets and inventories, as their value depends on the transaction being completed and at a value at least equal to the carrying amount. It is Management's expectation that the transaction price exceeds the carrying amounts, but a binding price has not yet been agreed.

3 Gross profit/loss

Other operating income included in the gross profit/loss includes DKK 5,052k in 2023 against DKK 2,404k in 2022 which relates to eligible grants for development projects amortised.

4 Staff costs

	2023 DKK	2022 DKK
Wages and salaries	16,595,832	22,373,349
Pension costs	1,918,763	2,845,570
Other social security costs	308,186	514,417
	18,822,781	**25,733,336**

Average number of full-time employees	25	40

5 Depreciation, amortisation and impairment losses

	2023 DKK	2022 DKK
Amortisation of intangible assets	15,349,847	9,747,692
Depreciation of property, plant and equipment	1,441,875	1,561,779
	16,791,722	**11,309,471**

6 Other financial expenses

	2023 DKK	2022 DKK
Other interest expenses	4,629,764	2,983,596
Exchange rate adjustments	19,770	99,253
Other financial expenses	116,941	61,685
	4,766,475	**3,144,534**

7 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	(1,491,686)	(2,291,814)
Change in deferred tax	0	(55,072)
	(1,491,686)	**(2,346,886)**

8 Intangible assets

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	81,999,784	56,250	28,127,255
Transfers	13,646,157	0	(13,646,157)
Additions	0	0	6,780,393
Disposals	0	0	(980,135)
Cost end of year	**95,645,941**	**56,250**	**20,281,356**
Amortisation and impairment losses beginning of year	(23,203,774)	(56,250)	0
Amortisation for the year	(15,349,847)	0	0
Amortisation and impairment losses end of year	**(38,553,621)**	**(56,250)**	**0**
Carrying amount end of year	**57,092,320**	**0**	**20,281,356**

9 Development projects

Development Projects in Progress and Completed comprise the development of projects regarding innovative agricultural technologies. The carrying amount end of year amounts to DKK 77,373,676.

The products are expected to bring significant benefits to farmers and thus a significant increase in activity and results of the company for 2024 and forward, especially when the negotiations with new investor are expected to be completed during summer/fall of 2024.

10 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	9,084,016	876,627	205,352
Additions	0	743,255	0
Disposals	(647,124)	0	0
Cost end of year	**8,436,892**	**1,619,882**	**205,352**
Depreciation and impairment losses beginning of year	(4,915,860)	(759,940)	(102,473)
Depreciation for the year	(1,337,079)	(62,389)	(42,407)
Reversal regarding disposals	331,881	0	0
Depreciation and impairment losses end of year	**(5,921,058)**	**(822,329)**	**(144,880)**
Carrying amount end of year	**2,515,834**	**797,553**	**60,472**
Recognised assets not owned by entity	875,258	0	0

11 Financial assets

	Deposits DKK
Cost beginning of year	371,492
Additions	17,677
Cost end of year	**389,169**
Carrying amount end of year	**389,169**

12 Tax receivable

Tax receivable includes tax receivable from the tax credit scheme from the income year 2023.

In recent years, the Danish tax authorities have intensified their focus on the tax credit scheme, which has led to an increased uncertainty about the use of the rules including the possibilities for disbursement. As a result, the calculation of the tax receivable is subject to increased uncertainty. However, Management believes that the Company's tax receivable complies with the requirements for payment of the tax credits.

13 Other provisions

Other provisions compromises provisions for claims on robots sold.

14 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Lease liabilities	615,558	953,676	1,254,128
Debt to other credit institutions	0	1,306,000	53,888,149
Payables to owners and management	0	1,500,000	2,751,154
Other payables	0	0	1,791,727
	615,558	**3,759,676**	**59,685,158**

All debt is expected to be paid within 5 years.

15 Deferred income

Deferred income consists of grants received for development projects. The grants received are recognized as income in line with the amortisation of the associated development projects.

16 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Liabilities under rental or lease agreements until maturity in total	1,107,063	1,353,915

17 Assets charged and collateral

The Company has issued a floating charge to its bank capped at DKK 6m in unsecured claims, inventories, machinery, goodwill, etc.

The Company has issued a floating charge to EIFO capped at DKK 12m in unsecured claims, inventories, machinery, goodwill, etc.

The carrying amount of development projects and development projects under development, inventories and receivables is DKK 99,179k.

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year, with a few reclassifications on the balance sheet.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, own work capitalised, other operating income, cost of sales and external expenses.

Revenue

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

Own work capitalised
Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities. Other operating income also consists of income from grants received in connection with development projects which is taken to income on a straight-line basis over the useful life of the individual project.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

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

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

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

Other financial income
Other financial income comprises interest income etc.

Other financial expenses
Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilitiesas as well as tax su.rcharge under the Danish Tax Prepayment Scheme etc.

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

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

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

Property, plant and equipment

Plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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

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

	Useful life
Plant and machinery	5-12 years
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

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

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

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

Cash
Cash comprises bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income
Deferred income includes grants received in connection with development projects and is recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the individual project.