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Maigaard & Molbech II ApS

Haraldsvej 60, 1.
8960 Randers SØ
CVR No. 42844918

Annual report 2023

The Annual General Meeting adopted the annual report on 03.07.2024

Claus Molbech Bendtsen
Chairman of the General Meeting

Contents

Entity details

Entity

Maigaard & Molbech II ApS
Haraldsvej 60, 1.
8960 Randers SØ

Business Registration No.: 42844918
Registered office: Randers
Financial year: 01.01.2023 - 31.12.2023

Executive Board

Claus Molbech Bendtsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Maigaard & Molbech II ApS for the financial year 01.01.2023 - 31.12.2023.

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

In my opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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

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

Copenhagen, 03.07.2024

Executive Board

Claus Molbech Bendtsen

Independent auditor's report

To the shareholders of Maigaard & Molbech II ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Maigaard & Molbech II ApS 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows 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 consolidated financial statements and the parent financial statements" section of this auditor’s report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 03.07.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Morten Gade Steinmetz
State Authorised Public Accountant
Identification No (MNE) mne34145

Management commentary

Financial highlights

	2023 DKK'000	2021/22 DKK'000
Key figures		
Revenue	1,145,415	867,130
Gross profit/loss	297,074	197,925
EBITDA	192,219	166,608
Normalized EBITDA	372,200	264,499
Operating profit/loss	48,029	14,053
Net financials	(39,682)	(17,468)
Profit/loss for the year	(11,136)	(21,760)
Profit for the year excl. minority interests	(35)	21
Balance sheet total	4,639,416	2,743,550
Investments in property, plant and equipment	1,448,170	1,808,913
Equity	2,686,762	1,197,737
Equity excl. minority interests	26	61
Cash flows from operating activities	(146,335)	511,860
Cash flows from investing activities	(1,349,518)	(2,604,013)
Cash flows from financing activities	1,681,367	2,139,226
Ratios		
Gross margin (%)	25.94	22.83
Net margin (%)	(0.97)	(2.51)
Equity ratio (%)	0.00	0.00

Normalized EBITDA involves adjustments to ensure accuracy. This involves normalizing revenue from historical certificate sales contracts from, adjusting transaction costs related to acquisitions, accounting for buyout fees on two certificate sales contracts, adjustment for management fee from group entities, compensation from legal dispute in Recycling and other income of amortization on received energy saving funds. These modifications provide a more precise depiction of the company's operational performance.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$

Net margin (%):
<u>Profit/loss for the year * 100</u>
Revenue

Equity ratio (%):
<u>Equity excl. minority interests * 100</u>
Balance sheet total

Primary activities

The Group's activities consist of establishing and operating biogas plants, providing support for biogas plants, and developing energy islands on land.

During the financial year, the Group acquired a number of enterprises within the biogas sector and its related industries.

The Group was established on 4 January 2022.

Development in activities and finances

The income statement for the periode 01.01.23 - 31.12.23 shows a loss after tax of DKK 11.1m The balance sheet shows equity of DKK 2,686.8m. The loss for the year is affected by non-recurring costs resulting from acquisitions and preparation of business plans. Management consideres the financial performance unsatisfactory

Unusual circumstances affecting recognition and measurement.

The year's result has been positively affected by DKKm 74.1 before tax due to a revised estimate the usefule life of goodwill and part of the company's fixed assets. The depreciation horizon for goodwill has been extended from 10 years to a depreciation period equivalent to the remaining period of the plant. The depreciation period for tangible fixed assets has also been reassessed, as the useful life of a larger proportion of the production facilities has been estimated to be longer than initially assumed. Overall, there has been an extension from 20-40 years, while for properties, it has been changed from 30 to 40 years. Other assets have also been reassessed based on current technical knowledge and expectations of useful life, and this has been done asset by asset.

Profit/loss for the year in relation to expected developments

Last year, there were no official expectations, but this year, the group's second accounting period has met expecatations, with strong financial stability and growth.

Outlook

Next year's result is expected to be in line with this year's result.

Knowledge resources

An essential part of BioCirc’s continued succes is dependant on our specialized employees, with deep expertise in biogas, innovative energy technologies, and engineering. Thes are crucial to both our daily operations and our strategic expansion. Their comprehensive understanding of renewable energy systems drives our efficiency and innovation. As we advance, their skills will continue to be instrumental in transforming energy practices and sustaining our growth in the circular bioeconomy.

Statutory report on corporate social responsibility

Environmental performance

At BioCirc we are fully dedicated to promoting sustainability and environmental protection, actively applying the principles of circular bioeconomy. We continuously work with our social responsibility and seek to reduce CO2 emissions by working towards the establishment of land-based circular energy clusters. These energy clusters will incorporate biogas production, photovoltaic and wind farms, as well as advanced technologies such as Power-to-X, biorefining of grass and HTL. The establishment of these energy islands will ensure surplus heat for local communities, contribute to meeting the municipalities’ 2030 climate goals and ensure green local production of electricity, gas, fuel and heat.

Our operational work with biogas production and green certificates strictly follows the authorities’ instructions.

The biogas production contributes significantly to the reduction of agricultural CO_2emissions and reduces society's dependence on fossil fuels. Over the past year, we have stepped up our efforts to optimize our production processes with the aim of minimizing waste and maximizing energy production. In addition, we will continue to focus on providing our partners with an efficient biomass collection and delivery system. Our operational activities ensure that CO_2 emissions are minimized through energy efficiency and that the degassed biomass is returned to agriculture as a valuable raw material.

We have a constant focus on environmental aspects in general, including emissions and consumption of resources, and as a leading energy developer and biogas producer, we recognize our role and responsibility in the society. As set out above, in the field of energy development and biogas production, we have a deep commitment to environmental protection. Although a fully formalized policy is still under development, several environmentally friendly practices have already been implemented at our biogas plants. The risk of environmental damage is recognized and a future environmental policy will be aimed at minimizing this risk and ensuring compliance with all environmental regulations.

Social and Staff Conditions
We wish to ensure the best possible safety for employees and strive tirelessly to ensure a positive working environment. The risks of inadequate personnel policies, such as low employee satisfaction, high staff turnover and the safety of our employees, are recognized. In response to these risks, we have implemented our employee handbook, including several key initiatives. Firstly, we have implemented a QHSE IPV system, which measures accidents at our production facilities. We now track the accidents and develop mitigation actions to lessen the frequency. As a result, we expect fewer accidents to occur in the future. Furthermore, we have introduced interdisciplinary forums across the group to share knowledge and experience across employee groups.

In the future, we are considering developing a further and more comprehensive policy to promote a healthy working environment and strengthen social conditions.

Human Right
Notwithstanding the fact that our activities take place in countries and with partners where there are no special issues regarding respect for human rights, we have a deep understanding of the importance of human rights in our practice, and the risks of non-compliance with human rights standards, including potential violations and reputational damage, are recognized. To counter these risks, adequate principles to safeguard human rights forms part of our Code of Conduct. When engaging with business relations we strive to implement our Code of Conduct in contracts unless the business partners themselves apply and commit to similar clear guidelines. In addition, the principles laid out in our Code of Conduct are drawn up to ensure respect and observance internally in our organization.

In 2023, there were no recorded incidents that negatively affected human rights. We remain committed to prioritizing human rights, and are further exploring ways to secure human rights in our business going forward.

Sustainable procurement
When establishing, developing and operating our production facilities we rely on various suppliers of goods and services. We want to eliminate any negative social or environmental impacts not only within BioCirc but also throughout the supply chain we rely on and work together with.

In 2023 we incorporated corporate social responsibility principles into our procurement processes and decisions by the introduction of our Code of Conduct. The Code of Conduct requires our suppliers to commit to a range of ethical practices, anti-corruption, and sustainability. It is our ambition to always include the Code of Conduct for suppliers into new agreements with suppliers to drive them towards higher standards.

Zero tolorance for discrimination etc.

In Maigaard & Molbech we have an absolute zero tolerance for discrimination, bullying and harassment. Our strict principles on this are explicitly stated in our Code of Conduct and in our employee handbook.

To enable individuals to securely inform us about non-compliance incidents within this area and others we have launched an internal whistleblower hotline

Business ethics and anti-corruption

Business ethics and anti-corruption are foundational pillars within our sustainability framework, underlining our dedication to fostering an ethical, transparent, and accountable business environment. As part of our sustainability agenda, we are strongly committed to seek to avoid and address ethical breaches that may arise as a result of our activities.

The risks associated with inadequate anti-corruption policies, including legal sanctions and reputational damage, are recognized in our organization.

We have a zero-tolerance for bribery and corruption, and central to our risk management strategy is our Code of Conduct, which serves as the cornerstone of our ethical practices, incorporating an anti-corruption policy statement, which outlines our expectations for ethical behavior.

In recognition of the evolving nature of global business practices and the need for specialized focus in certain areas, we are in the process of introducing a dedicated anti-corruption policy. This forthcoming policy will offer detailed guidance on specific issues such as gifts, facilitation payments, and political and charitable contributions, ensuring that our team members are well-equipped to uphold our ethical standards in a variety of situations.

Moreover, the recent establishment of our whistleblower hotline, which may be used to inform us about – among other things – concerns in terms of business ethics, marks an enhancement to our framework.

As we continue to expand our business, our focus on business ethics and anti-corruption will remain central in our activities.

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	1

The company has, as of the balance date, 1 member in the top management.

Due to the management consisting of 1 person, the company is exempt from setting goals and developing policies for underrepresented gender.

The company has, as of the balance date, 0 members at the company's other management levels.
Due to this, the company is exempt from setting goals and developing policies for underrepresented gender.

Statutory report on data ethics policy

We have considered the relevance and impact of implementing a data ethics policy in accordance with the Danish Financial Statements Act §99d. Our management has a strong focus on handling data in the group to ensure that it is processed in accordance with applicable rules and laws, including data covered by the European General Data Protection Regulation (GDPR). As a relatively new enterprise still in the process of establishing our operational frameworks, Maigaard & Molbech has not yet formalized a data policy. We are currently focusing on building a robust foundation for our various functions and expect to develop and implement comprehensive data management policies in 2024. This will align with our commitment to transparency and excellence as we continue to grow and evolve.

Nevertheless, when determining the company's business strategies and carrying out the company's activities, we do to a large extent take into account generally accepted principles and good business ethics, and applicable legislation is constantly ensured.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report although the Group has continued its expansion in early 2024. The Group has acquired a biogas plant in Blåbjerg and obtained digital competencies through the acquisition of the German company North-Tec, which will contribute to strengthening the capacity to develop and implement new biogas technologies and enhance expertise in energy management, thereby accelerating international expansion.

Consolidated income statement for 2023

	Notes	2023 DKK'000	2021/22 DKK'000
Revenue	2	1,145,415	867,130
Own work capitalised		10,170	0
Other operating income	3	32,402	22,182
Costs of raw materials and consumables		(591,636)	(396,235)
Other external expenses	4	(299,277)	(295,152)
Gross profit/loss		**297,074**	**197,925**
Staff costs	5	(79,739)	(31,165)
Depreciation, amortisation and impairment losses	6	(144,271)	(152,707)
Other operating expenses	7	(25,035)	0
Operating profit/loss		**48,029**	**14,053**
Other financial income		10,054	6,119
Other financial expenses		(49,736)	(23,587)
Profit/loss before tax		**8,347**	**(3,415)**
Tax on profit/loss for the year	8	(19,483)	(18,345)
Profit/loss for the year	9	**(11,136)**	**(21,760)**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2021/22 DKK'000
Completed development projects	11	43,739	0
Acquired rights		17,998	30,703
Goodwill		930,918	756,628
Development projects in progress	11	2,865	0
Intangible assets	10	**995,520**	**787,331**
Land and buildings		536,801	197,101
Plant and machinery		2,307,614	1,440,156
Other fixtures and fittings, tools and equipment		68,221	26,598
Property, plant and equipment in progress		100,349	0
Prepayments for property, plant and equipment		846	0
Property, plant and equipment	12	**3,013,831**	**1,663,855**
Deposits		369	120
Financial assets	13	**369**	**120**
Fixed assets		**4,009,720**	**2,451,306**
Raw materials and consumables		103,148	57,249
Work in progress		8,276	9,193
Manufactured goods and goods for resale		6,821	3,703
Prepayments for goods		4,000	0
Inventories		**122,245**	**70,145**
Trade receivables		214,141	159,338
Receivables from group enterprises		40	0
Other receivables		56,045	14,211
Prepayments	14	4,638	1,477
Receivables		**274,864**	**175,026**
Cash		**232,587**	**47,073**

Current assets	**629,696**	**292,244**
Assets	**4,639,416**	**2,743,550**

Equity and liabilities

	Notes	2023 DKK'000	2021/22 DKK'000
Contributed capital		40	40
Retained earnings		(14)	21
Equity belonging to Parent's shareholders		**26**	**61**
Equity belonging to minority interests		**2,686,736**	**1,197,676**
Equity		**2,686,762**	**1,197,737**
Deferred tax	15	303,328	204,723
Other provisions	16	3,642	0
Provisions		**306,970**	**204,723**
Mortgage debt		235,337	40,531
Bank loans		507,320	448,697
Lease liabilities		40,383	10,768
Other payables		350	49
Deferred income	17	211,159	172,317
Non-current liabilities other than provisions	18	**994,549**	**672,362**
Current portion of non-current liabilities other than provisions	18	69,031	88,600
Bank loans		360,528	158,806
Trade payables		185,871	125,093
Tax payable		8,159	30,582
Other payables		27,546	265,647
Current liabilities other than provisions		**651,135**	**668,728**
Liabilities other than provisions		**1,645,684**	**1,341,090**
Equity and liabilities		**4,639,416**	**2,743,550**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Non-arm’s length related party transactions	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	40	21	61	1,197,676	1,197,737
Effect of mergers and business combinations	0	0	0	(199,521)	(199,521)
Increase of capital	0	0	0	1,221,361	1,221,361
Capital increase by debt conversion	0	0	0	478,321	478,321
Profit/loss for the year	0	(35)	(35)	(11,101)	(11,136)
Equity end of year	**40**	**(14)**	**26**	**2,686,736**	**2,686,762**

The effect of mergers and business combinations consists of transactions between the minorities in connection with the fact that the minorities have purchased 5% of the share capital in BioCirc Holding II ApS from other minority shareholders. In connection with the capital increase, there is a contribution of the shares in BioCirc Holding II ApS, and in this connection, the remaining minoriry shareholders acquire the remaining minority interests in the group corresponding to 23%. Subsequently, BioCirc Holding II ApS has been merged with BioCirc Group Holding ApS.

Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2021/22 DKK'000
Operating profit/loss		48,029	14,053
Amortisation, depreciation and impairment losses		144,271	152,707
Other provisions		3,642	0
Working capital changes	19	(274,935)	362,568
Cash flow from ordinary operating activities		**(78,993)**	**529,328**
Financial income received		10,054	6,119
Financial expenses paid		(49,736)	(23,587)
Taxes refunded/(paid)		(27,660)	0
Cash flows from operating activities		**(146,335)**	**511,860**
Acquisition etc. of intangible assets		(46,604)	(861,016)
Acquisition etc. of property, plant and equipment		(375,871)	(1,742,877)
Sale of property, plant and equipment		15,213	0
Acquisition of fixed asset investments		(249)	(120)
Acquisition of enterprises		(942,007)	0
Cash flows from investing activities		**(1,349,518)**	**(2,604,013)**
Free cash flows generated from operations and investments before financing		**(1,495,853)**	**(2,092,153)**
Loans raised		93,896	919,768
Repayments of loans etc.		(53,681)	0
Repayment of debt to group enterprises		(10,000)	0
Repayment of lease liabilities		(11,317)	0
Cash capital increase		1,500,161	1,219,458
Development in short-term bank debt		162,308	0
Cash flows from financing activities		**1,681,367**	**2,139,226**
Increase/decrease in cash and cash equivalents		**185,514**	**47,073**
Cash and cash equivalents beginning of year		47,073	0
Cash and cash equivalents end of year		**232,587**	**47,073**

Cash and cash equivalents at year-end are composed of:		
Cash	232,587	47,073
Cash and cash equivalents end of year	**232,587**	**47,073**

Notes to consolidated financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report although the Group has continued its expansion in early 2024. The Group has acquired a biogas plant in Blåbjerg and obtained digital competencies through the acquisition of the German company North-Tec, which will contribute to strengthening the capacity to develop and implement new biogas technologies and enhance expertise in energy management, thereby accelerating international expansion.

2 Revenue

The group's revenue consists of sales of gas, certificates, raw materials for biogas plants and other revenue. Based on competitive considerations and in accordance with Section 96 of the Annual Accounts Act, the segment information is not specified further. All turnover takes place in Denmark.

3 Other operating income

Other operating income consists of compensation from a settlement with a foreign supplier as a result of the supplier's early termination of a trade agreement, amounting to DKKm 16.9.

The remaining part of other operating income primarily consists of recognised energy-saving funds in the biogas companies.

4 Fees to the auditor appointed by the Annual General Meeting

	2023 **DKK'000**	**2021/22** **DKK'000**
Statutory audit services	938	780
Other assurance engagements	300	30
Tax services	1,184	250
Other services	7,611	5,033
	10,033	**6,093**

5 Staff costs

	2023 DKK'000	2021/22 DKK'000
Wages and salaries	69,012	28,014
Pension costs	8,115	2,685
Other social security costs	1,703	335
Other staff costs	909	131
	79,739	**31,165**

Average number of full-time employees	**98**	**51**

	Remuneration of management 2023 DKK'000	Remuneration of management 2021/22 DKK'000
Executive Board	2,000	2,000
	2,000	**2,000**

Special incentive programmes

Warrant programme

In April 2023, the Board of Directors, the Executive Board and other key employees of BioCirc Group Holding ApS became part of a special incentive programme, through which warrants are earned. The covered warrants are issued with the following general terms:

- Each earned warrant grants the participant the right (but not the obligation) to subscribe for one new Class A share in BioCirc Group Holding ApS.
- Warrants are earned over a period of 7 years and can then be exercised. The earning of warrants is contingent upon the participant's employment within the Group. If a participant leaves the Group, the right to all warrants is forfeited.
- Warrants will be fully earned before the end of year 7 in the event of an "exit event," after which warrants can be exercised. In the event of an exit event, both the participant and Management can agree to settle warrants in cash.

In 2023, a total of 245,875 warrants were granted. All warrants have an exercise price between DKK 20k and DKK 40k for 1 Class A share in BioCirc Group Holding ApS. The exercise price increases by 10% annually from April 2023.

As the members of Group Executive Board are not directly remunerated by the Group, the disclosed remuneration of the Executive Board is an estimated amount covering their managerial duties within the Group.

6 Depreciation, amortisation and impairment losses

	2023 DKK'000	2021/22 DKK'000
Amortisation of intangible assets	62,396	73,685
Depreciation on property, plant and equipment	81,875	79,022
	144,271	**152,707**

The useful life of both goodwill, properties plants and equipment has been extended during the year. This has deduced the depreciations by DKKm 74.1. The revised estimate is explained in the applied accounting policy.

7 Other operating expenses

Other operating expenses consist of a release sum related to the termination of an agreement regarding the sale of certificates, as well as losses from the sale of fixed assets.

8 Tax on profit/loss for the year

	2023 DKK'000	2021/22 DKK'000
Current tax	3,746	17,288
Change in deferred tax	13,709	249
Adjustment concerning previous years	2,028	808
	19,483	**18,345**

9 Proposed distribution of profit/loss

	2023 DKK'000	2021/22 DKK'000
Retained earnings	(35)	21
Minority interests' share of profit/loss	(11,101)	(21,781)
	(11,136)	**(21,760)**

10 Intangible assets

	Completed development projects DKK'000	Acquired rights DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	0	38,114	822,902	0
Addition through business combinations etc	0	0	223,981	0
Additions	43,739	0	0	2,865
Cost end of year	**43,739**	**38,114**	**1,046,883**	**2,865**
Amortisation and impairment losses beginning of year	0	(7,411)	(66,274)	0
Amortisation for the year	0	(12,705)	(49,691)	0
Amortisation and impairment losses end of year	**0**	**(20,116)**	**(115,965)**	**0**
Carrying amount end of year	**43,739**	**17,998**	**930,918**	**2,865**

11 Development projects

The Group's development projects consist of two internally developed software solutions designed to support the Group's data and reporting processes and improve its operational and strategic activities. Both software solutions are intended for internal use, with the aim of reducing costs and optimising operations. The first software project was completed by the end of 2023, and the second one is expected to be completed in 2024.

12 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000	Prepayments for property, plant and equipment DKK'000
Cost beginning of year	201,388	1,503,992	30,567	0	0
Addition through business combinations etc	179,978	813,212	21,926	0	0
Transfers	(60,294)	52,525	241	7,528	0
Additions	234,072	68,359	35,573	94,204	846
Disposals	(6,477)	(2,781)	(9,031)	(1,383)	0
Cost end of year	**548,667**	**2,435,307**	**79,276**	**100,349**	**846**
Depreciation and impairment losses beginning of year	(4,287)	(63,836)	(3,969)	0	0
Transfers	4,287	(5,221)	0	0	0
Depreciation for the year	(12,431)	(58,636)	(10,808)	0	0
Reversal regarding disposals	565	0	3,722	0	0
Depreciation and impairment losses end of year	**(11,866)**	**(127,693)**	**(11,055)**	**0**	**0**
Carrying amount end of year	**536,801**	**2,307,614**	**68,221**	**100,349**	**846**
Recognised assets not owned by Entity	0	21,786	38,217	35,084	423

13 Financial assets

	Deposits DKK'000
Cost beginning of year	120
Additions	249
Cost end of year	**369**
Carrying amount end of year	**369**

14 Prepayments

Prepayments comprises accrual of costs relating to subsequent financial years.

15 Deferred tax

	2023 DKK'000	2021/22 DKK'000
Intangible assets	163,515	93,205
Property, plant and equipment	201,693	170,171
Fixed asset investments	(9,645)	0
Receivables	332	0
Provisions	(801)	0
Liabilities other than provisions	(41,932)	(44,122)
Tax losses carried forward	(9,834)	(14,531)
Deferred tax	**303,328**	**204,723**

Changes during the year	2023 DKK'000	2021/22 DKK'000
Beginning of year	204,723	0
Recognised in the income statement	13,709	249
Recognized upon formation of the group	0	204,474
Recognized upon acquisition of new companies within the group	84,896	0
End of year	**303,328**	**204,723**

16 Other provisions

Other provisions comprise provisions for a tax dispute.

17 Deferred income

Deferred income under long-term liabilities consists primarily of energy saving funds received, which are recognised as income as depreciation of the plant takes place.

18 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2021/22 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Subordinate loan capital	0	10,000	0	0
Mortgage debt	7,106	4,914	235,337	190,075
Bank loans	33,813	48,767	507,320	271,715
Lease liabilities	9,501	2,677	40,383	7,169
Other payables	0	8,250	350	0
Deferred income	18,611	13,992	211,159	136,714
	69,031	**88,600**	**994,549**	**605,673**

19 Changes in working capital

	2023 DKK'000	2021/22 DKK'000
Increase/decrease in inventories	(18,115)	(70,145)
Increase/decrease in receivables	(72,148)	(175,027)
Increase/decrease in trade payables etc.	(184,672)	607,740
	(274,935)	**362,568**

20 Unrecognised rental and lease commitments

	2023 DKK'000	2021/22 DKK'000
Total liabilities under rental or lease agreements until maturity	**2,239**	**1,029**

21 Contingent liabilities

In connection with the acquisition and construction of some of the Group's fixed assets, the Group is obliged to pay additional consideration in the event that regulatory authorisations related to the acquisition or construction of the asset in question are obtained.
The Group expects having to pay DKK 24m-34.5m within a period of 1-3 years.

The Group is obliged to restore the land upon the termination of the lease unless the land is purchased prior to that. As a result, no restoration liability is recognised.

In case of the lessor’s insolvency, the Group is obligated to purchase the leased plot of land.

The Group has entered into a conditional purchase agreement for the acquisition of a property at a purchase price of DKK 3m.

The Group has signed a lease agreement for a plot of land where two tanks and a chip burner are located. The lease is non-terminable by the lessor until 2048, whereas the lease is terminable by the Group with a 12-month notice period to each 1 January. An agreement has been made for the purchase of the leased land, but the formalities have not yet been settled. Formalities are expected to be completed in 2024.

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which Maigaard & Molbech II ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

22 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties with a nominal value of kDKK 535,500. The mortgage also comprises the plant and machinery deemed part of the property.
The carrying amount of mortgaged properties is DKK 197,095k and the carrying amount of mortgaged plant is DKK 694,741k.

Payables to credit institutions are secured by a floating charge of DKK 34,000k on goodwill, intellectual property rights, motor vehicles, other fixtures and fittings, tools and equipment, inventories, trade receivables as well as other fuels and consumables. The total carrying amount of the assets concerned is DKK 165,389k.

Lease liabilities are secured by way of a deposited mortgage deed registered to the mortgagor in the nominal amount of DKK 500k on plant and machinery.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant and properties of DKK 197,552k nominal.

The carrying amount of mortgaged properties is DKK 234,667k and the carrying amount of mortgaged plant is DKK 14,109k.

The Group has issued an all-monies mortgage of DKK 8,000k with a charge on plant and machinery, other fixtures and fittings, tools and equipment, inventories as well as trade receivables of a carrying amount of DKK 15,015k. The all-monies mortgage has been provided as security for all payables to the Company's bank.

Current settlements for gas have been assigned as security by the Group to credit institutions.

Certain plant and machinery as well as other fixtures, fittings, tools and equipment have been financed using finance leases. The carrying amount of assets held under finance leases is DKK 95,510k.

23 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

24 Subsidiaries

	Registered in	Corporate form	Ownership %
BioCirc Group Holding ApS	Copenhagen	ApS	100.00
BioCirc Group ApS	Copenhagen	ApS	100.00
BioCirc North America ApS	Copenhagen	ApS	100.00
Bio Recycling ApS	Copenhagen	ApS	100.00
BioCirc Trading ApS	Copenhagen	ApS	100.00
BioCirc Grønhøj Biogas ApS	Copenhagen	ApS	100.00
BioCirc Grønhøj Vind ApS	Copenhagen	ApS	100.00
BioCirc Grønhøj ApS	Copenhagen	ApS	100.00
VHB Planteavl ApS	Farsø	ApS	100.00
BioCirc Vesthimmerland Biogas ApS	Farsø	ApS	100.00
VHB Økologi ApS	Farsø	ApS	100.00
BioCirc Vesthimmerland ApS	Farsø	ApS	100.00
Ringsted Go Green ApS	Copenhagen	ApS	100.00
BioCirc Ringsted Biogas ApS	Ringsted	ApS	100.00
BioCirc Vinkel Biogas ApS	Højslev	ApS	100.00
BioCirc Vinkel ApS	Copenhagen	ApS	100.00
BioCirc Vesthimmerland Park ApS	Middelfart	ApS	100.00
BioCirc Vinkel Park ApS	Middelfart	ApS	100.00
BioCirc Viborg Park ApS	Middelfart	ApS	100.00
Iglsø Agro ApS	Stoholm Jyll	ApS	100.00
BioCirc Iglsø Biogas ApS	Stoholm Jyll	ApS	100.00
BioCirc Iglsø ApS	Stoholm Jyll	ApS	100.00
Viborg Go Green ApS	Copenhagen	ApS	100.00
BioCirc Komplementarselskab ApS	Copenhagen	ApS	100.00
BioCirc Haderslev ApS	Copenhagen	ApS	100.00
BioCirc Haderslev Biogas ApS	Haderslev	ApS	100.00
BioCirc Favrskov Biogas ApS	Hammel	ApS	100.00
BioCirc Jammerbugt Park ApS	Middelfart	ApS	100.00
BioCirc Favrskov ApS	Copenhagen	ApS	100.00
BioCirc Blåbjerg Biogas ApS	Nørre Nebel	ApS	100.00
BioCirc CO2 ApS	Højslev	ApS	100.00

	Registered in	Corporate form	Ownership %
Platin 2435.GmbH	Bredtstedt, Germany	GmbH	100.00
Platin 2420. GmbH	Bredtstedt, Germany	GmbH	100.00
Hvilsom Renewables K/S	Copenhagen	K/S	100.00
Iglsø Renewables K/S	Copenhagen	K/S	100.00
Kvorning Renewables K/S	Copenhagen	K/S	100.00
Mariagerfjord Go Green K/S	Copenhagen	K/S	100.00
Sjørring Renewables K/S	Copenhagen	K/S	100.00
Skive Go Green II K/S	Copenhagen	K/S	100.00
Tagmarken Sol K/S	Copenhagen	K/S	100.00
Vester Lyby Renewables K/S	Copenhagen	K/S	100.00
Vesthimmerland Go Green K/S	Copenhagen	K/S	100.00
BioCirc Manco ApS	Copenhagen	ApS	0.01

Parent income statement for 2023

	Notes	2023 DKK'000	2021/22 DKK'000
Revenue	2	21,439	9,085
Other external expenses		(21,357)	(8,933)
Gross profit/loss		**82**	**152**
Other financial income		5	0
Other financial expenses		(4)	(3)
Profit/loss before tax		**83**	**149**
Tax on profit/loss for the year	3	(119)	(128)
Profit/loss for the year	4	**(36)**	**21**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2021/22 DKK'000
Receivables from group enterprises		40	0
Other receivables		143	0
Receivables		**183**	**0**
Cash		**5**	**555**
Current assets		**188**	**555**
Assets		**188**	**555**

Equity and liabilities

	Notes	2023 DKK'000	2021/22 DKK'000
Contributed capital		40	40
Retained earnings		(15)	21
Equity		**25**	**61**
Trade payables		20	294
Tax payable		119	128
Other payables		24	72
Current liabilities other than provisions		**163**	**494**
Liabilities other than provisions		**163**	**494**
Equity and liabilities		**188**	**555**
Events after the balance sheet date	1		
Employees	5		
Contingent liabilities	6		
Related parties with controlling interest	7		
Non-arm's length related party transactions	8		

Parent statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	40	21	61
Profit/loss for the year	0	(36)	(36)
Equity end of year	**40**	**(15)**	**25**

Notes to parent financial statements

1 Events after the balance sheet date

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

2 Revenue

	2023 DKK'000	2021/22 DKK'000
Management fee	21,439	9,085
Total revenue by activity	**21,439**	**9,085**

3 Tax on profit/loss for the year

	2023 DKK'000	2021/22 DKK'000
Current tax	119	128
	119	**128**

4 Proposed distribution of profit and loss

	2023 DKK'000	2021/22 DKK'000
Retained earnings	(36)	21
	(36)	**21**

5 Employees

The Entity has no employees other than the Executive Board. Remuneration for the board is listed below.

As the members of the Company's Executive Board are not directly remunerated by the Company, the disclosed remuneration of the Executive Board is an estimated amount covering the managerial duties in the Company.

	Remuneration of Manage-ment 2023 DKK'000	Remuneration of Manage-ment 2021/22 DKK'000
Executive Board	120	120
	120	**120**

6 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

7 Related parties with controlling interest

Bertel David Maigaard and Claus Molbech Bendtsen owns all shares in the Entity, thus exercising control.

8 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Changes in accounting estimates

The useful life of goodwill has changed during the year. The amortisation period for consolidated goodwill related to biogas plants has been extended from 10 years to 16-18 years as goodwill relates to the Group's biogas plants and their operations. This impacts the recognition of investments in the parent financial statements as well as consolidated goodwill. The change in amortisation period for goodwill has a positive impact on the financial statements of DKKm 28.7 before tax.
Besides this the useful life of buildings and storage tanks has been extended from 20-30 to 40 year while the useful life of other plants and machinery has been extended from 20 to 30 years. The change in depreciation period has a positive impact on the financial statements of DKKm xx before tax.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements. Minority interests’ pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc. in which the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree’s assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Revenue

Revenue, which consists of sale of gas, grants received, sale of biogas certificates and sale of raw materials for the biogas production, is recognised in the income statement when delivery is made and risk has passed to the buyer. For gas sales and associated grants, this takes place when the gas is delivered to the grid. Biogas certificates are generated in line with the production and delivery of biogas to the grid and, according to the agreement, are transferred to the buyer accordingly. Thus, revenue is recognised for the period to which the biogas certificates relate.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration determined.

Fixed price contracts related to the sale of gas are entered into as part of the delivery agreement and are settled on a net basis. These are commodity-based contracts, which according to S. 37(3)vi of the Danish Financial Statements Act are not recognised at fair value.

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, including profit from the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and normal writedowns of the relevant inventories.

Other external expenses
Other external expenses include expenses relating to the Entity's normal 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 wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Share-based payments
Share-based payments, including the Group's warrant programme issued to the Executive Board, Board of Directors and other key employees, are treated as equity-settled share-based payment transactions, which are not recognised in the balance sheet or income statement. The most important terms of the warrant programme are described in the notes, to which we refer.

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

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 , including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge 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.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise acquired intellectual property rights.

The cost of development projects comprises costs that are directly and indirectly attributable to the Group's development activities.

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 Group can be established, and where the intention is to manufacture, market, or apply the project, are recognised as intangible assets if there is sufficient certainty that the value-in-use of future earnings can cover production costs, selling and administrative expenses and the development costs.

Development projects which do not meet the criteria for recognition in the balance sheet are recognised as costs in the income statements when they are incurred.

Capitalised development costs are amortised from the date of completion on a straight-line basis over the period in which the development work is expected to generate economic benefits.

The period of amortisation is ten years.

An amount equal to the recognised development costs is recognised in the item "Reserve for development projects" under equity. The reserve is continuously reduced by amortisation and impairment losses on development projects.

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 on a straight-line basis 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

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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
Buildings	5 til 40
Plant and machinery	3 til 40
Other fixtures and fittings, tools and equipment	3 til 30

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.

Variable and contingent payments for fixed assets
Payments relating to the acquisition or construction of fixed assets and which are conditional on the fulfilment of specific conditions (for example, obtaining regulatory approvals) are recognised as liabilities at the time when the condition is fulfilled. An equivalent amount is recognised as part of the cost of the asset concerned.

Any subsequent adjustments to the liability adjust the cost of the asset.

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.

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

Cash
Cash comprises cash in hand and bank deposits.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions
Other provisions comprise expected costs of tax disputes.

Other provisions are recognised and measured as the best estimate of the expenses required to discharge the obligations 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.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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.

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.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.