
Photocat A/S

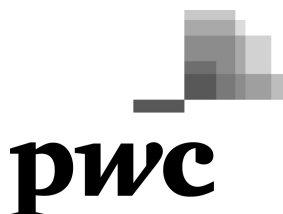
Langebjerg 4, DK-4000 Roskilde

Annual Report for 1 January - 31 December 2020

CVR No 32 35 79 03

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
/ 2021

Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Photocat A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations and cash flows for 2020.

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

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

Roskilde, 10 May 2021

Executive Board

Michael Humle

Board of Directors

Mette Therkildsen
Chairman

Jacob Erik Holmblad

Theis Reenberg

Tom Weidner

Jens Rom

Independent Auditor's Report

To the Shareholders of Photocat A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Photocat A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

ment, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

in a manner that gives a true and fair view.

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

Hellerup, 10 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

Company Information

The Company

Photocat A/S
Langebjerg 4
DK-4000 Roskilde

CVR No: 32 35 79 03
Financial period: 1 January - 31 December
Municipality of reg. office: Roskilde

Board of Directors

Mette Therkildsen, Chairman
Jacob Erik Holmblad
Theis Reenberg
Tom Weidner
Jens Rom

Executive Board

Michael Humle

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

Photocat was born as a green transition company focusing on delivering environmental and climate solutions to the goals set up by the UN and known as the 17 world sustainability goals. Photocat keeps track of its delivery on these important transition goals and focuses on NOx control for better air quality in the cities. Also, indoor air quality has been on the agenda, and the company has delivered several solutions for the reduction of VOC's. In the foreseeable future, the company will add CO2 reduction to its palette of unique property proposals.

Photocat's solutions are developed with economic and scientific aims enabling customers to offer even greater value when delivering their own products like roofing membranes, pavements, roads, and floors.

The Product portfolio is marketed using direct sales methods to potential customers in selected markets. Photocat uses the brands NOxOFF, Actifloor, ShineOn and Photocat Garden as recognizable tradenames. All the products are in their early lifecycle phase.

Key events

The Company's strategy to focus on customers with a proven track record in launching innovative products remains the core business approach. This is supported by finding and delivering high-profile demonstration projects. Further, this has resulted in us working closely with the scientific community and verify our unique value propositions. This resulted in submitting two scientific publications. The first was published in 2020, and the second has been accepted for publication and will be published in 2021. These publications show that our technology has the ability to significantly reduce NOx pollution in ambient air when used in modern cities. Further, we also proved that our solution offers payers a fast payback and an attractive return on investment.

The first asphalt project with our granulate product was secured and implemented into the freshly paved asphalt. The first 2 locations were delivered in co-operation with Colas at two major roads in the central city municipality Frederiksberg. The results are in the process of being written up to a scientific publication. The preliminary results show a reduction of 36% of NOx levels on Roskildevej and corrected for flaw from Covid-19 traffic reduction it shows a 27% reduction in NOx levels. This also results in payback for Frederiksberg within the first two years. This type of asphalt was also delivered with NCC Roads to Skagen Harbour's new terminal.

2020 was also the year where Photocat received approval for patent applications in the bitumen and concrete area. This now secures unique property protection in both business areas for key products and solutions offered by us.

The indoor segment was hit by Covid-19 lock downs in north America and delayed our US market penetration with Pure Genius floors. Yet by the end of the year, we were back at the growth curve, and 1st quarter 2021 showed the most significant sales ever.

Management's Review

Development in the year

The income statement of the Company for 2020 shows a significant increase in turnover of 81% from TDKK 6.735 in 2019 to TDKK 12.168. This represents a strong growth. The loss ended at of TDKK -1.828 and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 13.464.

The Company's revenue reflects a sales development that grew and reached growth expectations for the year. Our product sales of active fluids were higher compared to 2019. The customer base continues to grow, and customer purchase volume goes up on key accounts. It remains a challenge for customers to drive sales fast through specification sales where our solutions are prescribed in tenders. This base grew, yet it was difficult to lock down restrictions to influence prescribers sufficiently to see a growth in the tender volume.

We continued our active support of key customer's marketing programs which contributed strongly to the overall growth in the company revenue.

The results from Am Neckar Tor in Stuttgart became public and was the first to show that photocatalysis add important and significant improvement in air quality even in areas where environmental zones are already incorporated, and diesel vehicle are prohibited to drive.

Expectations for 2021

Photocat enters 2021 with a strong customer portfolio and has a major launch of new important data in the second half of 2021. There is no doubt that Photocat has provided documentation that its solutions contributed vastly to the green transition and should be expected to grow strongly in the coming future. Yet, the influence of lockdown will affect the marketing activities and implementation of our technology at new customers in our export markets. We believe this could lower our sales expectations in the first half-year of 2021 and that covid-19 effects would be lower in the second half of 2021. Here we expect a pick-up in sales activities and new customers starting to use Photocat's technology.

We predict continued overall growth in 2021 but have a flag raised for the effects of Covid-19 regulations.

Capital structure

2020 was a year where in April secured additional funds from shareholders to secure against turbulence from Covid-19.

Photocat increased its share capital through a rights issue comprising 250.000 new shares to a total share capital of DKK 5.250.000.

Further, Photocat secured a state warranted growth loan from Vaekstfonden.

Management's Review

Research and development

In 2020 Photocat fully implemented its face mix solution into the sales portfolio and looking at life cycle analysis and verifying our solutions' positive impact on climate on our climate transition goals.

At the end of the year, we also received notification from patent authorities that our applications regarding concrete and bitumen solutions were granted. This strengthens our position in the market and will open up possibilities for having a photocatalytic license revenue business.

Further, we contributed to Professor Akira Fujishima latest publication on Photocatalysis. Being invited by the original discoverer of the Technology shows that we are moving into becoming better known and acknowledged in the market.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Revenue		12,166,725	6,735,136
Other operating income		454,416	459,989
Expenses for raw materials and consumables		-3,007,573	-1,959,585
Other external expenses		-6,417,074	-4,736,847
Gross profit/loss		3,196,494	498,693
Staff expenses	1	-3,132,778	-2,857,171
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2,190,566	-1,984,853
Profit/loss before financial income and expenses		-2,126,850	-4,343,331
Financial expenses		-85,049	-91,797
Resultat før skat		-2,211,899	-4,435,128
Tax on profit/loss for the year	2	383,953	318,626
Net profit/loss for the year		-1,827,946	-4,116,502

Distribution of profit

	2020 DKK	2019 DKK
Proposed distribution of profit		
Retained earnings	-1,827,946	-4,116,502
	-1,827,946	-4,116,502

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Completed development projects		5,804,638	5,996,312
Acquired patents		464,624	271,546
Development projects in progress		3,009,528	2,807,544
Intangible assets	3	9,278,790	9,075,402
Plant and machinery		888,776	1,191,917
Other fixtures and fittings, tools and equipment		169,865	5,326
Property, plant and equipment	4	1,058,641	1,197,243
Other investments		1	1
Deposits		300,885	290,885
Fixed asset investments		300,886	290,886
Fixed assets		10,638,317	10,563,531
Inventories		748,054	844,863
Trade receivables		2,531,213	1,255,940
Other receivables		158,353	292,076
Corporation tax		383,950	321,000
Prepayments		300,620	103,194
Receivables		3,374,136	1,972,210
Cash at bank and in hand		2,052,229	3,336,526
Currents assets		6,174,419	6,153,599
Assets		16,812,736	16,717,130

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	5	5,250,000	5,000,000
Reserve for development costs		4,845,084	3,787,070
Retained earnings		3,368,714	4,143,125
Equity		13,463,798	12,930,195
Payables to owners and Management		9,674	14,558
Other payables		349,434	124,841
Deferred income		969,337	1,423,753
Long-term debt	6	1,328,445	1,563,152
Trade payables		973,535	1,468,403
Other payables	6	592,545	300,967
Deferred income	6	454,413	454,413
Short-term debt		2,020,493	2,223,783
Debt		3,348,938	3,786,935
Liabilities and equity		16,812,736	16,717,130
Contingent assets, liabilities and other financial obligations	9		
Accounting Policies	10		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	5,000,000	3,787,070	4,143,125	12,930,195
Capital increase	250,000	0	2,141,549	2,391,549
Capital increase costs	0	0	-30,000	-30,000
Development costs for the year	0	1,361,299	-1,361,299	0
Depreciation, amortisation and impairment for the year	0	-303,285	303,285	0
Net profit/loss for the year	0	0	-1,827,946	-1,827,946
Equity at 31 December	5,250,000	4,845,084	3,368,714	13,463,798

Cash Flow Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Net profit/loss for the year		-1,827,946	-4,116,502
Adjustments	7	1,437,246	1,303,608
Change in working capital	8	-1,220,864	1,308,194
Cash flows from operating activities before financial income and expenses		-1,611,564	-1,504,700
Financial expenses		-85,049	-91,804
Cash flows from ordinary activities		-1,696,613	-1,596,504
Corporation tax paid		321,003	264,241
Cash flows from operating activities		-1,375,610	-1,332,263
Purchase of intangible assets		-1,964,274	-1,459,106
Purchase of property, plant and equipment		-291,078	-80,001
Fixed asset investments made etc		-10,000	-583
Cash flows from investing activities		-2,265,352	-1,539,690
Repayment of loans from credit institutions		0	-1,145,301
Repayment of payables to group enterprises		-4,884	0
Repayment of other long-term debt		0	-2,160,929
Raising of loans from group enterprises		0	1,898
Cash capital increase		2,361,549	9,475,456
Cash flows from financing activities		2,356,665	6,171,124
Change in cash and cash equivalents		-1,284,297	3,299,171
Cash and cash equivalents at 1 January		3,336,526	37,355
Cash and cash equivalents at 31 December		2,052,229	3,336,526
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2,052,229	3,336,526
Cash and cash equivalents at 31 December		2,052,229	3,336,526

Notes to the Financial Statements

	2020 DKK	2019 DKK	
1 Staff expenses			
Wages and salaries	4,677,830	4,039,710	
Other social security expenses	44,590	52,248	
Other staff expenses	155,614	224,319	
	4,878,034	4,316,277	
Transfer to development	-1,745,256	-1,459,106	
	3,132,778	2,857,171	
Average number of employees	6	7	
2 Tax on profit/loss for the year			
Current tax for the year	-383,953	-321,000	
Adjustment of tax concerning previous years	0	2,374	
	-383,953	-318,626	
3 Intangible assets			
	Completed development projects DKK	Acquired pa- tents DKK	Development projects in progress DKK
Cost at 1 January	17,688,827	2,273,557	2,807,544
Additions for the year	0	219,058	1,745,255
Transfers for the year	1,543,271	0	-1,543,271
Cost at 31 December	19,232,098	2,492,615	3,009,528
Impairment losses and amortisation at 1 January	11,692,515	2,002,011	0
Amortisation for the year	1,734,945	25,980	0
Impairment losses and amortisation at 31 December	13,427,460	2,027,991	0
Carrying amount at 31 December	5,804,638	464,624	3,009,528

Notes to the Financial Statements

3 Intangible assets (continued)

The Company's development costs include costs for the development of photocatalytic liquid that can be applied to surfaces giving an air cleaning effect as it removes NOx from the air. Development costs capitalised for the year relate to the further development of the Company's solutions for incorporation into products during production. The expected market for the developed products is the existing customer segments which will incorporate the products into their own product lines. Development projects in progress are projects that are expected to be completed in 2021.

4 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	5,046,195	17,426
Additions for the year	94,546	196,493
Cost at 31 December	5,140,741	213,919
Impairment losses and depreciation at 1 January	3,854,278	12,100
Depreciation for the year	397,687	31,954
Impairment losses and depreciation at 31 December	4,251,965	44,054
Carrying amount at 31 December	888,776	169,865

5 Equity

The general meeting decided on the 20 December 2016 to authorize the board of directors to issue warrants of up to 500,000 shares without existing shareholders having pre-emption rights.

At total, 335.000 warrants have been issued to the chairman of the board of directors, the CEO and other key employees which the management find exceptionally important for the successful execution of the Company's strategy. 215.000 warrant entitles its holder to subscribe for one share in Photocat A/S of nominally DKK 1 at a price of SEK 19.4 and 120.000 warrant entitles its holder to subscribe for one share in Photocat A/S of nominally DKK 1 at a price of SEK 14.

Notes to the Financial Statements

6 Long-term debt

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

The debt falls due for payment as specified below:

	2020 DKK	2019 DKK
Payables to owners and Management		
Between 1 and 5 years	9,674	14,558
Long-term part	9,674	14,558
Within 1 year	0	0
	9,674	14,558
Other payables		
Between 1 and 5 years	349,434	124,841
Long-term part	349,434	124,841
Other short-term payables	592,545	300,967
	941,979	425,808
Deferred income		
After 5 years	0	292,507
Between 1 and 5 years	969,337	1,131,246
Long-term part	969,337	1,423,753
	1,423,750	1,878,166

Deferred income comprises grants received in respect of intangible assets and is recognised over the expected useful life of the assets.

Notes to the Financial Statements

	2020	2019
	DKK	DKK
7 Cash flow statement - adjustments		
Financial expenses	85,049	91,797
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,190,566	1,984,853
Tax on profit/loss for the year	-383,953	-318,626
Other adjustments	-454,416	-454,416
	1,437,246	1,303,608
8 Cash flow statement - change in working capital		
Change in inventories	96,809	65,794
Change in receivables	-1,338,976	667,417
Change in trade payables, etc	21,303	574,983
	-1,220,864	1,308,194

9 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has a total rental obligation of DKK 460k.

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Photocat A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Recognition and measurement

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

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

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

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

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

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

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

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

Notes to the Financial Statements

10 Accounting Policies (continued)

Income Statement

Revenue

Revenue which consists of consultancy fee, licences and goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

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

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses include expenses for distribution, sales, advertising, administration, premises, bad debts, rental expenses under operating leases, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

10 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

Balance Sheet

Intangible assets

Acquired patents and licences relating to activity take over are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 20 years.

Development projects are measured at the lower of cost less accumulated amortisation and recoverable amount. Development projects are amortised over the expected useful life which corresponds to 6-8 years.

Costs of development in progress are recognised at cost. Costs of development in progress are not amortised.

Grants received in connection with development projects are accrued in deferred income and are recognised currently as the asset is amortised over its expected useful life.

Property, plant and equipment

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

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

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

Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years

Notes to the Financial Statements

10 Accounting Policies (continued)

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments, which consist of unlisted investments.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

10 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

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

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

10 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

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