

# Bayer A/S

Arne Jacobsens Allé 13, 6.

DK-2300 Copenhagen S

CVR No 16 08 98 18

## Annual Report for 1 January - 31 December 2015

The Annual Report was presented  
and adopted at the Annual General  
Meeting of the Company on 4 May 2016



Oliver Rittgen  
Chairman

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## **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Bayer A/S for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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.

*Solna*

Copenhagen, 4 May 2016

### **Executive Board**

Marlon Christine McPherson

### **Board of Directors**

Oliver Rittgen  
Chairman

Johanna Kouru

Susanne Öngör

Elisabeth Lundstrøm  
Employee Representative

Birgit Villadsen  
Employee Representative

# **Independent Auditor's Report on the Financial Statements**

To the Shareholders of Bayer A/S

## **Report on the Financial Statements**

We have audited the Financial Statements of Bayer A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.


## Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 4 May 2016

### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR-nr. 33 77 12 31



John van der Weerd  
State Authorised Public Accountant



Lasse Hartlev  
State Authorised Public Accountant

## Company Information

### The Company

Bayer A/S  
Arne Jacobsens Allé 13, 6.  
DK-2300 Copenhagen S

Telephone: + 45 45 23 50 00  
Facsimile: + 45 45 23 52 55  
Website: [www.bayer.dk](http://www.bayer.dk)

CVR No: 16 08 98 18  
Financial period: 1 January - 31 December  
Financial year: 63rd financial year  
Municipality of reg. office: Copenhagen

### Board of Directors

Oliver Rene Rittgen, Chairman  
Johanna Kristiina Kouru  
Susanne Öngör  
Birgit Villadsen  
Elisabeth Lundstrøm

### Executive Board

Marion Christine McPherson

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### Consolidated Financial Statements

The Company is included in the Group Annual Report of Bayer AG.

The Group Annual Report of Bayer AG may be obtained at the following addresses:

Bayer AG Corporate Communications, 51368  
Leverkusen, Germany, or:  
Bayer A/S, Informationsafdelingen, Arne  
Jacobsens Allé 13, DK-2300 København S.

## Management's Review

### Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights (all amounts in TDKK):

	2015	2014	2013	2012	2011
<b>Key figures</b>					
Revenue	1.353.901	1.228.521	1.315.187	1.054.920	943.723
Gross profit	184.622	167.885	173.428	137.571	121.237
Profit/loss before financial income & expenses	64.568	56.034	67.331	36.019	29.235
Net financials	261.153	1.426	3.347	-868	2.576
Net profit/loss for the year	310.363	42.164	52.225	25.550	22.327
<b>Balance sheet</b>					
Balance sheet total	585.826	367.639	380.733	375.878	303.717
Equity	391.061	195.698	153.534	101.309	233.758
Investment in property, plant & equipment	715	1.087	-454	867	3.999
Number of employees	124	123	122	118	118
<b>Ratios</b>					
Gross margin	13,6 %	13,7 %	13,2 %	13,0 %	12,8 %
Profit margin	4,8 %	4,6 %	5,1 %	3,4 %	3,1 %
Return on assets	11,0 %	15,2 %	17,7 %	9,6 %	9,6 %
Solvency ratio	66,8 %	53,2 %	40,3 %	27,0 %	77,0 %
Return on equity	105,8 %	24,1 %	41,0 %	15,3 %	8,4 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

## Main activity

The main activity of Bayer A/S is marketing and sale of products within the business segments CropScience and HealthCare.

## Development in the year

Revenue for the year is distributed with 46 % to the Agricultural Sector (CropScience) and with 53 % to the Pharmaceutical Sector (HealthCare). 1 % is allocated to IT services (Business Services).

The turnover increased with 10,2 % and the result from ordinary activities (EBIT) with 10,5 %. The result after taxes increased with MDKK 268 (636 %), which primarily is because the Company's subsidiary, former Bayer MaterialScience A/S (BMS) – now Covestro A/S, has been divested in 2015, resulting in a financial income of MDKK 263,5.

CropScience shows revenue of MDKK 622, an increase of 7 % compared to 2014.

HealthCare shows revenue of MDKK 721 compared to MDKK 633 in the previous year (+14 %).

## The past year and follow-up on development expectations from last year

Management considers the profit for the year 2015 to be satisfactory and as expected.

## Targets and expectations for the year ahead

Bayer A/S expects a slightly decreased activity in 2017 of in level of 2-5 % and the profit for the year is expected to be at the level MDKK 65-70.

## Capital resources

Bayer A/S is well consolidated. The equity ratio (solvency) amounts to 66,8 % (2014:53,2 %), corresponding to equity at 31 December 2015 of MDKK 391 (2014: MDKK 196).

## **Management's Review**

### **Special risks - operating risks and financial risks**

#### ***Foreign exchange risks***

It is the Company's policy to hedge against commercial foreign exchange exposure. Hedging mainly takes place by means of balancing in and outgoing cash flows. To the extent this is not possible, forward exchange contracts are used.

#### ***Interest rate risks***

As the net interest bearing debt does not constitute a significant amount, moderate changes in the level of interest will not have any material, direct effect on earnings. Therefore, the Company does not enter into interest rate agreements to hedge against interest rate exposure.

### **Basis of earnings**

#### ***Research and development***

The Company has no R&D, because it is a sales unit.

#### ***External environment***

The Company is a sales unit in Denmark with no significant impact on external environment. We refer to the Bayer Group's annual report for further about Bayer.

#### ***Intellectual capital resources***

The Company is a sales unit in Denmark with no significant intellectual capital resources. We refer to the Bayer Group's annual report for further about Bayer.

## Management's Review

### Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 has not been affected by any unusual events.

### Statutory report on Corporate Social Responsibility, CF section 99 a in the Danish Statement Act

The Company is covered by Bayer Group's policy for social responsibility. Refer to the Group Annual Report:

<http://www.investor.bayer.de/en/reports/sustainability-reports/>

Bayer AG is a member of the UN Global Compact and the Participants & Stakeholders Report is available at: <http://www.unglobalcompact.org/participant/1212-Bayer-AG>.

### Statutory report on Underepresented Gender, CF section 99 b in the Danish Statement Act

Regarding section 99 part b of the Danish Financial Statements Act, Bayer A/S generally wants to ensure, that it always is the most qualified person who possesses a given position at a given time. All employees and managers' efforts are measured based on individual goals.

We want to foster diversity and create opportunities for all persons, regardless of gender, age, and ethnicity, religious or political conviction.

Besides Bayer A/S' two employee representatives, the Board of Directors consist of one man and two women.

The Company' group of leaders, defined as the Danish Country Leadership Team consists of 4 women and 2 men.

On this background Management assesses, the Company already complies with the intentions of diversity. As equal gender diversity has been achieved in the Board of Directors and in the Danish Country Leadership Team.

## Income Statement 1 January - 31 December

	Note	2015 TDKK	2014 TDKK
<b>Revenue</b>	1	1.353.901	1.228.521
Other operating income		0	294
Expenses for raw materials and consumables		-1.001.960	-885.881
Other external expenses		-167.319	-175.049
<b>Gross profit/loss</b>		<b>184.622</b>	<b>167.885</b>
Staff expenses	2	-117.330	-108.940
<b>Profit/loss before depreciations</b>		<b>67.292</b>	<b>58.945</b>
Depreciation, amortization & impairment of intangible assets, property, plant and equipment	3	-2.550	-2.911
Other operating expenses		-174	0
<b>Profit/loss before financial income &amp; expenses</b>		<b>64.568</b>	<b>56.034</b>
Income from investments in subsidiaries	4	263.500	0
Financial income	5	10.443	12.224
Financial expenses	6	-12.790	-10.798
<b>Profit/loss before tax</b>		<b>325.721</b>	<b>57.460</b>
Tax on profit/loss for the year	7	-15.358	-15.296
<b>Net profit/loss for the year</b>		<b>310.363</b>	<b>42.164</b>
<b>Distribution of profit</b>			
		2015 TDKK	2014 TDKK
<b>Proposed distribution of profit</b>			
Proposed dividend for the year		270.000	115.000
Retained earnings		40.363	-72.836
		<b>310.363</b>	<b>42.164</b>

## Balance Sheet 31 December

### Assets

	Note	2015 TDKK	2014 TDKK
Software		56	88
Acquired rights		5.122	4.240
<b>Intangible assets</b>	8	<b>5.178</b>	<b>4.328</b>
Other fixtures & fittings, tools & equipment		596	1.289
<b>Property, plant &amp; equipment</b>	9	<b>596</b>	<b>1.289</b>
Investments in subsidiaries	10	5.027	30.000
Other receivables		69	69
<b>Fixed asset investments</b>		<b>5.096</b>	<b>30.069</b>
<b>Fixed &amp; intangible assets</b>		<b>10.870</b>	<b>35.686</b>
<b>Inventories</b>	11	<b>114.782</b>	<b>94.618</b>
Trade receivables		147.000	115.070
Receivables from group enterprises		301.591	119.144
Other receivables		131	1.641
Deferred tax asset	14	517	327
Corporation tax		9.460	0
Prepayments		1.475	1.153
<b>Receivables</b>		<b>460.174</b>	<b>237.335</b>
<b>Current assets</b>		<b>574.956</b>	<b>331.953</b>
<b>Total assets</b>		<b>585.826</b>	<b>367.639</b>

## Balance Sheet 31 December

### Liabilities & equity

	Note	2015 TDKK	2014 TDKK
Share capital		78.000	78.000
Retained earnings		43.061	2.698
Proposed dividend for the year		270.000	115.000
<b>Equity</b>	13	<b>391.061</b>	<b>195.698</b>
Credit institutions		8	0
Trade payables		35.172	41.107
Payables to group enterprises		76.454	57.624
Corporation tax		0	11.373
Other payables		83.131	61.837
<b>Short-term debt</b>		<b>194.765</b>	<b>171.941</b>
<b>Liabilities &amp; equity</b>		<b>585.826</b>	<b>367.639</b>

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	78.000	2.698	115.000	195.698
Ordinary dividend paid	0	0	-115.000	-115.000
Net profit/loss for the year	0	40.363	270.000	310.363
<b>Equity at 31 December</b>	<b>78.000</b>	<b>43.061</b>	<b>270.000</b>	<b>391.061</b>

## Notes to the Financial Statements

	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Denmark	929.851	814.347
Sweden	189.294	184.829
Norway	64.159	68.163
Finland	115.427	94.787
Other	55.170	66.395
	<u><b>1.353.901</b></u>	<u><b>1.228.521</b></u>
<b>Business segments</b>		
CropScience	621.949	579.731
HealthCare	720.701	633.130
Bayer Business Service	11.251	11.390
Other	0	4.270
	<u><b>1.353.901</b></u>	<u><b>1.228.521</b></u>
	<b>2015</b> TDKK	<b>2014</b> TDKK
<b>2 Staff expenses</b>		
Wages & salaries	107.186	99.421
Pensions	9.443	8.662
Other social security expenses	701	857
	<u><b>117.330</b></u>	<u><b>108.940</b></u>
Average number of employees	<b>124</b>	<b>123</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.



## Notes to the Financial Statements

	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>3 Depreciation, amortization and impairment of intangible assets &amp; Property, plant and equipment</b>		
Depreciation of intangible assets	1.143	1.065
Depreciation of property, plant & equipment	<u>1.407</u>	<u>1.846</u>
	<b><u>2.550</u></b>	<b><u>2.911</u></b>
Software	77	106
Acquired patents	1.066	959
Other fixtures & fittings, tools & equipment	<u>1.407</u>	<u>1.846</u>
	<b><u>2.550</u></b>	<b><u>2.911</u></b>
<b>4 Income from investments in subsidiaries</b>		
Disposal, Covestro A/S	<u>263.500</u>	<u>0</u>
	<b><u>263.500</u></b>	<b><u>0</u></b>
<b>5 Financial income</b>		
Interest received from group enterprises	296	225
Other financial income	1	0
Exchange rate gains	<u>10.146</u>	<u>11.999</u>
	<b><u>10.443</u></b>	<b><u>12.224</u></b>

## Notes to the Financial Statements

	2015 TDKK	2014 TDKK
<b>6 Financial expenses</b>		
Interest paid to group enterprises	0	26
Other financial expenses	933	1.089
Exchange rate losses	11.857	9.683
	<u>12.790</u>	<u>10.798</u>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	15.549	15.559
Deferred tax for the year	-191	-263
	<u>15.358</u>	<u>15.296</u>
Tax on profit/loss for the year is calculated as follows:		
Calculated 23.5% / 24.5% tax on profit/loss for the year before tax	76.544	14.479
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	-61.186	817
	<u>15.358</u>	<u>15.296</u>

## Notes to the Financial Statements

### 8 Intangible assets

	Software TDKK	Acquired rights TDKK	Total TDKK
Cost at 1 January	658	16.286	16.944
Additions for the year	45	1.979	2.024
Disposals for the year	0	-32	-32
Cost at 31 December	<u>703</u>	<u>18.233</u>	<u>18.936</u>
Impairment losses & amortization at 1 January	570	12.045	12.615
Amortization for the year	<u>77</u>	<u>1.066</u>	<u>1.143</u>
Impairment losses & amortization at 31 December	<u>647</u>	<u>13.111</u>	<u>13.758</u>
<b>Carrying amount at 31 December</b>	<b><u>56</u></b>	<b><u>5.122</u></b>	<b><u>5.178</u></b>
Amortized over	3 years	5-15 years	

## Notes to the Financial Statements

	Other fixtures & fittings, tools & equipment TDKK
<b>9 Property, plant &amp; equipment</b>	
Cost at 1 January	16.079
Additions for the year	715
Disposals for the year	-22
Cost at 31 December	<u>16.772</u>
Impairment losses & depreciation at 1 January	14.791
Depreciation for the year	1.407
Reversal of impairment & depreciation of sold assets	-22
Impairment losses & depreciation at 31 December	<u>16.176</u>
<b>Carrying amount at 31 December</b>	<u><b>596</b></u>
Amortized over	3-10 years

## Notes to the Financial Statements

	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>10 Investments in subsidiaries</b>		
Cost at 1 January	30.000	30.000
Additions for the year	5.027	0
Disposals for the year	-30.000	0
Cost at 31 December	<u>5.027</u>	<u>30.000</u>
Value adjustments at 1 January	<u>0</u>	<u>0</u>
Value adjustments at 31 December	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<u><b>5.027</b></u>	<u><b>30.000</b></u>

Investments in subsidiaries are specified as follows (in DKK):

<i>Name</i>	<i>Place of registered office</i>	<i>Share capital</i>	<i>Votes and ownership</i>	<i>Equity</i>	<i>Net profit/loss for the year</i>
Medrad Denmark ApS	Arne Jacobsens Allé 13	125.000	100%	4.200.352	369.316

	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>11 Inventories</b>		
Goods for resale	114.782	94.618
	<u><b>114.782</b></u>	<u><b>94.618</b></u>

### 12 Cash at bank and in hand

The company participates in Bayer Group cash pool. The cash pool is recognized under intercompany with group companies.

### 13 Equity

The share capital consists of 78,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## Notes to the Financial Statements

	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>14 Provision for deferred tax</b>		
Intangible assets	1.132	1.060
Property, plant & equipment	-809	-795
Inventories	-507	-207
Other provisions	-333	-385
Transferred to deferred tax asset	517	327
	<u>0</u>	<u>0</u>

Deferred tax has been provided at 23,5 % corresponding to the current tax rate.

### Deferred tax asset

Calculated tax asset	<u>517</u>	<u>327</u>
<b>Carrying amount</b>	<u>517</u>	<u>327</u>

## 15 Contingent assets, liabilities & other financial obligations

### Rental agreement & leases

Lease obligations under operating leases. Total future payments:

Within 1 year	12.975	13.902
Between 1 and 5 years	19.706	19.261
	<u>32.681</u>	<u>33.163</u>

### Contingent liabilities

A bank guarantee of TDKK 3.201 has been established to cover obligations in connection to leased offices.

An additional bank guarantee of TSEK 500 covers obligations in connection to export duties to Sweden.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

# Notes to the Financial Statements

**16 Related parties and ownership**

**Controlling interest**

Bayer AG, Leverkusen, Germany

**Basis**

Controlling shareholder,  
ultimate owner

**Ownership**

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Bayer Nordic SE, Finland

The Company is owned by Bayer Nordic SE. The Company's ultimate owner is Bayer AG, Leverkusen, Germany

**17 Fee to appointed auditor**

Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act. Reference is made to the consolidated Financial Statements of Bayer AG

## Accounting Policies

### Basis of Preparation

The Annual Report of Bayer A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year. Financial Statements for 2015 are presented in TDKK.

In accordance with Section 112 of the Danish Financial Statement Act, the Company does not prepare a consolidated report as the company and its subsidiary are included in the consolidated report of the Bayer Group (Bayer AG).

In accordance with Section 86(4) of the Danish Financial Statement Act, the Company does not prepare cashflow statements, as the company and its subsidiary are included in the consolidated cash flow statements of the Bayer Group (Bayer AG).

### Recognition and measurement

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

Assets are recognized 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 recognized 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.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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. Danish kroner are used as the measurement currency. All other currencies are regarded as foreign currencies.

### Translation policies

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



# Accounting Policies

## Income Statement

### Revenue

Revenue from the sale of goods for resale and finished goods is recognized 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.

Services are recognized at the rate of completion of the service to which the contract relates by using the percentage of completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

### Expenses for raw materials and consumables

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

### Other external expenses

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

### Staff expenses

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

### Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment as well as gains and losses from current replacement of fixed assets.

## Accounting Policies

### Other operating income and expenses

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

### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

### Financial income and expenses

Financial income and expenses comprise interest, realized and unrealized exchange adjustments and repayment under the on account taxation scheme.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity. The tax recognized in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

The Company is jointly taxed with wholly owned subsidiaries and Medrad Denmark ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on account taxation scheme.

# Accounting Policies

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortization. Goodwill is amortized on a straight line basis over its useful life, which is assessed at 5-15 years.

Patents and licenses are measured at the lower of cost less accumulated amortization and recoverable amount. Patents are amortized over the remaining patent period, and licenses are amortized over the license period; however not exceeding 5-15 years.

### 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:

Other fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	5-10	years

Depreciation period and residual value are re-assessed annually.

### Investments in subsidiaries

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

### Inventories

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

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

### Receivables

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

## **Accounting Policies**

### **Prepayments**

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

### **Equity**

#### **Dividend**

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Deferred tax assets and liabilities**

Deferred tax is recognized in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized 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 crystallize 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 realized, 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 receivables and liabilities are recognized in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set off and an intention to settle on a net basis or simultaneously.

### **Financial debts**

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

### **Deferred income**

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