

# Paranova Group A/S

Marielundvej 46 D, 2.tv., 2730 Herlev  
CVR no. 18 13 94 80

## Annual report for 2017

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 16.05.18

Erik Pfeiffer  
Dirigent

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**The company**

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Paranova Group A/S  
Marielundvej 46 D, 2.tv.  
2730 Herlev  
Tel.: 44 66 32 00  
Fax: 44 66 32 01  
Registered office: Herlev  
CVR no.: 18 13 94 80  
Financial year: 01.01 - 31.12

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**Executive Board**

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Dirk Andreas Oltersdorf

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**Board Of Directors**

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Dirk Andreas Oltersdorf  
Chairman Erik Bernhard Pfeiffer  
Hans-Joachim Oltersdorf

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**Auditors**

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Beierholm  
Statsautoriseret Revisionspartnerselskab

# **Statement of the Board of Directors and Executive Board on the annual report**

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We have on this day presented the annual report for the financial year 01.01.17 - 31.12.17 for Paranova Group A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.17 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.17 - 31.12.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Herlev, May 15, 2018

## **Executive Board**

Dirk Andreas Oltersdorf

## **Board Of Directors**

Dirk Andreas Oltersdorf

Erik Bernhard Pfeiffer  
Chairman

Hans-Joachim Oltersdorf

**To the Shareholder of Paranova Group A/S****Opinion**

We have audited the consolidated financial statements and parent company financial statements of Paranova Group A/S for the financial year 01.01.17 - 31.12.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.17 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.17 - 31.12.17 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and parent company 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 regarding the management's review**

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

**Management's responsibility for the consolidated financial statements and parent company financial statements**

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company 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.

Soeborg, Copenhagen, May 15, 2018

**Beierholm**

Statsautoriseret Revisionspartnerselskab  
CVR no. 32 89 54 68

Jan Nygaard

State Authorized Public Accountant  
MNE-no. mne11743



**GROUPS FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000	2017	2016	2015	2014	2013
<i>Profit/loss</i>					
Revenue	1.225.192	1.027.485	1.106.159	1.159.950	1.038.210
Index	118	99	107	112	100
Gross result	68.957	63.096	37.161	37.708	53.539
Index	129	118	69	70	100
Operating profit/loss	26.194	23.578	1.401	3.525	22.324
Index	117	106	6	16	100
Total net financials	-6.150	-4.708	-8.923	-1.757	-4.466
Index	138	105	200	39	100
Profit/loss for the year	14.857	14.621	-6.116	2.026	8.943
Index	166	163	-68	23	100
<i>Balance</i>					
Total assets	360.258	404.093	324.798	427.273	405.693
Index	89	100	80	105	100
Equity	9.871	-5.395	-19.835	-12.312	-14.394
<i>Cashflow</i>					
Net cash flow:					
Operating activities	8.816	10.321	95.757	-27.292	24.075
Investing activities	-9.013	-10.067	-10.172	-8.309	-10.661
Cash flows for the year	-197	254	85.585	-35.601	13.414

**Primary activities**

The company has no activity besides holding company for the subsidiaries within the group. The main activity of the Group is distribution of parallel imported pharmaceuticals.

**Development in activities and financial affairs**

The income statement for the period 01.01.17 - 31.12.17 shows a profit/loss of DKK'000 14,857 against DKK'000 14,621 for the period 01.01.16 - 31.12.16. The balance sheet shows equity of DKK'000 9,871.

The management considers the result satisfactory under the market conditions present in 2017,

**Outlook**

With the new strategy and optimized processes the Company expects a sustainable positive result for 2018 in line with 2017.

**Special risks***Currency risks*

A significant share of the sourcing is in foreign currencies. Part of this hedged through currency contracts, but there is a risk involved for the remaining unhedged part. It is company policy to hedge commercial currency risk. The Company does not engage in speculative currency positions.

*Interest rate risks*

The Company's interest-bearing receivables and debt substantially relate to balances with group enterprises that carry interest according to concluded agreements. The Company's most significant risk relates to foreign currency adjustments of balances that are booked in local currencies.

**Subsequent events**

No important events have occurred after the end of the financial year.

**Corporate social responsibility**

The company works with local authorities on job trials for challenged people to return to employment and have established modern HR policies as well as AMO council with representatives from employees.

**Target figure for the underrepresented gender**

*Target figures for the Board of Directors*

The Board of Directors has set a target figure of 25% for the underrepresented gender on the Board of Directors. The Board of Directors aims to achieve the target figure before the end of 2021.

At present, the company has no female board member appointed by the general meeting out of a total of 3 board members (0% ), which is unchanged compared to last year.

## Income statement

Note	Group		Parent		
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000	
1	<b>Revenue</b>	<b>1.225.192</b>	<b>1.027.485</b>	<b>0</b>	<b>0</b>
	Costs of raw materials and consumables	-1.131.308	-943.459	0	0
	Other external expenses	-24.927	-20.930	-187	-138
	<b>Gross result</b>	<b>68.957</b>	<b>63.096</b>	<b>-187</b>	<b>-138</b>
2	Staff costs	-33.368	-31.314	0	0
	<b>Profit/loss before depreciation, amortisation, write-downs and impairment losses</b>	<b>35.589</b>	<b>31.782</b>	<b>-187</b>	<b>-138</b>
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-9.395	-8.204	0	0
	<b>Profit/loss before net financials</b>	<b>26.194</b>	<b>23.578</b>	<b>-187</b>	<b>-138</b>
	Income from equity investments in group enterprises	0	0	17.016	15.719
4	Financial income	1	0	465	452
5	Financial expenses	-6.151	-4.708	-1.690	-1.654
	<b>Profit/loss before tax</b>	<b>20.044</b>	<b>18.870</b>	<b>15.604</b>	<b>14.379</b>
	Tax on profit or loss for the year	-5.187	-4.249	-747	242
	<b>Profit/loss for the year</b>	<b>14.857</b>	<b>14.621</b>	<b>14.857</b>	<b>14.621</b>
6	Distribution of net profit				

		Group		Parent	
		31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000
<b>ASSETS</b>					
Note					
	Patents and licenses	13.358	13.730	0	0
	Production plant and machinery	0	0	0	0
7	<b>Total intangible assets</b>	<b>13.358</b>	<b>13.730</b>	<b>0</b>	<b>0</b>
	Leasehold improvements	0	0	0	0
	Other fixtures and fittings, tools and equipment	104	174	0	0
8	<b>Total property, plant and equipment</b>	<b>104</b>	<b>174</b>	<b>0</b>	<b>0</b>
9	Equity investments in group enterprises	0	0	98.166	82.404
	<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>98.166</b>	<b>82.404</b>
	<b>Total non-current assets</b>	<b>13.462</b>	<b>13.904</b>	<b>98.166</b>	<b>82.404</b>
	Raw materials and consumables	6.531	54.502	0	0
	Manufactured goods and goods for resale	107.240	112.469	0	0
	Prepayments for goods	4.413	39.362	0	0
	<b>Total inventories</b>	<b>118.184</b>	<b>206.333</b>	<b>0</b>	<b>0</b>
	Trade receivables	200.804	148.016	0	0
	Receivables from group enterprises	546	1.197	10.012	8.102
	Receivables from associates	0	2.445	0	2.445
11	Deferred tax asset	24.909	29.536	5.033	6.616
	Income tax receivable	0	0	2.148	0
	Other receivables	2.296	2.408	34	0
	<b>Total receivables</b>	<b>228.555</b>	<b>183.602</b>	<b>17.227</b>	<b>17.163</b>
	<b>Cash</b>	<b>57</b>	<b>254</b>	<b>0</b>	<b>0</b>
	<b>Total current assets</b>	<b>346.796</b>	<b>390.189</b>	<b>17.227</b>	<b>17.163</b>
	<b>Total assets</b>	<b>360.258</b>	<b>404.093</b>	<b>115.393</b>	<b>99.567</b>

EQUITY AND LIABILITIES		Group		Parent	
		31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000
Note					
10	Share capital	28.300	28.300	28.300	28.300
	Retained earnings	-18.429	-33.695	-18.429	-33.695
	<b>Total equity</b>	<b>9.871</b>	<b>-5.395</b>	<b>9.871</b>	<b>-5.395</b>
11	Provisions for deferred tax	988	1.259	0	0
	Provisions concerning equity investments in group enterprises	0	0	2.777	2.895
	<b>Total provisions</b>	<b>988</b>	<b>1.259</b>	<b>2.777</b>	<b>2.895</b>
12	Payables to group enterprises	57.500	57.500	45.000	45.000
	<b>Total long-term payables</b>	<b>57.500</b>	<b>57.500</b>	<b>45.000</b>	<b>45.000</b>
	Trade payables	8.658	25.921	0	225
	Payables to group enterprises	260.032	272.700	57.745	56.796
	Income taxes	130	1.713	0	0
	Other payables	23.079	50.395	0	46
	<b>Total short-term payables</b>	<b>291.899</b>	<b>350.729</b>	<b>57.745</b>	<b>57.067</b>
	<b>Total payables</b>	<b>349.399</b>	<b>408.229</b>	<b>102.745</b>	<b>102.067</b>
	<b>Total equity and liabilities</b>	<b>360.258</b>	<b>404.093</b>	<b>115.393</b>	<b>99.567</b>
13	Contingent liabilities				
14	Related parties				

## Statement of changes in equity

Figures in DKK '000

	Share capital	Retained earnings
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Group:

Statement of changes in equity for 01.01.16 - 31.12.16

Balance pr. 01.01.16	28.300	-48.135
Foreign currency translation adjustment of foreign enterprises	0	-668
Fair value adjustment of hedging instruments	0	487
Net profit/loss for the year	0	14.621
Balance as at 31.12.16	28.300	-33.695

Statement of changes in equity for 01.01.17 - 31.12.17

Balance pr. 01.01.17	28.300	-33.695
Foreign currency translation adjustment of foreign enterprises	0	409
Fair value adjustment of hedging instruments	0	0
Net profit/loss for the year	0	14.857
Balance as at 31.12.17	28.300	-18.429

Parent:

Statement of changes in equity for 01.01.16 - 31.12.16

Balance pr. 01.01.16	28.300	-48.135
Foreign currency translation adjustment of foreign enterprises	0	-668
Fair value adjustment of hedging instruments	0	487
Net profit/loss for the year	0	14.621
Balance as at 31.12.16	28.300	-33.695

Statement of changes in equity for 01.01.17 - 31.12.17

Balance pr. 01.01.17	28.300	-33.695
Foreign currency translation adjustment of foreign enterprises	0	409
Fair value adjustment of hedging instruments	0	0
Net profit/loss for the year	0	14.857
Balance as at 31.12.17	28.300	-18.429

## Consolidated cash flow statement

	Group	
Note	2017 DKK '000	2016 DKK '000
	<b>14.857</b>	<b>14.621</b>
<b>Net profit/loss for the year</b>		
15 Adjustments	21.174	16.463
Change in working capital:		
Inventories	88.149	-69.706
Receivables	-49.581	-12.667
Other payables relating to operating activities	-57.247	66.318
<b>Cash flows from operating activities before net financials</b>	<b>17.352</b>	<b>15.029</b>
Interest expenses and similar expenses paid	-6.150	-4.708
Income tax paid	-2.386	0
<b>Cash flows from operating activities</b>	<b>8.816</b>	<b>10.321</b>
Purchase of intangible assets	-9.013	-10.067
<b>Cash flows from investing activities</b>	<b>-9.013</b>	<b>-10.067</b>
<b>Total cash flows for the year</b>	<b>-197</b>	<b>254</b>
Cash, beginning of year	254	0
<b>Cash, end of year</b>	<b>57</b>	<b>254</b>
Cash, end of year, comprises:		
Cash	57	254
<b>Total</b>	<b>57</b>	<b>254</b>



	Group		Parent	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000

### 1. Revenue

Revenue comprises the following activities:

Revenue	1.225.192	1.027.485	0	0
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Revenue comprises the following geographical markets:

Revenue, Denmark	636.205	598.743	0	0
Revenue, abroad	588.987	428.742	0	0
Total	1.225.192	1.027.485	0	0

### 2. Staff costs

Wages and salaries	26.880	26.044	0	0
Pensions	3.014	2.682	0	0
Other social security costs	844	918	0	0
Other staff costs	2.630	1.670	0	0
Total	33.368	31.314	0	0

Average number of employees during the year	59	59	0	0
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### 3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	385	323	50	72
Tax advice	18	0	18	0
Other services	139	159	15	0
Total	542	482	83	72

	Group		Parent	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000

#### 4. Financial income

Interest, group enterprises	0	0	465	452
Other financial income	1	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>465</b>	<b>452</b>

	Group		Parent	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000

#### 5. Financial expenses

Interest, group enterprises	4.168	4.420	1.682	1.654
Foreign exchange losses	2.064	113	0	0
Other financial expenses	-81	175	8	0
Other financial expenses total	1.983	288	8	0
<b>Total</b>	<b>6.151</b>	<b>4.708</b>	<b>1.690</b>	<b>1.654</b>

#### 6. Distribution of net profit

Retained earnings	14.857	14.621	14.857	14.621
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**7. Intangible assets**

Figures in DKK '000	Acquired rights
Group:	
Cost pr. 01.01.17	28.241
Additions relating to mergers and acquisition of enterprises	-235
Additions during the year	9.013
Disposals during the year	-3.257
Cost as at 31.12.17	33.762
Amortisation and impairment losses pr. 01.01.17	-14.510
Foreign currency translation adjustment of foreign enterprises	174
Amortisation during the year	-9.325
Amortisation of and impairment losses on disposed assets for the year	3.257
Amortisation and impairment losses as at 31.12.17	-20.404
Carrying amount as at 31.12.17	13.358

Parent

**8. Property, plant and equipment**

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost pr. 01.01.17	244	660	3.712
Cost as at 31.12.17	244	660	3.712
Depreciation and impairment losses pr. 01.01.17	-244	-660	-3.538
Depreciation during the year	0	0	-70
Depreciation and impairment losses as at 31.12.17	-244	-660	-3.608
Carrying amount as at 31.12.17	0	0	104

**8. Property, plant and equipment** - continued -

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Parent:			
Cost pr. 01.01.17	244	0	187
Cost as at 31.12.17	244	0	187
Depreciation and impairment losses pr. 01.01.17	-244	0	-187
Depreciation and impairment losses as at 31.12.17	-244	0	-187
Carrying amount as at 31.12.17	0	0	0

**9. Equity investments in group enterprises**

Figures in DKK '000	Equity invest- ments in group enterprises
Parent:	
Cost pr. 01.01.17	43.703
Cost as at 31.12.17	43.703
Revaluations pr. 01.01.17	28.294
Foreign currency translation adjustment of foreign enterprises	409
Net profit/loss from equity investments	17.017
Revaluations as at 31.12.17	45.720
Negative equity value impaired in receivables	5.966
Negative equity value transferred to provisions	2.777
Depreciation and impairment losses as at 31.12.17	8.743
Carrying amount as at 31.12.17	98.166

**9. Equity investments in group enterprises** - continued -

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Paranova Pack A/S, Denmark	100%	60.876	30.341	48.355
Paranova Danmark A/S, Denmark	100%	16.586	-1.087	16.586
Vicura ApS, Denmark	100%	-5.963	1.546	-5.963
Paranova AS, Norway	100%	-2.777	-101	-2.777
Paranova Läkemedel AB, Sweden	100%	9.897	0	13.404
Paranova Oy, Finland	100%	17.903	236	19.821

Subsidiary Vicura ApS has presented its annual report for 2017 according to the provisions on Class B enterprises set out in section 78 a of the Danish Financial Statements Act.

**10. Share capital**

The share capital consists of:

Nominelt 28.300 aktier á DKK 1.000	28.300	28.300.000
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	Group		Parent	
	31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000

**11. Deferred tax**

Balance pr. 01.01.17	23.921	28.277	5.033	6.616
Balance as at 31.12.17	23.921	28.277	5.033	6.616

Deffered tax comprises:

Deferred tax asset	24.909	29.536	0	0
Deferred tax liability	-988	-1.259	0	0
Total	23.921	28.277	0	0

**12. Longterm payables**

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.17	Total payables at 31.12.16
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Group:

Payables to group enterprises	0	57.500	57.500
Total	0	57.500	57.500

Parent:

Payables to group enterprises	0	45.000	45.000
Total	0	45.000	45.000

### 13. Contingent liabilities

Group:

#### *Lease commitments*

The enterprise has concluded lease agreements with terms to maturity of 14 - 48 months and average lease payments of DKK 3.931k, a total of DKK 7.104k.

Parent:

#### *Other contingent liabilities*

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 936k at the balance sheet date, of which DKK 936k is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

The company has no contingent liabilities as at 31.12.17

### 14. Related parties

Controlling influence:

Basis of influence

MPA Pharma GmbH, Tyskland

Ownership

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company is included in the consolidated financial statements of the parent MPA Pharma GmbH, Tyskland.

	Group	
	2017	2016
	DKK '000	DKK '000
<b>15. Adjustments for the cash flow statement</b>		
Depreciation, amortisation, impairment losses and write-downs	9.395	8.188
Financial income	-1	0
Financial expenses	6.151	4.708
Tax on profit or loss for the year	5.187	3.596
Other adjustments	442	-29
Total	21.174	16.463



## 16. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

### CURRENCY

The annual report is presented in Danish kroner (DKK).

**16. Accounting policies** - continued -

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

**LEASES**

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

**INCOME STATEMENT****Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

**Cost of sales****Other external expenses**

**16. Accounting policies** - continued -

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	3	0
Leasehold improvements	5	0
Plant and machinery	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Income from equity investments in group enterprises**

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

**Other net financials**

Interest income and interest expenses etc. are recognised in other net financials.

**Tax on profit/loss for the year**

**16. Accounting policies** - continued -

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**BALANCE SHEET****Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

**16. Accounting policies** - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Equity investments in group enterprises**

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

**Inventories**

**16. Accounting policies** - continued -

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

**Prepayments****Cash**

Cash includes deposits in bank accounts as well as operating cash.

**Equity**

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised

**16. Accounting policies** - continued -

on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

**16. Accounting policies** - continued -

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.