BEIERHOLM
VI SKABER BALANCE

Paranova Group A/S

Marielundvej 46 D, 2.tv., 2730 Herlev

CVR no. 18 13 94 80

Annual report for 2016

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.05.17

Erik Bernhard Pfeiffer
Dirigent

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Group information etc.

The company

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

Executive Board

Dirk Andreas Oltersdorf

Board Of Directors

Dirk Andreas Oltersdorf
Chairman Erik Bernhard Pfeiffer
Hans-Joachim Oltersdorf

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

MPA Pharma GmbH, Tyskland

Subsidiaries

Paranova Pack A/S, Denmark
Paranova Danmark A/S, Denmark
Paranova Diagnostics ApS, Denmark
Paranova AS, Norway
Paranova Läkemedel AB, Sweden
Paranova Oy, Finland

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

We have on this day presented the annual report for the financial year 01.01.16 - 31.12.16 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 31.12.16 and of the results of the group’s and parent’s activities and of the group's cash flows for the financial year 01.01.16 - 31.12.16.

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 22, 2017

Executive Board

Dirk Andreas Oltersdorf

Board Of Directors

Dirk Andreas Oltersdorf	Erik Bernhard Pfeiffer Chairman	Hans-Joachim Oltersdorf

Independent auditor's report

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 01.01.16 - 31.12.16, 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 31.12.16 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.16 - 31.12.16 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 and 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 per-formance 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 31, 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Nygaard

State Authorized Public Accountant

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2016	2015	2014	2013	2012
Profit/loss					
Revenue	1.027.485	1.106.159	1.159.950	1.038.210	787.215
Gross result	63.236	37.161	37.708	53.539	53.771
Operating profit/loss	23.718	1.401	3.525	22.324	26.950
Total net financials	-4.848	-8.923	-1.757	-4.466	-11.869
Profit/loss for the year	14.621	-6.116	2.026	8.943	10.106
Balance					
Total assets	403.993	324.798	427.273	405.693	383.522
Equity	-5.395	-19.835	-12.312	-14.394	-23.438
Cashflow					
Net cash flow:					
Operating activities	10.321	95.757	-27.292	24.075	-18.048
Investing activities	-10.067	-10.172	-8.309	-10.661	-8.796
Financing activities	0	0	0	0	-20.000
Cash flows for the year	254	85.585	-35.601	13.414	-46.844

Ratios

	2016	2015	2014	2013	2012
Profitability					
Gross margin	6,2%	3,4%	3,3%	5,2%	6,8%
Profit margin	2,3%	0,1%	0,3%	2,2%	3,4%
Others					
Number of employees (average)	59	50	46	45	42

Gross margin: $\dfrac{\text{Gross result x 100}}{\text{Revenue}}$

Profit margin: $\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

The ratios have been computed in accordance with the recommendations of the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening).

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 01.01.16 - 31.12.16 shows a profit/loss of DKK'000 14,621 against DKK'000 -6,116 for the period 01.01.15 - 31.12.15. The balance sheet shows equity of DKK'000 -5,395.

The new organization is in place since 1st January 2016. The management considers the results satisfactory under the market conditions present in 2016.

The company has lost the entire share capital. The Executive Board expects that the share capital will be re-established through future profit and/or by debt conversion.

The company has received a letter of support from the Company's ultimate parent, MPA Pharma GmbH, stating that MPA Pharma GmbH guarantees that the Company has the necessary capital resources and liquidity available until at least 31 December 2017.

Outlook

With the new strategy and optimized processes the Company expects a sustainable improved positive result for 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 currancy 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

With reference to the Danish Financial Statement Act - article 99 a the company can declare that it has established policies for Corporate Social Responsibility - including human rights, social responsibility, enviromental- and climate responsibility and anti- corruption measures.

Paranova is importing, repackaging and distributing pharmaceutical products that have been marketed by respected pharmaceutical companies within The European Union. Paranova har no control or impact on the manufacturing of the active ingredients or the finished dosage forms. Paranova does however seek to stay informed about the manufacturers policies for CSR on a general level and in special cases also on product level.

Paranova has established standard terms for its suppliers whereby these must establish and follow their own policies for Corporate Social Responsibility - which must as a minimum follow the international conventions ILO 29, 87, 98, 100, 105, 111, 138 and 183 in addition to UN convetion on the rights of the children.

Paranova is a founding sponsor of the orphanage for girls ENABLE (www.enable.dk) in south eastern India and maintains an active role on board level in the management of the orphanage. Paranova's employees are supporting a local charity for Children with Cancer.

Paranova aims at reducing its global footprint through internal policies for waste recycling, energy efficiency and preference for product with no or little enviromental impact. Paranova har acquired CO_2 quotas to offset its CO_2 footprint.

Paranova is actively cooperating with the local authorities in bringing unemployed back to the labor market through job training.

Target figure for the underrepresented gender

Target figures for the Board of Directors

Paranova Group A/S currently has no women on its board of directors. The board consists of 3 members, and due to the ownership structure of the group, the members are primarily shareholders in the group.

The target figure for the group for the underrespresented sex is to increase the representation of women to 25 % within the following 3 years. The group will continue its recruitment initiatives with the aim to engaging qualified women board members.

Income statement

Note		Group 2016 DKK '000	Group 2015 DKK '000	Parent 2016 DKK '000	Parent 2015 DKK '000
1	**Revenue**	**1.027.485**	**1.106.159**	**0**	**0**
	Costs of raw materials and consumables	-943.458	-1.048.527	0	0
	Other external expenses	-20.791	-20.471	-136	-161
	Gross result	**63.236**	**37.161**	**-136**	**-161**
2	Staff costs	-31.314	-27.149	0	0
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-8.204	-8.611	0	-13
	Operating profit/loss	**23.718**	**1.401**	**-136**	**-174**
	Income from equity investments in group enterprises	0	0	15.719	-3.933
4	Financial income	0	22	452	442
5	Financial expenses	-4.848	-8.945	-1.656	-1.826
	Profit/loss before tax	**18.870**	**-7.522**	**14.379**	**-5.491**
	Tax on profit or loss for the year	-4.249	1.406	242	-625
	Profit/loss for the year	**14.621**	**-6.116**	**14.621**	**-6.116**

Proposed appropriation account

	Group 2016	Group 2015	Parent 2016	Parent 2015
Retained earnings	14.621	-6.116	14.621	-6.116
Total	**14.621**	**-6.116**	**14.621**	**-6.116**

Balance sheet

ASSETS

Note		Group		Parent	
		31.12.16 DKK '000	31.12.15 DKK '000	31.12.16 DKK '000	31.12.15 DKK '000
	Patents and licenses	13.730	11.593	0	0
	Production plant and macinery	0	0	0	0
6	**Total intangible assets**	**13.730**	**11.593**	**0**	**0**
	Leasehold improvements	0	0	0	0
	Other fixtures and fittings, tools and equipment	175	585	0	0
7	**Total property, plant and equipment**	**175**	**585**	**0**	**0**
8	Equity investments in group enterprises	0	0	82.404	95.787
	Total investments	**0**	**0**	**82.404**	**95.787**
	Total non-current assets	**13.905**	**12.178**	**82.404**	**95.787**
	Raw materials and consumables	54.502	28.223	0	0
	Manufactured goods and goods for resale	112.469	85.966	0	0
	Prepayments for goods	39.362	22.438	0	0
	Total inventories	**206.333**	**136.627**	**0**	**0**
	Trade receivables	148.016	136.993	0	0
	Receivables from group enterprises	3.541	2.445	8.102	3.492
	Receivables from associates	0	0	2.445	2.445
	Deferred tax asset	29.536	32.216	6.616	6.375
	Income tax receivable	0	2.531	0	937
	Other receivables	2.408	538	0	0
	Prepayments	0	1.270	0	0
	Total receivables	**183.501**	**175.993**	**17.163**	**13.249**
	Cash	**254**	**0**	**0**	**111**
	Total current assets	**390.088**	**312.620**	**17.163**	**13.360**
	Total assets	**403.993**	**324.798**	**99.567**	**109.147**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 31.12.16 DKK '000	Group 31.12.15 DKK '000	Parent 31.12.16 DKK '000	Parent 31.12.15 DKK '000
	Share capital	28.300	28.300	28.300	28.300
	Retained earnings	-33.695	-48.135	-33.695	-48.135
	Total equity	**-5.395**	**-19.835**	**-5.395**	**-19.835**
	Provisions for deferred tax	1.259	1.449	0	0
	Provisions concerning equity investments in group enterprises	0	0	2.895	2.650
	Total provisions	**1.259**	**1.449**	**2.895**	**2.650**
	Payables to group enterprises	57.500	57.500	45.000	45.000
	Total long-term payables	**57.500**	**57.500**	**45.000**	**45.000**
	Payables to other credit institutions	0	0	0	111
	Trade payables	25.921	19.289	225	225
	Payables to group enterprises	272.599	203.024	56.796	80.940
	Income taxes	1.713	3.138	0	0
	Other payables	50.396	60.233	46	56
	Total short-term payables	**350.629**	**285.684**	**57.067**	**81.332**
	Total payables	**408.129**	**343.184**	**102.067**	**126.332**
	Total equity and liabilities	**403.993**	**324.798**	**99.567**	**109.147**

9 Contingent liabilities
10 Charges and security
11 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings
Group:		
Statement of changes in equity for 01.01.16 - 31.12.16		
Balance as at 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

Figures in DKK '000	Share capital	Retained earnings
Parent:		
Statement of changes in equity for 01.01.16 - 31.12.16		
Balance as at 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

Consolidated cash flow statement

Note		Group 2016 DKK '000	Group 2015 DKK '000
	Net profit/loss for the year	**14.621**	**-6.116**
12	Adjustments	16.603	16.128
	Change in working capital:		
	Inventories	-69.706	93.497
	Receivables	-12.667	10.676
	Trade payables	66.318	-7.797
	Cash flows from operating activities before net financials	**15.169**	**106.388**
	Interest income and similar income received	0	22
	Interest expenses and similar expenses paid	-4.848	-9.272
	Income tax paid	0	-1.381
	Cash flows from operating activities	**10.321**	**95.757**
	Purchase of intangible assets	-10.067	-10.172
	Cash flows from investing activities	**-10.067**	**-10.172**
	Total cash flows for the year	**254**	**85.585**
	Cash, beginning of year	0	-85.585
	Cash, end of year	**254**	**0**
	Cash, end of year, comprises:		
	Cash	254	0
	Total	**254**	**0**

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

1. Revenue

Revenue comprises the following activities:

Sales in Denmark	598.743	399.111	0	0
Sales abroad	428.742	707.048	0	0
Total	1.027.485	1.106.159	0	0

2. Staff costs

Wages and salaries	26.186	21.975	0	0
Pensions	2.682	2.563	0	0
Other social security costs	1.012	1.275	0	0
Other staff costs	1.434	1.336	0	0
Total	31.314	27.149	0	0
Average number of employees during the year	59	50	0	0

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	323	306	72	55
Other services	159	98	0	0
Total	482	404	72	55

4. Financial income

Interest, group enterprises	0	0	452	442
Other financial income	0	22	0	0
Total	0	22	452	442

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

5. Financial expenses

Interest, group enterprises	4.420	4.290	1.655	1.789
Other financial expenses	428	4.655	1	37
Total	4.848	8.945	1.656	1.826

6. Intangible assets

Figures in DKK '000	Patents and licenses	Production plant and machinery
Group:		
Cost as at 01.01.16	31.070	658
Foreign currency translation adjustment of foreign enterprises	-250	0
Additions during the year	10.067	0
Disposals during the year	-12.655	0
Cost as at 31.12.16	28.232	658
Amortisation and impairment losses as at 01.01.16	-19.478	-658
Foreign currency translation adjustment of foreign enterprises	99	0
Amortisation during the year	-7.778	0
Reversal of amortisation of and impairment losses on disposed assets	12.655	0
Amortisation and impairment losses as at 31.12.16	-14.502	-658
Carrying amount as at 31.12.16	13.730	0

Parent

7. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment
Group:		
Cost as at 01.01.16	1.404	3.755
Disposals during the year	-1.160	-42
Cost as at 31.12.16	244	3.713
Depreciation and impairment losses as at 01.01.16	-1.404	-3.170
Depreciation during the year	0	-410
Reversal of depreciation of and impairment losses on disposed assets	1.160	42
Depreciation and impairment losses as at 31.12.16	-244	-3.538
Carrying amount as at 31.12.16	0	175
Parent:		
Cost as at 01.01.16	244	187
Cost as at 31.12.16	244	187
Depreciation and impairment losses as at 01.01.16	-244	-187
Depreciation and impairment losses as at 31.12.16	-244	-187
Carrying amount as at 31.12.16	0	0

8. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.16	43.703
Cost as at 31.12.16	43.703
Revaluations as at 01.01.16	37.756
Foreign currency translation adjustment of foreign enterprises	-668
Net profit/loss from equity investments	15.719
Dividend relating to equity investments	-25.000
Other adjustments relating to equity investments	487
Revaluations as at 31.12.16	28.294
Negative equity value impaired in receivables	7.512
Negative equity value transferred to provisions	2.895
Depreciation and impairment losses as at 31.12.16	10.407
Carrying amount as at 31.12.16	82.404

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Paranova Pack A/S, Denmark	100%	30.535	12.217	30.533
Paranova Danmark A/S, Denmark	100%	17.672	-265	17.672
Paranova Diagnostics ApS, Denmark	100%	-7.509	4.167	-7.512
Paranova AS, Norway	100%	-2.893	-101	-2.895
Paranova Läkemedel AB, Sweden	100%	10.190	86	14.655
Paranova Oy, Finland	100%	17.642	313	19.544

9. Contingent liabilities

Group:

Lease commitments

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment og DKK 4.,457 thousand. The leasing contracts have 12-24 months left to run, and the total outstanding leasing payment is DKK 10,357 thousand.

Other contingent liabilities

The Group har rent obligations with an average annual payment of DKK 530 thousand. The total obligation is DKK 530 thousand.

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 for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 714k at the balance sheet date, of which DKK 714k 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.

10. Charges and security

Group:

The group has not provided any other security over assets.

Parent:

The company has not provided any other security over assets.

11. Related parties

Controlling influence:	Basis of influence
MPA Pharma GmbH, Tyskland	Ownership

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

12. Adjustments for the cash flow statement

	Group 2016 DKK '000	Group 2015 DKK '000
Depreciation, amortisation, impairment losses and write-downs	8.188	8.611
Financial income	0	-22
Financial expenses	4.848	8.945
Tax on profit or loss for the year	3.596	-1.406
Other adjustments	-29	0
Total	16.603	16.128

13. 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.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line

13. Accounting policies - continued -

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.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

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

	Useful lives, years	Residual value, per cent
Patents and licenses	5	0
Other plant, fixtures and fittings, tools and equipment		0

The basis of depreciation/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/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.

13. Accounting policies - continued -

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 entreprises

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

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

Development projects, patents and licenses

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a minimum of 10 years.

13. Accounting policies - continued -

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 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.

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 entreprises

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/amortisation.

13. Accounting policies - continued -

If enterprise'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

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 cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

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

13. Accounting policies - continued -

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

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 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 or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates 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

13. Accounting policies - continued -

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.

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