BEIERHOLM
VI SKABER BALANCE

Paranova Group A/S

Marielundvej 46 D, 2.tv., 2730 Herlev

CVR no. 18 13 94 80

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 21.05.19

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

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 01.01.18 - 31.12.18 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 31.12.18 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.18 - 31.12.18.

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 21, 2019

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 01.01.18 - 31.12.18, 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 31.12.18 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.18 - 31.12.18 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 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 21, 2019

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	2018	2017	2016	2015	2014
Profit/loss					
Revenue	1.366.429	1.225.192	1.027.485	1.106.159	1.159.950
Index	118	106	89	95	100
Gross result	45.266	68.957	63.096	37.161	37.708
Index	120	183	167	99	100
Operating profit/loss	-3.687	26.194	23.578	1.401	3.525
Index	-105	743	669	40	100
Total net financials	-5.805	-6.150	-4.708	-8.923	-1.757
Index	330	350	268	508	100
Profit/loss for the year	-7.514	14.857	14.621	-6.116	2.026
Index	-371	733	722	-302	100
Balance					
Total assets	269.304	360.258	404.093	324.798	427.273
Index	63	84	95	76	100
Equity	192	9.871	-5.395	-19.835	-12.312
Cashflow					
Net cash flow:					
Operating activities	13.082	8.816	10.321	95.757	-27.292
Investing activities	-8.954	-9.013	-10.067	-10.172	-8.309
Cash flows for the year	4.128	-197	254	85.585	-35.601

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 01.01.18 - 31.12.18 shows a profit/loss of DKK'000 -7,514 against DKK'000 14,859 for the period 01.01.17 - 31.12.17. The balance sheet shows equity of DKK'000 192.

The management considers the result satisfactory under the market conditions present in 2018,

Outlook

With the new strategy and optimized processes the Company expects a sustainable positive result for 2019.

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

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 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
2	**Revenue**	**1.366.429**	**1.225.192**	**0**	**0**
	Other operating income	447	0	0	0
	Costs of raw materials and consumables	-1.302.470	-1.131.308	0	0
	Other external expenses	-19.140	-24.925	-155	-185
	Gross result	**45.266**	**68.959**	**-155**	**-185**
3	Staff costs	-39.945	-33.368	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**5.321**	**35.591**	**-155**	**-185**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-9.008	-9.395	0	0
	Profit/loss before net financials	**-3.687**	**26.196**	**-155**	**-185**
5	Income from equity investments in group enterprises	0	0	-6.560	17.016
6	Financial income	1	1	0	465
7	Financial expenses	-5.806	-6.151	-1.717	-1.690
	Profit/loss before tax	**-9.492**	**20.046**	**-8.432**	**15.606**
	Tax on profit or loss for the year	1.978	-5.187	918	-747
	Profit/loss for the year	**-7.514**	**14.859**	**-7.514**	**14.859**

8 Distribution of net profit

Balance sheet

ASSETS

Note		Group		Parent	
		31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
	Acquired rights	12.791	13.357	0	0
9	**Total intangible assets**	**12.791**	**13.357**	**0**	**0**
	Plant and machinery	0	0	0	0
	Other fixtures and fittings, tools and equipment	69	104	0	0
10	**Total property, plant and equipment**	**69**	**104**	**0**	**0**
11	Equity investments in group enterprises	0	0	93.990	98.166
12	Deposits	374	377	0	0
	Total investments	**374**	**377**	**93.990**	**98.166**
	Total non-current assets	**13.234**	**13.838**	**93.990**	**98.166**
	Raw materials and consumables	2.103	6.531	0	0
	Manufactured goods and goods for resale	92.804	107.240	0	0
	Prepayments for goods	739	4.413	0	0
	Total inventories	**95.646**	**118.184**	**0**	**0**
	Trade receivables	111.409	196.869	0	0
	Receivables from group enterprises	17.068	545	9.924	10.009
16	Deferred tax asset	23.829	24.909	3.592	5.033
	Income tax receivable	862	0	116	2.148
	Other receivables	359	0	0	36
13	Prepayments	2.612	1.988	0	0
14	**Total receivables**	**156.139**	**224.311**	**13.632**	**17.226**
	Cash	**4.285**	**173**	**0**	**0**
	Total current assets	**256.070**	**342.668**	**13.632**	**17.226**
	Total assets	**269.304**	**356.506**	**107.622**	**115.392**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
15	Share capital	28.300	28.300	28.300	28.300
	Retained earnings	-28.108	-18.430	-28.108	-18.430
	Total equity	**192**	**9.870**	**192**	**9.870**
16	Provisions for deferred tax	2.488	988	0	0
17	Other provisions	0	0	2.755	2.777
	Total provisions	**2.488**	**988**	**2.755**	**2.777**
18	Payables to group enterprises	57.370	57.500	45.000	45.000
	Total long-term payables	**57.370**	**57.500**	**45.000**	**45.000**
	Trade payables	10.668	8.948	0	0
	Payables to group enterprises	177.963	255.655	59.674	57.745
	Income taxes	0	216	0	0
	Other payables	20.623	23.329	1	0
	Total short-term payables	**209.254**	**288.148**	**59.675**	**57.745**
	Total payables	**266.624**	**345.648**	**104.675**	**102.745**
	Total equity and liabilities	**269.304**	**356.506**	**107.622**	**115.392**

20 Contingent liabilities
21 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings
Group:		
Statement of changes in equity for 01.01.17 - 31.12.17		
Balance as at 01.01.17	28.300	-33.697
Foreign currency translation adjustment of foreign enterprises	0	408
Net profit/loss for the year	0	14.859
Balance as at 31.12.17	28.300	-18.430
Statement of changes in equity for 01.01.18 - 31.12.18		
Balance pr. 01.01.18	28.300	-18.430
Foreign currency translation adjustment of foreign enterprises	0	-2.288
Other changes in equity	0	124
Net profit/loss for the year	0	-7.514
Balance as at 31.12.18	28.300	-28.108
Parent:		
Statement of changes in equity for 01.01.17 - 31.12.17		
Balance as at 01.01.17	28.300	-33.695
Foreign currency translation adjustment of foreign enterprises	0	408
Net profit/loss for the year	0	14.857
Balance as at 31.12.17	28.300	-18.430
Statement of changes in equity for 01.01.18 - 31.12.18		
Balance pr. 01.01.18	28.300	-18.430
Foreign currency translation adjustment of foreign enterprises	0	-2.167
Other changes in equity	0	3
Net profit/loss for the year	0	-7.514
Balance as at 31.12.18	28.300	-28.108

Consolidated cash flow statement

Note		Group 2018 DKK '000	Group 2017 DKK '000
	Net profit/loss for the year	**-7.514**	**14.859**
22	Adjustments	13.294	21.272
	Change in working capital:		
	Inventories	22.538	88.149
	Receivables	67.954	-49.581
	Other payables relating to operating activities	-78.678	-57.247
	Cash flows from operating activities before net financials	**17.594**	**17.452**
	Interest expenses and similar expenses paid	-5.806	-6.150
	Income tax paid	1.294	-2.386
	Cash flows from operating activities	**13.082**	**8.916**
	Purchase of intangible assets	-8.955	-9.013
	Purchase of investments	1	0
	Cash flows from investing activities	**-8.954**	**-9.013**
	Total cash flows for the year	**4.128**	**-97**
	Cash, beginning of year	157	254
	Cash, end of year	**4.285**	**157**
	Cash, end of year, comprises:		
	Cash	4.285	157
	Total	**4.285**	**157**

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

		Group		Parent	
Special items	Recognised in the income statement in:	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
Income in the form of operating loss compensation	Other operating income	447	0	0	0

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

2. Revenue

Revenue comprises the following activities:

Revenue	1.366.429	1.225.192	0	0
Total	1.366.429	1.225.192	0	0

Revenue comprises the following geographical markets:

Revenue, Denmark	641.715	636.205	0	0
Revenue, abroad	724.714	588.987	0	0
Total	1.366.429	1.225.192	0	0

3. Staff costs

Wages and salaries	33.085	26.880	0	0
Pensions	3.518	3.014	0	0
Other social security costs	522	844	0	0
Other staff costs	2.820	2.630	0	0
Total	39.945	33.368	0	0
Average number of employees during the year	66	59	0	0

4. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	315	385	75	50
Tax advice	40	18	3	18
Other services	45	139	0	15
Total	400	542	78	83

5. Income from equity investments in group enterprises

Income from equity investments in group enterprises	0	0	-6.560	17.016

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

6. Financial income

Interest, group enterprises	0	0	0	465
Other interest income	0	1	0	0
Other financial income	1	0	0	0
Other financial income	1	1	0	0
Total	1	1	0	465

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

7. Financial expenses

Interest, group enterprises	3.687	4.168	1.738	1.682
Other interest expenses	0	0	-21	8
Foreign exchange losses	2.073	2.064	0	0
Other financial expenses	46	-81	0	0
Other financial expenses total	2.119	1.983	-21	8
Total	5.806	6.151	1.717	1.690

8. Distribution of net profit

Retained earnings	-7.514	14.859	-7.514	14.859

9. Intangible assets

Figures in DKK '000	Acquired rights
Group:	
Cost pr. 01.01.18	33.761
Additions during the year	8.955
Cost as at 31.12.18	42.716
Amortisation and impairment losses pr. 01.01.18	-20.404
Amortisation during the year	-9.521
Amortisation and impairment losses as at 31.12.18	-29.925
Carrying amount as at 31.12.18	12.791

Parent

10. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost pr. 01.01.18	244	660	1.860
Cost as at 31.12.18	244	660	1.860
Depreciation and impairment losses pr. 01.01.18	-244	-660	-1.756
Depreciation during the year	0	0	-35
Depreciation and impairment losses as at 31.12.18	-244	-660	-1.791
Carrying amount as at 31.12.18	0	0	69
Parent:			
Cost pr. 01.01.18	244	0	187
Cost as at 31.12.18	244	0	187
Depreciation and impairment losses pr. 01.01.18	-244	0	-187
Depreciation and impairment losses as at 31.12.18	-244	0	-187
Carrying amount as at 31.12.18	0	0	0

11. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Group	
Foreign currency translation adjustment of foreign enterprises	222
Cost as at 31.12.18	222
Foreign currency translation adjustment of foreign enterprises	-222
Revaluations as at 31.12.18	-222
Carrying amount as at 31.12.18	0
Goodwill on initial recognition of equity investments measured at equity value	0
Parent:	
Cost pr. 01.01.18	43.703
Additions relating to mergers and acquisition of enterprises	1
Cost as at 31.12.18	43.704
Revaluations pr. 01.01.18	45.720
Foreign currency translation adjustment of foreign enterprises	-222
Net profit/loss from equity investments	-6.660
Revaluations as at 31.12.18	38.838
Negative equity value impaired in receivables	8.693
Negative equity value transferred to provisions	2.755
Depreciation and impairment losses as at 31.12.18	11.448
Carrying amount as at 31.12.18	93.990

11. 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%	58.162	-2.713	58.162
Paranova Danmark A/S, Denmark	100%	17.404	817	17.404
Vicura ApS, Denmark	100%	-8.693	-2.728	0
Paranova AS, Norway	100%	-2.755	0	0
Paranova Läkemedel AB, Sweden	100%	2.015	-10.995	2.015
Paranova Oy, Finland	100%	16.407	-3.457	16.407
Paranova Pack BV, Holland	100%	124	-1	1

Subsidiary Vicura ApS has presented its annual report for 2018 according to the provisions on Class B enterprises set out in section 78 a of the Danish Financial Statements Act.

12. Deposits

Figures in DKK '000	Deposits
Group:	
Cost pr. 01.01.18	374
Cost as at 31.12.18	374

13. Prepayments

Other prepayments	2.612	1.988	0	0

14. Receivables

15. Share capital

The share capital consists of:

Nominelt 28.300 aktier á DKK 1.000	28.300	28.300.000

16. Deferred tax

Deferred tax pr. 01.01.18	17.811	28.277	3.592	5.033
Deferred tax recognised in the income statement	1.685	-4.356	0	0
Additions relating to mergers and acquisition of enterprises as at 31.12.18	19.496	23.921	3.592	5.033

Deffered tax comprises:

Deferred tax asset	23.829	24.909	0	0
Deferred tax liability	-2.488	-988	0	0
Total	21.341	23.921	0	0

17. Other provisions

Figures in DKK '000	Provisions for subsidiaries
Parent:	
Provisions pr. 01.01.18	2.777
Reversed provision in respect of previous years	-22
Provisions as at 31.12.18	2.755

Other provisions are expected to be distributed as follows:				
Non-current liabilities	0	0	0	2.755

18. Longterm payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.18	Total payables at 31.12.17
Group:			
Payables to group enterprises	0	57.370	57.500
Total	0	57.370	57.500
Parent:			
Payables to group enterprises	0	45.000	45.000
Total	0	45.000	45.000

19. Deferred income

Notes

20. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with terms to maturity of 42 months and average lease payments of DKK 156k, a total of DKK 6.578k.

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 0k at the balance sheet date, of which DKK 0k 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.

[Redegør for øvrige eventualforpligtelser for virksomheden]

21. 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	
	2018 DKK '000	2017 DKK '000

22. Adjustments for the cash flow statement

	2018 DKK '000	2017 DKK '000
Other operating income	-447	0
Depreciation, amortisation, impairment losses and write-downs	9.008	9.395
Financial income	-1	-1
Financial expenses	5.806	6.151
Tax on profit or loss for the year	-1.978	5.187
Other adjustments	906	540
Total	13.294	21.272

23. 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

23. Accounting policies - continued -

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).

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

23. Accounting policies - continued -

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.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

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

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

23. Accounting policies - continued -

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 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

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and

23. Accounting policies - continued -

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.

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.

23. Accounting policies - continued -

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

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.

23. Accounting policies - continued -

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

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.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

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

23. 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.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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.

23. Accounting policies - continued -

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.