BEIERHOLM
VI SKABER BALANCE

Paranova Group A/S

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

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 15.05.20

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 01.01.19 - 31.12.19 for Paranova Group A/S.

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

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 31.12.19 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.19 - 31.12.19.

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, April 30, 2020

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 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant 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 (Årsregnskabsloven).

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 31.12.19 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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 group and 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 group's and the parent 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 group and 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 group's and the parent 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 group's and the parent 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 group and 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, April 30, 2020

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	2019	2018	2017	2016	2015
Profit/loss					
Revenue	1,333,487	1,366,429	1,225,192	1,027,485	1,106,159
Index	121	124	111	93	100
Gross result	43,795	45,267	68,957	63,096	37,161
Index	118	122	186	170	100
Operating loss	-7,952	-3,686	26,194	23,578	1,401
Index	-568	-263	1,870	1,683	100
Total net financials	-3,040	-5,806	-6,150	-4,708	-8,923
Index	34	65	69	53	100
Loss for the year	-10,907	-7,514	14,857	14,621	-6,116
Index	178	123	-243	-239	100
Balance					
Total assets	283,770	269,308	360,258	404,093	324,798
Index	87	83	111	124	100
Investments in property, plant and equipment	737	0	0	0	0
Equity	46,731	192	9,871	-5,395	-19,835
Cashflow					
Net cash flow:					
Operating activities	3,138	13,082	8,816	10,321	95,757
Investing activities	-7,346	-8,954	-9,013	-10,067	-10,172
Financing activities	130	0	0	0	0
Cash flows for the year	-4,078	4,128	-197	254	85,585

Primary activities

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

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit/loss of DKK'000 -10,907 against DKK'000 -7,514 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK'000 46,731. after having increased the share capital by DKK'000 1,700 and building a capital reserve by DKK'000 55,800.

The managment considers the result as unsatisfactory under the market conditions present in 2019.

The earnings expectations for 2019 were a net profit of DKK 1,500-2,000. The objective was not met primarily due to lower growth in the order inflow than expected. A 2% decrease in revenue was realised against an expected sligth increase.

Outlook

With the new strategy and optimized processes the Company expects a sustainable positive result for 2020.

Special risks

Currency risks

A significant share of the sourcing is in foreign currencies. The company has not entered into hedging contracts. It is company policy of the foreign parent company (MPA) to hedge 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 jub trials for challenged people to return to employment and have established modern HR policies as well as AMO council with representatives from employees.

Gender diversity

Target figures for the supreme management body

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. 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.

Income statement

Note		Group 2019 DKK '000	Group 2018 DKK '000	Parent 2019 DKK '000	Parent 2018 DKK '000
2	**Revenue**	**1,333,487**	**1,366,429**	**0**	**0**
	Other operating income	1,174	447	0	0
	Costs of raw materials and consumables	-1,253,031	-1,302,470	0	0
	Other external expenses	-37,835	-19,139	-174	-155
	Gross result	**43,795**	**45,267**	**-174**	**-155**
3	Staff costs	-43,012	-39,945	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**783**	**5,322**	**-174**	**-155**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-8,735	-9,008	0	0
	Loss before net financials	**-7,952**	**-3,686**	**-174**	**-155**
5	Income from equity investments in group enterprises	0	0	-11,212	-6,560
6	Financial income	30	1	479	0
7	Financial expenses	-3,070	-5,807	0	-1,717
	Loss before tax	**-10,992**	**-9,492**	**-10,907**	**-8,432**
	Tax on profit or loss for the year	85	1,978	0	918
	Loss for the year	**-10,907**	**-7,514**	**-10,907**	**-7,514**

8 Distribution of net profit

Balance sheet

ASSETS

Note		Group		Parent	
		31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
	Acquired rights	10,948	12,792	0	0
9	**Total intangible assets**	**10,948**	**12,792**	**0**	**0**
	Other fixtures and fittings, tools and equipment	560	70	0	0
10	**Total property, plant and equipment**	**560**	**70**	**0**	**0**
11	Equity investments in group enterprises	0	0	87,627	93,990
12	Deposits	372	374	0	0
	Total investments	**372**	**374**	**87,627**	**93,990**
	Total non-current assets	**11,880**	**13,236**	**87,627**	**93,990**
	Raw materials and consumables	1,413	2,103	0	0
	Manufactured goods and goods for resale	94,772	92,804	0	0
	Prepayments for goods	0	739	0	0
	Total inventories	**96,185**	**95,646**	**0**	**0**
	Trade receivables	150,401	111,409	0	0
	Receivables from group enterprises	204	17,068	3,089	10,715
15	Deferred tax asset	21,585	23,829	3,491	3,592
	Income tax receivable	777	862	273	116
	Other receivables	375	361	0	0
13	Prepayments	2,150	2,612	0	0
	Total receivables	**175,492**	**156,141**	**6,853**	**14,423**
	Cash	**213**	**4,285**	**0**	**0**
	Total current assets	**271,890**	**256,072**	**6,853**	**14,423**
	Total assets	**283,770**	**269,308**	**94,480**	**108,413**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
14	Share capital	30,000	28,300	30,000	28,300
	Reserve for net revaluation according to the equity method	0	0	27,696	38,837
	Retained earnings	16,731	-28,109	-10,965	-66,946
	Total equity	**46,731**	**191**	**46,731**	**191**
15	Provisions for deferred tax	271	2,488	0	0
16	Other provisions	0	0	2,782	2,755
	Total provisions	**271**	**2,488**	**2,782**	**2,755**
17	Payables to group enterprises	0	57,370	0	45,000
17	Other payables	913	0	0	0
	Total long-term payables	**913**	**57,370**	**0**	**45,000**
	Payables to other credit institutions	6	0	0	0
	Prepayments received from customers	30	0	0	0
	Trade payables	11,897	10,673	123	1
	Payables to group enterprises	190,275	177,963	44,844	60,466
	Other payables	33,644	20,623	0	0
	Accrued expenses	3	0	0	0
	Total short-term payables	**235,855**	**209,259**	**44,967**	**60,467**
	Total payables	**236,768**	**266,629**	**44,967**	**105,467**
	Total equity and liabilities	**283,770**	**269,308**	**94,480**	**108,413**

18 Contingent liabilities
19 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings
Group:			
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance as at 01.01.18	28,300	0	-18,431
Foreign currency translation adjustment of foreign enterprises	0	0	-2,288
Other changes in equity	0	0	124
Net profit/loss for the year	0	0	-7,514
Balance as at 31.12.18	28,300	0	-28,109
Statement of changes in equity for 01.01.19 - 31.12.19			
Balance as at 01.01.19	28,300	0	-28,109
Foreign currency translation adjustment of foreign enterprises	0	0	79
Capital increase	1,700	0	55,800
Other changes in equity	0	0	-132
Net profit/loss for the year	0	0	-10,907
Balance as at 31.12.19	30,000	0	16,731
Parent:			
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance as at 01.01.18	28,300	47,564	-65,992
Foreign currency translation adjustment of foreign enterprises	0	-2,167	0
Net profit/loss for the year	0	-6,560	-954
Balance as at 31.12.18	28,300	38,837	-66,946
Statement of changes in equity for 01.01.19 - 31.12.19			
Balance as at 01.01.19	28,300	38,837	-66,946
Foreign currency translation adjustment of foreign enterprises	0	70	3
Capital increase	1,700	0	55,800
Other changes in equity	0	0	-126
Net profit/loss for the year	0	-11,211	304
Balance as at 31.12.19	30,000	27,696	-10,965

Consolidated cash flow statement

Note		Group 2019 DKK '000	Group 2018 DKK '000
	Net profit/loss for the year	**-10,907**	**-7,514**
20	Adjustments	11,632	13,294
	Change in working capital:		
	Inventories	-539	22,538
	Receivables	-21,681	67,954
	Trade payables	1,224	1,720
	Other payables relating to operating activities	26,279	-80,398
	Cash flows from operating activities before net financials	**6,008**	**17,594**
	Interest income and similar income received	30	1
	Interest expenses and similar expenses paid	-3,070	-5,807
	Income tax paid	170	1,294
	Cash flows from operating activities	**3,138**	**13,082**
	Purchase of intangible assets	-6,609	-8,955
	Purchase of property, plant and equipment	-737	0
	Purchase of investments	0	1
	Cash flows from investing activities	**-7,346**	**-8,954**
	Raising of additional capital	57,500	0
	Repayment of payables to group enterprises	-57,370	0
	Cash flows from financing activities	**130**	**0**
	Total cash flows for the year	**-4,078**	**4,128**
	Cash, beginning of year	4,285	157
	Cash, end of year	**207**	**4,285**
	Cash, end of year, comprises:		
	Cash	213	4,285
	Short-term payables to credit institutions	-6	0
	Total	**207**	**4,285**

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:

Special items:	Recognised in the income statement in:	Group 2019 DKK '000	Group 2018 DKK '000	Parent 2019 DKK '000	Parent 2018 DKK '000
Gain on the disposal of property, plant and equipment	Other operating income	73	0	0	0

	Group 2019 DKK '000	Group 2018 DKK '000	Parent 2019 DKK '000	Parent 2018 DKK '000
2. Revenue				
Revenue comprises the following activities:				
Revenue	1,333,487	1,366,429	0	0
Total	1,333,487	1,366,429	0	0
Revenue comprises the following geographical markets:				
Denmark	580,202	641,715	0	0
Other countries	753,285	724,714	0	0
Total	1,333,487	1,366,429	0	0
3. Staff costs				
Wages and salaries	35,724	33,085	0	0
Pensions	3,967	3,518	0	0
Other social security costs	611	522	0	0
Other staff costs	2,710	2,820	0	0
Total	43,012	39,945	0	0
Average number of employees during the year	66	66	0	0

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000

4. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	506	315	131	75
Tax advice	201	40	20	3
Other services	0	45	0	0
Total	707	400	151	78

5. Income from equity investments in group enterprises

Income from equity investments in group enterprises	0	0	-11,212	-6,560

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000

6. Financial income

Interest, group enterprises	0	0	479	0
Other interest income	1	0	0	0
Other financial income	29	1	0	0
Other financial income	30	1	0	0
Total	30	1	479	0

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000

7. Financial expenses

Interest, group enterprises	2,360	3,688	0	1,738
Other interest expenses	76	0	0	-21
Foreign currency translation adjustments	575	0	0	0
Foreign exchange losses	0	2,073	0	0
Other financial expenses	59	46	0	0
Other financial expenses total	710	2,119	0	-21
Total	3,070	5,807	0	1,717

8. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	-11,211	-6,560
Retained earnings	-10,907	-7,514	304	-954
Total	-10,907	-7,514	-10,907	-7,514

9. Intangible assets

Figures in DKK '000	Acquired rights
Group:	
Cost as at 01.01.19	42,716
Additions during the year	6,609
Disposals during the year	-1,025
Cost as at 31.12.19	48,300
Amortisation and impairment losses as at 01.01.19	-29,925
Foreign currency translation adjustment of foreign enterprises	19
Amortisation during the year	-8,489
Reversal of impairment losses in respect of previous years	18
Reversal of amortisation of and impairment losses on disposed assets	1,025
Amortisation and impairment losses as at 31.12.19	-37,352
Carrying amount as at 31.12.19	10,948

10. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost as at 01.01.19	244	660	1,860
Additions during the year	0	0	737
Disposals during the year	0	0	-1,324
Cost as at 31.12.19	244	660	1,273
Depreciation and impairment losses as at 01.01.19	-244	-660	-1,791
Depreciation during the year	0	0	-246
Depreciation of and impairment losses on disposed assets for the year	0	0	1,324
Depreciation and impairment losses as at 31.12.19	-244	-660	-713
Carrying amount as at 31.12.19	0	0	560
Parent:			
Cost as at 01.01.19	244	0	187
Cost as at 31.12.19	244	0	187
Depreciation and impairment losses as at 01.01.19	-244	0	-187
Depreciation and impairment losses as at 31.12.19	-244	0	-187
Carrying amount as at 31.12.19	0	0	0

11. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.19	59,930
Cost as at 31.12.19	59,930
Revaluations as at 01.01.19	38,838
Foreign currency translation adjustment of foreign enterprises	70
Net profit/loss from equity investments	-11,211
Revaluations as at 31.12.19	27,697
Carrying amount as at 31.12.19	87,627

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Paranova Pack A/S, Denmark	100%	51,738	-6,424	51,738
Paranova Danmark A/S, Denmark	100%	17,239	-165	17,239
Vicura ApS, Denmark	100%	-13,568	-4,875	0
Paranova AS, Norway	100%	-2,782	-2	0
Paranova Läkemedel AB, Sweden	100%	1,717	-262	1,717
Paranova Oy, Finland	100%	16,932	515	16,932
Paranova Pack BV, Holland	100%	126	2	1
Total		71,402	-11,211	87,627

Subsidiary Vicura ApS has presented its annual report for 2019 according to the provisions on Class B enterprises set out in section 78 a of the Danish Financial Statements Act.

12. Other non-current financial assets

Figures in DKK '000	Deposits
Group:	
Cost as at 01.01.19	372
Cost as at 31.12.19	372

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
13. Prepayments				
Other prepayments	2,150	2,612	0	0

14. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	30,000	30,000,000
Capital increase during the financial year	1,700	1,700,000

The share capital has been fully paid in at the balance sheet date.

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000

15. Deferred tax

Provisions for deferred tax as at 01.01.19	21,341	23,921	3,592	5,033
Transfer joint tax contribution	0	0	-102	0
Deferred tax recognised in the income statement	-27	-2,580	0	-1,441
Provisions for deferred tax as at 31.12.19	21,314	21,341	3,490	3,592
Deferred tax is recognized in the balance sheet as:				
Deferred tax asset	21,585	23,829	0	0
Deferred tax liability	-271	-2,488	0	0
Total	21,314	21,341	0	0

As at 31.12.2019, the Group has recognized a net deferred tax asset of DKK '000 21,314 which can primarily be attributed to tax losses carried forward. In addition, the group has an unrecognized deferred tax asset in the amount of DKK'000 4.398. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

16. Other provisions

Figures in DKK '000	Provisions for subsidiaries
Parent:	
Provisions as at 01.01.19	2,755
Provisions during the year	27
Provisions as at 31.12.19	2,782
Other provisions are expected to be distributed as follows:	

The provision stated in the parent company relating to subsidiaries is considered as a non-current provision.

17. Longterm payables

Figures in DKK '000	Total payables at 31.12.19	Total payables at 31.12.18
Group:		
Payables to group enterprises	0	57,370
Other payables	913	0
Total	913	57,370
Parent:		
Payables to group enterprises	0	45,000
Total	0	45,000

18. 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.

Other contingent liabilities comprise negative equity value of subsidiaries that cannot be ofset against intercompany receivables.

19. 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	
	2019 DKK '000	2018 DKK '000
20. Adjustments for the cash flow statement		
Other operating income	-1,174	-447
Depreciation, amortisation, impairment losses and write-downs	8,735	9,008
Financial income	-30	-1
Financial expenses	3,070	5,806
Tax on profit or loss for the year	-85	-1,978
Other adjustments	1,116	906
Total	11,632	13,294

21. 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 with application of provisions for a higher reporting class.

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.

21. Accounting policies - continued -

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).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

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.

21. Accounting policies - continued -

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.

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.

21. Accounting policies - continued -

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.

Other operating expenses

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.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

21. Accounting policies - continued -

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 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.

21. Accounting policies - continued -

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 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.

21. Accounting policies - continued -

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.

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.

21. Accounting policies - continued -

Provisions

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 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.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

21. Accounting policies - continued -

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.

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.