

Paranova Group A/S

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

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 30.06.23

Erik Bernhard Pfeiffer
Dirigent



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

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Paranova Group A/S.

The annual report is presented in accordance with the 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 31.12.22 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.22 - 31.12.22.

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, June 30, 2023

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 01.01.22 - 31.12.22, 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 the 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 31.12.22 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

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 group and the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, June 30, 2023

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	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Revenue	1,787,414	1,877,032	1,484,150	1,333,487	1,366,429
Gross result	8,626	45,250	43,621	43,795	45,267
Index	19	100	96	97	100
Operating profit/loss	-31,597	5,555	-2,509	-7,952	-3,686
Index	857	-151	68	216	100
Total net financials	-6,640	-2,494	-1,150	-3,040	-5,806
Profit/loss before tax	-38,237	3,061	-3,659	-10,992	-9,492
Index	403	-32	39	116	100
Total tax	-15,756	-227	6	85	1,978
Index	-797	-11	-	4	100
Profit/loss for the year	-53,993	2,834	-3,653	-10,907	-7,514
<i>Balance</i>					
Total assets	176,930	320,954	555,620	283,770	269,304
Investments in property, plant and equipment	328	536	317	737	0
Equity	-8,042	45,901	43,243	46,731	192
<i>Cashflow</i>					
Net cash flow:					
Operating activities	3,204	7,678	10,351	3,132	13,082
Investing activities	-3,614	-8,303	-8,621	-7,346	-8,954
Financing activities	78	-557	-6	130	0
Cash flows for the year	-332	-1,182	1,724	-4,084	4,128

Ratios

	2022	2021	2020	2019	2018
<i>Profitability</i>					
Return on equity	-285%	6%	-8%	-46%	-149%
Gross margin	0%	2%	3%	3%	3%
Asset turnover	7	4	4	5	4

Others

Number of employees (average)	62	61	57	66	66
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Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Asset turnover:	$\frac{\text{Revenue}}{\text{Avg. total assets}}$

Primary activities

The group's activities comprise distribution of parallel imported pharmaceuticals.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK -53,993k against DKK 2,834k for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK -8,042k.

The management considers the net result for the year to be dissatisfying under the market conditions present in 2022.

The earnings expectations for 2022 were a positive result, with a budgeted decrease of turnover in the Nordic markets due to a minor tender business. The objective was not met.

The challenges were coming from the two big markets in Sweden and Denmark. The Swedish currency was 5-8% stronger than budgeted so that we cannot achieve the turnover with products and their related margins. For the Danish market the management were aware that a lower tender business in 2022 was expected. Besides that, the company had a complete change of the employees in the Danish team at the beginning of the year 2022. This resulted in a longer period of weakness in this business. In addition the company realized a higher returns of sold items than expected in the Danish market.

The turnover in the German market was as budgeted.

Information on going concern

The Group's liabilities exceed the company's current assets, which indicates uncertainty about the company's going concern.

The Group's assets and liabilities are valued based on an assumption of going concern. This require that the Group's earnings are strengthened and that the company's current credit facilities can be maintained and expanded in line as needed. Management expects that the necessary credits will be created and extended as needed. The shareholder has also made a binding commitment to supply the necessary liquidity so that the company can pay its creditors as they become due. The commitment is valid until 31 December 2023.

Against this background, the annual accounts have been prepared under the assumption of going concern.

Outlook

Based on the challenges in 2022 the Group has started a few initiatives in the different business areas. The business and the organization was restructured and more will be done with data analytics and

streamlined processes. The focus is on valuable assortments.

In beginning of year 2023 management decided to stop the distribution of pharmaceuticals in the Norwegian and Swedish market by the end of year 2023.

With all these initiatives and decisions the management expect a better performing organization, a lower turnover level and a sustainable improved result close to a breakeven level.

No serious impact is expected from the Ukrainian crisis.

Financial risks

Foreign currency risks

The group is exposed to foreign currency risks primarily from SEK due to sales transactions that are settled in currencies other than DKK. The group has not entered into hedging contract. It is the policy of the parent company (MPA) to hedge commercial currency risk. The group does not engage in speculative currency positions.

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.

Gender diversity

Target figures for the supreme management body

At board level there are currently no female representation appointed by the general assembly. The target of 25% remains, but postponed till the end of 2022.

Other management levels

At the management levels, male vs. female managers constitute a balanced 50/50 representation. The gender balance is expected to be maintained in future.

Data ethics

The group has not implemented data ethics principles because the group is solely operating within the business to business segment.

Income statement

Note	Group		Parent		
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
3	Revenue	1,787,414	1,877,032	0	0
	Other operating income	1,914	4,082	0	0
	Cost of sales	-1,742,917	-1,797,382	0	0
	Other external expenses	-37,785	-38,482	-390	-332
	Gross result	8,626	45,250	-390	-332
4	Staff costs	-33,075	-31,439	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	-24,449	13,811	-390	-332
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-7,126	-7,997	0	0
	Other operating expenses	-22	-259	0	0
	Operating profit/loss	-31,597	5,555	-390	-332
6	Income from equity investments in group enterprises	0	0	-49,534	2,259
7	Financial income	13	206	0	603
8	Financial expenses	-6,653	-2,700	-3	0
	Profit/loss before tax	-38,237	3,061	-49,927	2,530
9	Tax on profit or loss for the year	-15,756	-227	-4,066	304
	Profit/loss for the year	-53,993	2,834	-53,993	2,834
10	Proposed appropriation account				

ASSETS		Group		Parent	
		31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000
Note					
	Acquired rights	7,670	11,346	0	0
11	Total intangible assets	7,670	11,346	0	0
	Other fixtures and fittings, tools and equipment	796	802	0	0
12	Total property, plant and equipment	796	802	0	0
13	Equity investments in group enterprises	0	0	40,847	92,144
14	Deposits	284	284	0	0
	Total investments	284	284	40,847	92,144
	Total non-current assets	8,750	12,432	40,847	92,144
	Raw materials and consumables	1,244	63	0	0
	Manufactured goods and goods for resale	64,149	117,539	0	0
	Prepayments for goods	0	735	0	0
	Total inventories	65,393	118,337	0	0
	Trade receivables	70,489	165,821	0	0
	Receivables from group enterprises	1,274	0	0	479
	Deferred tax asset	6,109	21,412	0	3,794
	Income tax receivable	329	0	0	157
	Other receivables	22,293	238	49	27
15	Prepayments	1,870	1,959	8	0
	Total receivables	102,364	189,430	57	4,457
	Cash	423	755	0	0
	Total current assets	168,180	308,522	57	4,457
	Total assets	176,930	320,954	40,904	96,601

EQUITY AND LIABILITIES		Group		Parent	
		31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000
Note					
16	Share capital	30,000	30,000	30,000	30,000
	Reserve for net revaluation according to the equity method	0	0	0	9,783
	Foreign currency translation reserve	-4,541	-4,592	0	0
	Retained earnings	-33,501	20,493	-38,042	6,118
	Total equity	-8,042	45,901	-8,042	45,901
17	Provisions for deferred tax	131	142	0	0
18	Other provisions	1,281	2,902	4,643	6,457
	Total provisions	1,412	3,044	4,643	6,457
	Payables to other credit institutions	78	0	0	0
	Trade payables	5,731	15,154	181	132
	Payables to group enterprises	139,871	214,604	44,122	44,111
	Income taxes	0	5,847	0	0
	Other payables	37,880	36,404	0	0
	Total short-term payables	183,560	272,009	44,303	44,243
	Total payables	183,560	272,009	44,303	44,243
	Total equity and liabilities	176,930	320,954	40,904	96,601
19	Contingent assets				
20	Contingent liabilities				
21	Charges and security				
22	Related parties				

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Retained earnings	Total equity
Group:					
Statement of changes in equity for 01.01.21 - 31.12.21					
Balance as at 01.01.21	30,000	0	-4,415	17,659	43,244
Foreign currency translation adjustment of foreign enterprises	0	0	-177	0	-177
Net profit/loss for the year	0	0	0	2,834	2,834
Balance as at 31.12.21	30,000	0	-4,592	20,493	45,901
Statement of changes in equity for 01.01.22 - 31.12.22					
Balance as at 01.01.22	30,000	0	-4,592	20,493	45,901
Foreign currency translation adjustment of foreign enterprises	0	0	51	0	51
Other changes in equity	0	0	0	-1	-1
Net profit/loss for the year	0	0	0	-53,993	-53,993
Balance as at 31.12.22	30,000	0	-4,541	-33,501	-8,042

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Retained earnings	Total equity
Parent:					
Statement of changes in equity for 01.01.21 - 31.12.21					
Balance as at 01.01.21	30,000	7,699	0	5,545	43,244
Foreign currency translation adjustment of foreign enterprises	0	0	0	-177	-177
Net profit/loss for the year	0	2,084	0	750	2,834
Balance as at 31.12.21	30,000	9,783	0	6,118	45,901
Statement of changes in equity for 01.01.22 - 31.12.22					
Balance as at 01.01.22	30,000	9,783	0	6,118	45,901
Foreign currency translation adjustment of foreign enterprises	0	0	0	51	51
Other changes in equity	0	0	0	-1	-1
Net profit/loss for the year	0	-9,783	0	-44,210	-53,993
Balance as at 31.12.22	30,000	0	0	-38,042	-8,042

Consolidated cash flow statement

Note	Group		
	2022 DKK '000	2021 DKK '000	
	Profit/loss for the year	-53,993	2,834
23	Adjustments	23,104	14,978
	Change in working capital:		
	Inventories	52,943	44,033
	Receivables	72,092	188,759
	Trade payables	-9,425	8,881
	Other payables relating to operating activities	-73,256	-250,248
	Other provisions	-1,621	935
	Cash flows from operating activities before net financials	9,844	10,172
	Interest income and similar income received	13	206
	Interest expenses and similar expenses paid	-6,653	-2,700
	Cash flows from operating activities	3,204	7,678
	Purchase of intangible assets	-3,298	-7,768
	Sale of intangible assets	0	1
	Purchase of property, plant and equipment	-328	-536
	Sale of property, plant and equipment	12	0
	Cash flows from investing activities	-3,614	-8,303
	Arrangement of payables to credit institutions	78	0
	Repayment of payables to group enterprises	0	124
	Repayment of other long-term payables	0	-681
	Cash flows from financing activities	78	-557
	Total cash flows for the year	-332	-1,182
	Cash, beginning of year	755	1,937
	Cash, end of year	423	755
	Cash, end of year, comprises:		
	Cash	423	755
	Total	423	755

1. Information as regards going concern

The Group's liabilities exceed the company's current assets, which indicates uncertainty about the group's going concern.

The group's assets and liabilities are valued based on an assumption of going concern. This require that the group's earning are strengthened and that the group's current credit facilities can be maintained and expanded in line as needed. Management expects that the necessary credits will be created and extended as needed. The shareholder has also made a binding commitment to supply the necessary liquidity so that the group can pay its creditors as they become due. The commitment is valid until 31. December 2023.

Against this background, the annual accounts have been prepared under the assumption of going concern.

2. 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		Parent	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Gain on the disposal of property, plant and equipment	Other operating income	1	0	0	0
Loss on disposal of intangible assets	Other operating expenses	-22	-163	0	0
Adjustment of deferred tax for the year	Tax on profit or loss for the year	-15,398	0	-3,794	0
Total		-15,419	-163	-3,794	0

Impairment adjustment has been made regarding the companys and the Groups tax asset due to uncertainty about the timing of the use of the asset.

	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000

3. Revenue

Revenue comprises the following activities:

Revenue	1,748,809	1,887,752	0	0
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Revenue comprises the following geographical markets:

Denmark	374,138	719,914	0	0
Germany	834,392	696,188	0	0
Sweden	271,569	275,620	0	0
Finland	163,839	178,936	0	0
Other countries	104,871	17,094	0	0
Total	1,748,809	1,887,752	0	0

	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
4. Staff costs				
Wages and salaries	26,711	25,533	0	0
Pensions	4,269	4,114	0	0
Other social security costs	553	540	0	0
Other staff costs	1,542	1,252	0	0
Total	33,075	31,439	0	0
Average number of employees during the year				
	62	61	0	0

The management does not receive remuneration

5. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	440	433	133	114
Tax advice	178	45	134	0
Total	618	478	267	114

6. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	-49,534	2,259
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	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000

7. Financial income

Interest, group enterprises	10	1	0	479
Other interest income	3	0	0	0
Foreign currency translation adjustments	0	205	0	124
Other financial income	3	205	0	124
Total	13	206	0	603

8. Financial expenses

Interest, group enterprises	846	1,335	0	0
Other interest expenses	33	202	3	0
Foreign currency translation adjustments	5,774	1,163	0	0
Other financial expenses total	5,807	1,365	3	0
Total	6,653	2,700	3	0

9. Tax on profit or loss for the year

Tax on profit or loss for the year	86	326	0	0
Adjustment of deferred tax for the year	15,398	-1,417	3,794	-149
Adjustment of tax in respect of previous years	272	1,318	272	-155
Total	15,756	227	4,066	-304

	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000

10. Proposed appropriation account

Reserve for net revaluation according to the equity method	0	0	-9,783	2,084
Retained earnings	-53,993	2,834	-44,210	750
Total	-53,993	2,834	-53,993	2,834

11. Intangible assets

Figures in DKK '000 Acquired rights

Group:

Cost as at 01.01.22	72,082
Foreign currency translation adjustment of foreign enterprises	-1,141
Additions during the year	3,298
Disposals during the year	-250
Cost as at 31.12.22	73,989
Amortisation and impairment losses as at 01.01.22	-60,736
Foreign currency translation adjustment of foreign enterprises	999
Amortisation during the year	-6,811
Reversal of amortisation of and impairment losses on disposed assets	229
Amortisation and impairment losses as at 31.12.22	-66,319
Carrying amount as at 31.12.22	7,670

12. Property, plant and equipment

Figures in DKK '000	Leasehold and fittings, tools improvements	Other fixtures and equipment
Group:		
Cost as at 01.01.22	244	2,117
Additions during the year	0	328
Disposals during the year	0	-11
Cost as at 31.12.22	244	2,434
Depreciation and impairment losses as at 01.01.22	-244	-1,327
Depreciation during the year	0	-311
Depreciation and impairment losses as at 31.12.22	-244	-1,638
Carrying amount as at 31.12.22	0	796
Parent:		
Cost as at 01.01.22	244	187
Cost as at 31.12.22	244	187
Depreciation and impairment losses as at 01.01.22	-244	-187
Depreciation and impairment losses as at 31.12.22	-244	-187
Carrying amount as at 31.12.22	0	0

13. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Parent:	
Cost as at 01.01.22	59,930
Additions during the year	15,976
Cost as at 31.12.22	75,906
Revaluations as at 01.01.22	9,781
Foreign currency translation adjustment of foreign enterprises	51
Net profit/loss from equity investments	-49,534
Revaluations as at 31.12.22	-39,702
Negative equity value transferred to provisions	4,643
Depreciation and impairment losses as at 31.12.22	4,643
Carrying amount as at 31.12.22	40,847
Subsidiaries:	
Name and registered office:	Ownership interest
Paranova Pack A/S, Denmark	100%
Paranova Danmark A/S, Denmark	100%
Paranova AS, Norway	100%
Paranova Läkemedel AB, Sweden	100%
Paranova Oy, Finland	100%
Paranova Pack BV, Holland	100%

The subsidiaries Paranova Pack A/S and Paranova Danmark A/S have presented their annual report for 2022 according to the provisions on Class B enterprises set out in section 78 a of the Danish Financial Statements Act.

14. Other non-current financial assets

Figures in DKK '000	Deposits
Group:	
Cost as at 01.01.22	284
Cost as at 31.12.22	284
Carrying amount as at 31.12.22	284

	Group		Parent	
	31.12.22	31.12.21	31.12.22	31.12.21
	DKK '000	DKK '000	DKK '000	DKK '000

15. Prepayments

Prepaid insurance premiums	509	31	0	0
Prepaid membership fees and subscriptions	548	409	8	0
Prepaid lease payments	0	12	0	0
Other prepayments	813	1,507	0	0
Total	1,870	1,959	8	0

16. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	30,000	30,000
Total		30,000

	Group		Parent	
	31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000

17. Deferred tax

Provisions for deferred tax as at 01.01.22	21,270	21,312	3,794	3,491
Deferred tax recognised in the income statement	-15,292	-42	-3,794	304
Provisions for deferred tax as at 31.12.22	5,978	21,270	0	3,795

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	6,109	21,412	0	3,794
Provisions for deferred tax	-131	-142	0	0
Total	5,978	21,270	0	3,794

Deferred tax is distributed as below:

Intangible assets	3,871	3,266	90	90
Property, plant and equipment	1,522	1,433	703	703
Provisions	127	497	0	0
Tax losses	27,526	19,936	4,582	4,702
Impairment	-27,068	-3,862	-5,375	-1,830
Total	5,978	21,270	0	3,665

As at 31.12.22, the company has recognised a deferred tax asset of DKK 5.978k, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

18. Other provisions

Figures in DKK '000	Warranty commitments	Provisions for subsidiaries		
Group:				
Provisions as at 01.01.22	1,621		0	
Provisions during the year	-341		0	
Provisions as at 31.12.22	1,280		0	
Parent:				
Provisions as at 01.01.22	0		6,457	
Reversed provision in respect of previous years	0		-1,813	
Provisions as at 31.12.22	0		4,644	
	31.12.22 DKK '000	31.12.21 DKK '000	31.12.22 DKK '000	31.12.21 DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	0	0	0	6,457
Current liabilities	1,280	1,621	4,644	0
Total	1,280	1,621	4,644	6,457

19. Contingent assets

Group:

The group has a deferred tax asset of DKK 27,068k, which has not been recognised in the balance sheet. The tax asset can be attributed to tax losses carried forward which are not expected to be utilised within the next 3-5 years. The tax asset can be carried forward indefinitely.

The company has a deferred tax asset of DKK 3,862k, which has not been recognised in the balance sheet. The tax asset can be attributed to tax losses carried forward which are not expected to be utilised within the next 3-5 years. The tax asset can be carried forward indefinitely.

20. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of 3-35 months and total lease payments of DKK 38.560k.

Other contingent liabilities

A competing enterprise has instituted legal proceedings against the group with a claim for infringement of patent rights. The trial is still at an early stage, and the outcome of the legal proceedings remains uncertain at the present time. However, the management of the group is of the opinion that the group has acted in accordance with the applicable regulations in the area.

The group is also party to a number of other legal proceedings. It is the management's view that these proceedings will not materially influence the financial position of the group.

21. Charges and security

Group:

The group has not provided any other security over assets.

Parent:

The company has not provided any security over assets.

22. Related parties

Controlling influence	Basis of influence
MPA Pharma GmbH, Germany	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, Germany.

23. Adjustments for the cash flow statement

Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	7,126	7,997
Other operating expenses	22	163
Financial income	-13	-206
Financial expenses	6,653	2,700
Tax on profit or loss for the year	15,755	227
Other adjustments	-6,439	4,097
Total	23,104	14,978

24. 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.

24. Accounting policies - continued -

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.

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 independent foreign entities, the income statements are translated at the exchange

24. Accounting policies - continued -

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 under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. 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**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.

24. Accounting policies - continued -**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 DKK '000
Acquired rights	3	0
Leasehold improvements	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

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group enterprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the

24. Accounting policies - continued -

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 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.

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*

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

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

Gains or 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.

24. Accounting policies - continued -**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements 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 enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, 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 goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments 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 to the extent that the parent has a legal or constructive obligation to cover the liabilities of the enterprise in question.

24. Accounting policies - continued -

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

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 FEFO-method (First Expired First Out). 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

24. Accounting policies - continued -

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 account.

Equity

The net revaluation of equity investments measured according to the equity method is recognized 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.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

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 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.

24. Accounting policies - continued -**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**Deferred income****CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating,

24. Accounting policies - continued -

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.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.