

Paranova Group A/S

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

Annual report for 2020

This annual report has been adopted at the
annual general meeting on 31.05.21

Erik Bernhard Pfeiffer

Chairman of the meeting

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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 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 01.01.20 - 31.12.20 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 31.12.20 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.20 - 31.12.20.

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

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

Herlev, May 31, 2021

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 01.01.20 - 31.12.20, 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 31.12.20 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.20 - 31.12.20 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, May 31, 2021

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	2020	2019	2018	2017	2016
<i>Profit/loss</i>					
Revenue	1,484,150	1,333,487	1,366,429	1,225,192	1,027,485
Index	144	130	133	119	100
Gross result	43,621	43,795	45,267	68,957	63,096
Index	69	69	72	109	100
Operating loss	-2,509	-7,952	-3,686	26,194	23,578
Index	-11	-34	-16	111	100
Total net financials	-1,150	-3,040	-5,806	-6,150	-4,708
Index	24	65	123	131	100
Loss for the year	-3,653	-10,907	-7,514	14,857	14,621
Index	-25	-75	-51	102	100
<i>Balance</i>					
Total assets	555,621	283,770	269,308	360,258	404,093
Index	137	70	67	89	100
Investments in property, plant and equipment	317	737	0	0	0
Equity	43,243	46,731	192	9,871	-5,395
<i>Cashflow</i>					
Net cash flow:					
Operating activities	10,351	3,132	13,082	8,816	10,321
Investing activities	-8,621	-7,346	-8,954	-9,013	-10,067
Financing activities	0	130	0	0	0
Cash flows for the year	1,730	-4,084	4,128	-197	254

Ratios

	2020	2019	2018	2017	2016
<i>Profitability</i>					
Gross margin	3%	3%	3%	6%	6%
Asset turnover	4	5	4	3	3
<i>Equity ratio</i>					
Equity interest	8%	16%	0%	3%	-1%
<i>Others</i>					
Number of employees (average)	57	66	66	59	59

Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Asset turnover:	$\frac{\text{Revenue}}{\text{Avg. total assets}}$
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

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 pharmaceuticals.

Development in activities and financial affairs

The income statement for the period 01.01.20 - 31.12.20 shows a profit/loss of DKK'000 -3,653 against DKK'000 -10,907 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK'000 43,243.

The management considers the net result for the year to be acceptable under the market conditions present in 2020.

The earnings expectations for 2020 were a sustainable positive result. The objective was not met primarily due to currency fluctuations, excess product returns and reduced sales activities in the skincare segments due to the covid-19 situation. An 11% increase in revenue was realised against an expected 2%.

Outlook

With better performing markets, especially in Sweden and Germany and with a leaner, more efficient organization the Group expects a sustainable positive result for 2021.

Financial risks*Price risks*

The group is exposed to commodity price risks, as the Group's products contain various raw materials which are subject to fluctuating prices. Commodity price risks are not hedged.

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 contracts. It is policy of the foreign parent company (MPA) to hedge commercial currency risk. The Company does not engage in speculative currency positions.

Interest rate risks

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

Subsequent events

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

Corporate social responsibility

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

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

Income statement

Note	Group		Parent		
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
2	Revenue	1,484,150	1,333,487	0	0
	Other operating income	3,791	1,174	1	0
	Costs of raw materials and consumables	-1,406,215	-1,253,031	0	0
	Other external expenses	-38,105	-37,835	-182	-174
	Gross result	43,621	43,795	-181	-174
3	Staff costs	-38,336	-43,012	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	5,285	783	-181	-174
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-7,794	-8,735	0	0
	Loss before net financials	-2,509	-7,952	-181	-174
5	Income from equity investments in group enterprises	0	0	-3,937	-11,212
6	Financial income	1,863	30	479	479
7	Financial expenses	-3,013	-3,070	-14	0
	Loss before tax	-3,659	-10,992	-3,653	-10,907
	Tax on loss for the year	6	85	0	0
	Loss for the year	-3,653	-10,907	-3,653	-10,907
8	Distribution of net profit				

ASSETS		Group		Parent	
		31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
Note					
	Acquired rights	11,474	10,948	0	0
9	Total intangible assets	11,474	10,948	0	0
	Other fixtures and fittings, tools and equipment	560	560	0	0
10	Total property, plant and equipment	560	560	0	0
11	Equity investments in group enterprises	0	0	88,403	87,627
12	Receivables from group enterprises	0	0	0	2,408
12	Deposits	295	372	0	0
	Total investments	295	372	88,403	90,035
	Total non-current assets	12,329	11,880	88,403	90,035
	Raw materials and consumables	123	1,413	0	0
	Manufactured goods and goods for resale	162,247	94,772	0	0
	Total inventories	162,370	96,185	0	0
	Trade receivables	133,941	150,401	0	0
	Receivables from group enterprises	219,502	204	479	681
	Deferred tax asset	21,469	21,585	3,491	3,492
	Income tax receivable	626	777	273	273
	Other receivables	2,031	375	0	0
	Prepayments	1,416	2,150	0	0
	Total receivables	378,985	175,492	4,243	4,446
	Cash	1,937	213	0	0
	Total current assets	543,292	271,890	4,243	4,446
	Total assets	555,621	283,770	92,646	94,481

EQUITY AND LIABILITIES		Group		Parent	
		31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
Note					
13	Share capital	30,000	30,000	30,000	30,000
	Reserve for net revaluation according to the equity method	0	0	7,697	27,696
	Retained earnings	13,243	16,731	5,546	-10,965
	Total equity	43,243	46,731	43,243	46,731
14	Provisions for deferred tax	157	271	0	0
15	Other provisions	1,967	0	4,798	2,782
	Total provisions	2,124	271	4,798	2,782
16	Other payables	2,723	913	0	0
	Total long-term payables	2,723	913	0	0
	Payables to other credit institutions	0	6	0	0
	Prepayments received from customers	0	30	0	0
	Trade payables	6,275	11,897	105	124
	Payables to group enterprises	463,197	190,275	44,404	44,844
	Other payables	37,493	33,644	96	0
	Deferred income	566	3	0	0
	Total short-term payables	507,531	235,855	44,605	44,968
	Total payables	510,254	236,768	44,605	44,968
	Total equity and liabilities	555,621	283,770	92,646	94,481
17	Contingent liabilities				
18	Charges and security				
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	Total equity
Group:				
Statement of changes in equity for 01.01.20 - 31.12.20				
Balance as at 01.01.20	30,000	0	16,731	46,731
Foreign currency translation adjustment of foreign enterprises	0	0	41	41
Other changes in equity	0	0	124	124
Net profit/loss for the year	0	0	-3,653	-3,653
Balance as at 31.12.20	30,000	0	13,243	43,243

Parent:

Statement of changes in equity for
01.01.20 - 31.12.20

Balance as at 01.01.20	30,000	27,696	-10,965	46,731
Foreign currency translation adjustment of foreign enterprises	0	0	164	164
Other changes in equity	0	0	1	1
Net profit/loss for the year	0	-19,999	16,346	-3,653
Balance as at 31.12.20	30,000	7,697	5,546	43,243

Consolidated cash flow statement

Note	Group	
	2020 DKK '000	2019 DKK '000
	-3,653	-10,907
20	3,808	11,626
Change in working capital:		
Inventories	-66,185	-539
Receivables	-203,760	-21,681
Trade payables	0	1,224
Other payables relating to operating activities	281,291	26,279
Cash flows from operating activities before net financials	11,501	6,002
Interest income and similar income received	1,863	30
Interest expenses and similar expenses paid	-3,013	-3,070
Income tax paid	0	170
Cash flows from operating activities	10,351	3,132
Purchase of intangible assets	-8,304	-6,609
Purchase of property, plant and equipment	-317	-737
Cash flows from investing activities	-8,621	-7,346
Raising of additional capital	0	57,500
Arrangement of payables to group enterprises	0	-57,370
Cash flows from financing activities	0	130
Total cash flows for the year	1,730	-4,084
Cash, beginning of year	213	4,291
Short-term payables to credit institutions, beginning of year	-6	0
Cash, end of year	1,937	207
Cash, end of year, comprises:		
Cash	1,937	213
Short-term payables to credit institutions	0	-6
Total	1,937	207

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		Parent	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Impairment losses on intangible assets	Depreciation and amortisation of and impairment losses on intangible assets and property, plant and equipment	-33	0	0	0
Gain on the disposal of property, plant and equipment	Other operating income	0	72	0	0
Total		-33	72	0	0

	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000

2. Revenue

Revenue comprises the following activities:

Revenue	1,484,150	1,333,487	0	0
Total	1,484,150	1,333,487	0	0

Revenue comprises the following geographical markets:

Denmark	719,914	626,234	0	0
Germany	397,904	336,922	0	0
Sweden	170,726	177,275	0	0
Finland	194,129	190,878	0	0
Other countries	1,477	2,178	0	0
Total	1,484,150	1,333,487	0	0

	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
3. Staff costs				
Wages and salaries	31,730	35,724	0	0
Pensions	4,714	3,967	0	0
Other social security costs	620	611	0	0
Other staff costs	1,272	2,710	0	0
Total	38,336	43,012	0	0
Average number of employees during the year				
	57	66	0	0

4. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	433	506	114	131
Tax advice	45	201	0	20
Total	478	707	114	151

5. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	-3,937	-11,212
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	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000

6. Financial income

Interest, group enterprises	845	0	479	479
Other interest income	5	30	0	0
Foreign currency translation adjustments	1,013	0	0	0
Other financial income	1,018	30	0	0
Total	1,863	30	479	479

7. Financial expenses

Interest, group enterprises	2,927	2,360	0	0
Other interest expenses	81	76	0	0
Foreign currency translation adjustments	0	575	14	0
Other financial expenses	5	59	0	0
Other financial expenses total	86	710	14	0
Total	3,013	3,070	14	0

8. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	-19,999	-11,211
Retained earnings	-3,653	-10,907	16,346	304
Total	-3,653	-10,907	-3,653	-10,907

9. Intangible assets

Figures in DKK '000	Acquired rights
Group:	
Cost as at 01.01.20	57,202
Additions during the year	8,304
Disposals during the year	-272
Cost as at 31.12.20	65,234
Amortisation and impairment losses as at 01.01.20	-46,051
Amortisation during the year	-7,818
Reversal of amortisation of and impairment losses on disposed assets	109
Amortisation and impairment losses as at 31.12.20	-53,760
Carrying amount as at 31.12.20	11,474

10. Property, plant and equipment

Figures in DKK '000	Leasehold and fittings, tools improvements	Other fixtures and equipment
Group:		
Cost as at 01.01.20	244	1,273
Additions during the year	0	317
Cost as at 31.12.20	244	1,590
Depreciation and impairment losses as at 01.01.20	-244	-713
Depreciation during the year	0	-317
Depreciation and impairment losses as at 31.12.20	-244	-1,030
Carrying amount as at 31.12.20	0	560
Parent:		
Cost as at 01.01.20	244	187
Cost as at 31.12.20	244	187
Depreciation and impairment losses as at 01.01.20	-244	-187
Depreciation and impairment losses as at 31.12.20	-244	-187
Carrying amount as at 31.12.20	0	0

11. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.01.20	59,930
Cost as at 31.12.20	59,930
Revaluations as at 01.01.20	11,347
Foreign currency translation adjustment of foreign enterprises	165
Net profit/loss from equity investments	-3,813
Revaluations as at 31.12.20	7,699
Negative equity value impaired in receivables	15,976
Negative equity value transferred to provisions	4,798
Depreciation and impairment losses as at 31.12.20	20,774
Carrying amount as at 31.12.20	88,403

Name and registered office:	Ownership interest
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Subsidiaries:

Paranova Pack A/S, Denmark	100%
Paranova Danmark A/S, Denmark	100%
Vicura ApS, Denmark	100%
Paranova AS, Norway	100%
Paranova Läkemedel AB, Sweden	100%
Paranova Oy, Finland	100%
Paranova Pack BV, Holland	100%

Subsidiary Paranova Danmark ApS has presented its annual report for 2020 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	Receivables from group enterprises	Deposits
Group:		
Cost as at 01.01.20	0	294
Additions during the year	0	1
Cost as at 31.12.20	0	295
Carrying amount as at 31.12.20	0	295
Parent:		
Cost as at 01.01.20	15,976	0
Cost as at 31.12.20	15,976	0
Impairment losses as at 01.01.20	-13,568	0
Impairment losses during the year	-2,408	0
Impairment losses as at 31.12.20	-15,976	0
Carrying amount as at 31.12.20	0	0

13. Share capital

The share capital consists of:

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

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

	Group		Parent	
	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000

14. Deferred tax

Provisions for deferred tax as at 01.01.20	21,314	21,341	3,491	3,593
Transfer joint tax contribution	0	131	0	-102
Deferred tax recognised in the income statement	-2	-158	0	0
Provisions for deferred tax as at 31.12.20	21,312	21,314	3,491	3,491

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	21,469	21,585	0	0
Deferred tax liability	-157	-271	0	0
Total	21,312	21,314	0	0

As at 31.12.2020, the Group has recognized a net deferred tax asset of DKK 21,312 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 5.250k. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

15. Other provisions

Figures in DKK '000	Warranty commitments	Provisions for subsidiaries
Group:		
Provisions during the year	1,967	0
Provisions as at 31.12.20	1,967	0
Parent:		
Provisions as at 01.01.20	0	2,782
Provisions during the year	0	2,188
Reversed provision in respect of previous years	0	-172
Provisions as at 31.12.20	0	4,798

	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
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Other provisions are expected to be distributed as follows:

Non-current liabilities	0	0	4,797,946	2,782,320
Current liabilities	1,967,343	0	0	0
Total	1,967,343	0	4,797,946	2,782,320

16. Long-term payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.20	Total payables at 31.12.19
Group:			
Other payables	0	2,723	913
Total	0	2,723	913

17. Contingent liabilities

Group:

Lease commitments

The group has concluded rent and lease agreements with terms to maturity of 6-60 months and average monthly lease payments of DKK 329k, a total of DKK 5.005k. .

Parent:

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 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.

The company has no other contingent liabilities as at 31.12.20.

18. Charges and security

Group:

The group has not provided any other security over assets.

Parent:

The company has not provided any security over assets.

19. 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.

	Group	
	2020 DKK '000	2019 DKK '000
20. Adjustments for the cash flow statement		
Other operating income	-3,791	-1,174
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	7,794	8,735
Financial income	-1,863	-30
Financial expenses	3,013	3,070
Tax on profit or loss for the year	-6	-85
Other adjustments	-1,339	1,110
Total	3,808	11,626

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.

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.

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 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 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.

21. Accounting policies - continued -**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.

21. Accounting policies - continued -**Costs of raw materials and consumables**

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

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

Cost of sales**Other external expenses**

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value, per cent
Acquired rights	3	0
Leasehold improvements	5	0
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.

21. Accounting policies - continued -**Other operating expenses****Income from equity investments in group enterprises**

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

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.

21. Accounting policies - continued -

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

Property, plant and equipment

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

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

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

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

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

Equity investments in group 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

21. Accounting policies - continued -

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.

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.

21. Accounting policies - continued -**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 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.

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.

21. 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

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.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent

21. Accounting policies - continued -

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.

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.