Habico Holding A/S

Energivej 15
5260 Odense S

Central Business Registration no. 27 34 71 34

Annual report 2017

The Annual General Meeting adopted the annual report on ___/___ 2018

Chairman of the General Meeting:

____

Kim Jensen

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Company details

Company
Habico Holding A/S
Energivej 15
5260 Odense S
Central Business Registration No: 27 34 71 34
Registered in: Odense

Board of Directors
Ole Michael Friis, Chairman
Anne-Charlotte Bøgh-Sørensen
Birgitte Bøgh-Sørensen
Christian Ulrik Bøgh-Sørensen
Hans Carl Bøgh-Sørensen
Claus Christian Bayer

Group executive board
Hans Carl Bøgh-Sørensen, Chief Executive Officer

Company auditors
Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Habico Holding A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017. We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 2. Juni 2018

Executive Board

Hans Carl Bøgh-Sørensen
Chief Executive Officer

Board of Directors

Ole Michael Friis Chairman	Anne-Charlotte Bøgh-Sørensen	Birgitte Bøgh-Sørensen
Christian Ulrik Bøgh-Sørensen	Hans Bøgh-Sørensen	Claus Christian Bayer

Independent auditor's report

To the shareholders of Habico Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Orifarm Group A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 ISAs 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

· Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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'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 the parent 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'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 the parent 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 Entity to cease to continue as a going concern.

· Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

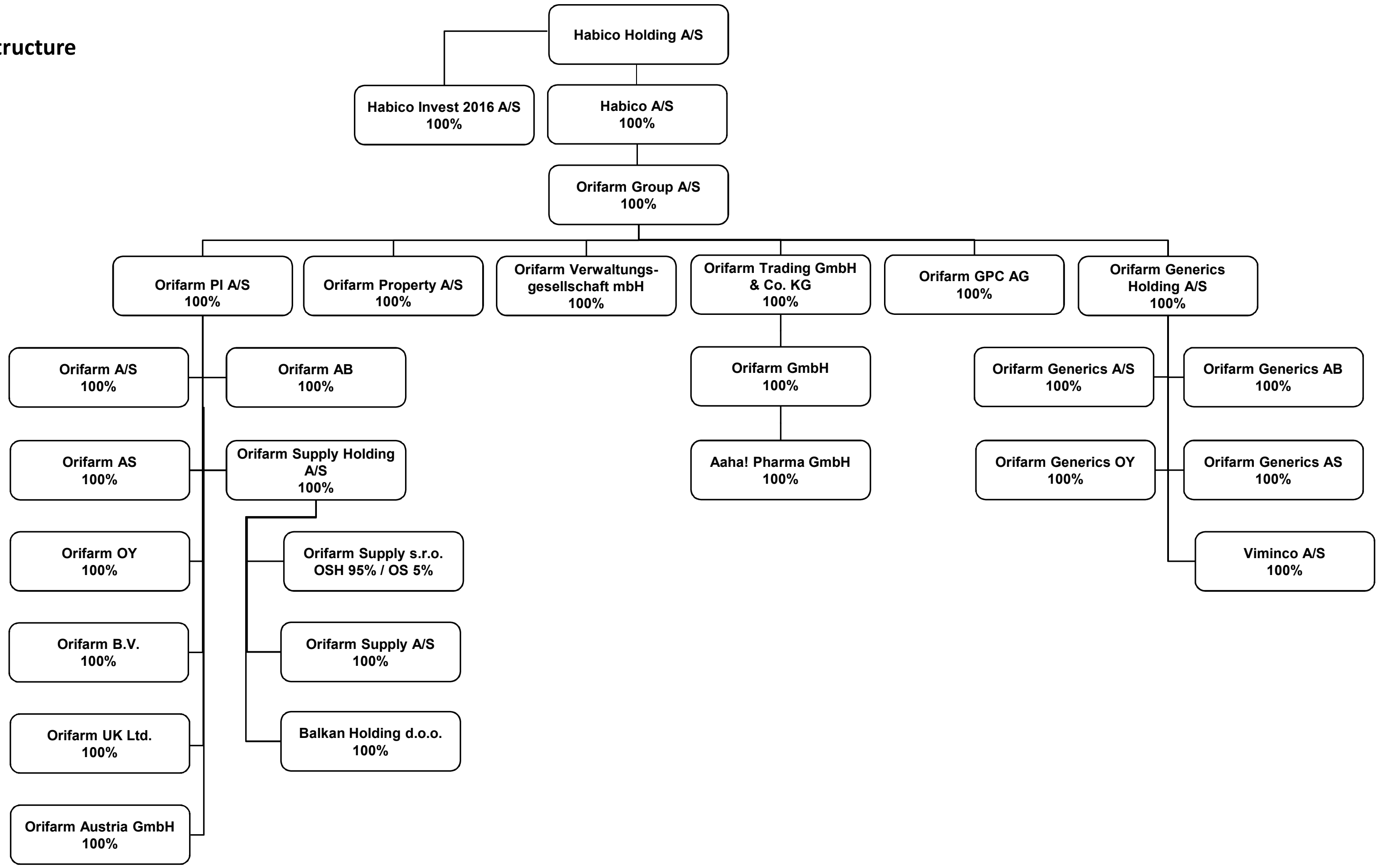
Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 2. Juni 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33963556

Lars Knage Nielsen	Allan Dydensborg Madsen
State Authorised Public Accountant	State Authorised Public Accountant
MNE Number mne10074	MNE Number mne34144

Group structure



Management´s Commentary

Financial highlights of the Group

(mio. EUR)	**2017**	**2016**	**2015**	**2014**	**2013**
Key figures					
Revenue	796,9	725,8	759,1	755,0	727,2
Gross profit	120,4	108,7	96,9	91,2	95,6
Operating income	33,8	24,3	20,0	16,1	16,0
Net financials	-2,6	-5,4	-4,6	-3,1	-2,8
Profit for the year	23,8	12,3	12,4	9,3	10,1
Investments in Tangible fixed assets	4,1	3,0	2,8	1,4	2,2
Inventories	151,4	148,6	119,2	143,0	142,6
Receivables from sales	111,7	95,4	95,0	78,3	81,8
Equity	134,1	113,6	103,3	93,6	86,7
Total assets	365,8	350,6	322,6	286,8	303,6
Ratios					
Gross margin (%)	15,1	15,0	12,8	12,1	13,1
Operating margin (%)	4,2	3,3	2,6	2,2	2,2
Equity ratio (%)	36,7	32,4	32,0	32,6	28,6
Return on equity (%)	19,2	11,3	12,6	10,4	12,3

Management's Commentary

In 2017, Habico Holding reached a strong level of earnings with 2017 financial being the 2nd strongest financial year ever in company history. Especially the business unit Orifarm Parallel Import showed an excellent development and result through new market entries and growth on mature markets and thereby increasing the society savings on pharmaceuticals. Orifarm Generics invested further in order to create long-term growth.

- Habico Holding's revenues increased by 9.8% to MEUR 797 (2016: MEUR 726). Operating income excl. non-recurring items increased by MEUR 1.6 to MEUR 33.8 (2016: MEUR 32.2) and earnings before tax increased by MEUR 12.3 to MEUR 28.7 (2016: MEUR 16.4)

- Orifarm Parallel Import's revenues totalled MEUR 720 (2016: MEUR 646). Operating income excl. non-recurring items increased by MEUR 4.2 to MEUR 26.2 (2016: MEUR 22.0)

- Orifarm Generics' revenues fell slightly to MEUR 77 (2016: MEUR 79). Operating income fell by MEUR 2.0 to MEUR 12.3 (2016: MEUR 14.3)

Company Presentation

Habico Holding group is an ambitious operator in the European market for pharmaceuticals. Our ambition is to supply high quality pharmaceuticals at a lower cost. In other words: We offer consumers and societies more healthcare for their money.

Habico Holding group consists of two operating divisions: Orifarm Parallel Import and Orifarm Generics.

Common to both operating divisions is healthcare business model innovation. This is expressed in Habico Holding's mission statement which is "*Challenging the pharmaceutical market".*

Habico Holding's vision - "*We want to be number 1 in making healthcare a better deal*" - expresses the general objective. "A better deal" refers not only to savings, but also to how Habico Holding delivers solutions that meet its stakeholder's needs. Habico Holding's operating activities are guided by our values which are flexibility, ambition, responsibility and customer focus.

Orifarm Parallel Import

Orifarm Parallel Import was established in 1994 in response to significant price differentials for identical pharmaceuticals across EU Member States. Pharmaceuticals are imported from EU/EEA Member States where original pharmaceutical producers sell their preparations at prices that are lower than what they demand for the identical products in e.g. the Nordic countries and Germany. In doing so, Habico Holding utilises the principle of free movement of goods within the EU/EEA.

Orifarm Parallel Import's activities have led to lower prices of pharmaceuticals and thus savings benefitting both patients and society at large in the markets in which it operates.

Despite the principles of free movement of goods within the EU/EEA, and without regard for the fact that the efforts of Orifarm Parallel Import and its competitors have led to lower costs of pharmaceuticals, various barriers to the parallel import trade are still being tolerated by the EU; see section entitled "Obstacles to healthcare cost savings generated by the Parallel Import trade" below.

Management's Commentary

Orifarm Generics

The Habico Holding group entered the generic pharmaceuticals market in the Nordic countries in 2001. Generic pharmaceuticals can be produced and marketed once the original manufacturer's patent expires and its exclusive rights lapse. Generic competition normally lowers prices on medicine significantly which benefits patients and society at large.

Included in Orifarm Generics' broad range of generic preparations is a line of generic over-the-counter products which are marketed under the umbrella brand ”Tænk gult” in Denmark and ”Tänk Gult” in Sweden.

Review of Financial Performance for Habico Holding group in 2017

Results for 2017 are considered satisfactory and in line with the expectations.

The group's revenues increased by 9.8% to MEUR 797 (2016: MEUR 726) through dedicated focus on new market entries and organic growth in mature markets in Parallel Import.

Further gross margin increased by 0.1%-points to 15.1% (2016: 15.0%) due to slightly lower proportionate share of turnover in the low margin business of Parallel Import.

The group's operating margin increased to 4.2% (2016: 3.4%) through dedicated focus on profitability in Parallel Import. Operating income increased by MEUR 9.3m to MEUR 33.8 (2016: MEUR 24.5).

2017 Performance Highlights – Orifarm Parallel Import

- Although market conditions were challenging, PI achieved margin improvements and an overall significant improvement in net result
- Orifarm Parallel Import's revenues totalled MEUR 720 (2016: MEUR 646)
- Orifarm Parallel Import's operating income excl. non-recurring items totalled MEUR 26.2 (2016: MEUR 22.0)
- Orifarm Parallel Import maintained its leading position as Europe's largest parallel importer of pharmaceuticals
- In Germany, operating profit were lifted through dedicated efforts and despite fierce price competition
- In Sweden, operating income as well as margins were under significant pressure due to the weak Swedish Krona. Orifarm's market leading position was maintained
- In Denmark, profitability was increased despite fierce competition
- Orifarm entered the UK market under full awareness of potential consequences from BREXIT. The weakened British Pound, however, has led to pressure on profitability, but as UK is the second largest PI market in Europe, Orifarm continues to see mid-term possibilities

Management's Commentary

- Activity level and profitability from presence on the Dutch market increased significantly in 2017 despite challenging entry barriers
- Orifarm gained significant market shares on the Austrian market

2017 Performance Highlights – Orifarm Generics

- Orifarm Generics' revenues fell slightly to MEUR 77 (2016: MEUR 79)
- Operating income fell by MEUR 2.0 to MEUR 12.3 (2016: MEUR 14.3) due to significant investments in mid-long term growth
- Orifarm Generics had a strong 1st half with growth across segments but encountered fierce price competition in 2nd half (especially Denmark and Sweden). In summary, this ended in a stagnant turnover for the year
- Own-developed niche products for the Rx segment (prescribed medicine) continued a satisfactory development along side with a strong general assortment-wide growth within the Rx segment
- Orifarm Generics maintained its strong position across the Denmark and Sweden markets within the segment for over-the-counter pharmaceuticals
- Orifarm Generics decided to invest further in developing new products in order to achieve long-term growth and thereby additional society savings

Obstacles to Healthcare Cost Savings Generated by the Parallel Import trade

A series of measures undertaken by original producers and by some EU Member States hamper trade in pharmaceuticals and reduce Habico Holding's ability to grow its parallel-import business:

Quota systems
A number of the world's biggest pharmaceutical manufacturers have introduced quota systems for selling pharmaceuticals in the EU. In some cases, pharmaceutical manufacturers have gone even further and stopped making deliveries to wholesalers who are re-exporting pharmaceuticals. This practise limits Habico Holding's sourcing opportunities and consequently also the capacity to increase sales of the lower priced parallel imported pharmaceuticals. In Habico Holding's view, quota systems are in breach of the EU Treaty because they let pharmaceutical manufacturers restrict competition within the EU.

Export ban
Several EU Member States have introduced or attempted to introduce bans on exports of pharmaceuticals to other member states or have hampered exports by imposing obligations onto exporters' notification as regards to regulatory authorities and approval regimens prior to export. Export bans and disproportionate export barriers violate the EU Treaty's provisions on the free movement of goods and may change Habico Holding's entire business model. We therefore strongly object to such measures. The European Commission is regularly informed about developments and in this context we are pleased to note that the Commission is currently investigating the extent of such export restrictions with the purpose of potential political intervention.

Management's Commentary

Dual pricing
In Spain, a number of multinational pharmaceutical manufacturers have established or maintained – supported by a legal frame work initiated by the Government – a dual pricing system. Dual pricing forces pharmaceutical manufacturers to sell their products at an artificially inflated price to Spanish pharmaceutical wholesalers. However, if the wholesalers can document that the products are intended for domestic sale - and not for re-export – then wholesalers will receive a discount bringing the price to the 'normal' Spanish price level. For parallel importers, the dual-pricing system, therefore, means that one of the EU's fundamental principles - free movement of goods between union members states - is effectively overruled. In Habico Holding's opinion, dual-priding violates the competition provisions set out in the EU Treaty.

Nonetheless, despite these trade restrictions, Habico Holding has continued to provide its customers with stable deliveries of goods by cultivating new procurement countries and channels.

Special Risks

Operating conditions
To a significant extent, consolidated earnings depend on legislative measures that affect the pricing of pharmaceuticals in both the purchase and the sales countries. Earnings are also affected by measures in the sales countries which are intended to limit the consumption of pharmaceuticals.

It is Habico Holding's policy to avoid infringing on trademark rights, and Habico Holding is not currently involved in any major pending litigation of this kind.

For the business area Generic Pharmaceuticals, Habico Holding policy states that infringing on patent rights should be avoided. However, since patent holders have a significant commercial interest in defending market monopolies that exceed the protections granted by a given patent, and since manufactures of generic products have an interest in challenging the market at patent expiry, disputes and litigation are difficult to avoid. Habico Holding is from time to time involved in pending legal proceedings. The outcome of these may affect Habico Holding's earnings.

Financial matters
Habico Holding is exposed to fluctuations in foreign exchange rates and interest rate levels. The risks are mitigated through hedge, in accordance with the Group's policy. Exchange rate risks are primarily related to the currencies SEK, CZK and GBP. A 1 percentage point change in the interest rate level affects the Group's earnings net by approx. MEUR 1.0.

Habico Holding's financial risks, including its cash management and extension of credits, are managed centrally. The aim is to maintain a low risk profile.

Culture and Employees

It is Habico Holding's objective to be a leading supplier of parallel-imported and generic pharmaceuticals in the Nordic countries, Germany, Austria, Holland and UK. We believe that our results and the competencies and commitment of our employees are intertwined. That is why we are constantly seeking to develop our employees' knowledge and competencies, which in turn bolster Habico Holding's results and growth-oriented culture.

Habico Holding is aware of its social responsibilities and accordingly, it is important for the company to have a wide variety of employees. Consequently, the company is stressing internal efforts to integrate employees of other ethnic backgrounds as well as disabled employees.

Management's Commentary

The level of internationalisation in Habico Holding has increased significantly in recent years, and Habico Holding has conducted international rotations of employees to ensure integration, knowledge sharing and cultural exchange.

Target Figures for Gender Composition of Management

At Habico Holding, diversity is considered a strength that opens up access to the most talented employees.

Offering excellent career opportunities to both female and male employees helps to ensure that Habico Holding has the capacity of appointing the best candidate for a given position. This is also reflected in the gender distribution among our executives in Danish companies where 40% are female and 60% are male.

The policy is to recruit the best candidate for a given position. If more candidates are assessed equal on competencies, the underrepresented gender will be chosen for the position. The ambition is to have at least 40% of both sexes represented on Habico Holding's management team.

The Supervisory Board of Habico Holding A/S currently consists of 6 general elected members of whom 2 is women.

Corporate Social Responsibility

During 2017 the Management of Habico Holding took initiative to update its CSR policies. The new and enhanced policies were approved by the Board of Directors in December 2017. Accordingly monitoring of the effects have been initiated in 2018, and the results will be published as part of the Annual Report for 2019.

The Orifarm CSR efforts and execution ensure compliance with the Danish Financial Statement Act § 99 a and b. We have identified areas in which we have the possibility to positively impact a sustainable development or are at risk of impacting human rights, labour rights, climate and environment in a negative way or being complicit to corruption and bribery.

Our CSR efforts are aligned with the UN Global Compact Principles, and we strive at pursuing the goals and standards mentioned in the UN Guiding Principles for Human Rights and Business and the OECD guidelines for multinational enterprises.

Climate and Environment
It is our aim to contribute to a better environment by ensuring that environmental concerns form a natural part of all our activities. This includes a precautionary approach to environmental challenges and promotion of environmentally friendly technologies internally in the Group and among business partners.

Habico Holding group affects the environment primarily through the consumption of energy and resources in our buildings and for transportation, but also via our production. We therefore constantly work to reduce our energy consumption and emissions and improve waste management. We apply a systematic approach to environmental management and comply with all legislative requirements.

To minimize environmental impact, we have incorporated an environmental policy throughout the whole organization that guides us on how to take care of the environment in daily life.

Management's Commentary

Actions initiated in 2016 have been continued and further strengthened during 2017 for the benefits of a better environment and a more profitable business.

Further investments in new and improved facilities and technical installations have been completed in the Group. Energy efficiency and savings have been highly considered as part of these investments.

These actions have led to a reduction of Co2 emission even though we have not yet implemented measurements.

Planned new environmental initiatives for 2018 cover a switch to sustainable energy solutions ("green energy"), replacement of freon based refrigeration plants and conversion of food waste to biofuel.

Human Rights
In all Habico Holding group operations and activities we respect human rights and avoid infringing the human rights of involved individuals.

We believe that through our products we may contribute in a positive manner to the human rights to health and wellbeing by paving the way for accessibility to affordable and high-quality medicine for all.

To reduce the risk for setting aside relevant human rights for our business, we ensure compliance with human rights related legislation and identify actual and potential risks from activities in our business units and facilities. Identified risks that are directly linked to our operations and to the services of our business partners are mitigated and prevented.

In Europe we thus have a focus on privacy and protection of personal data throughout the Group, covering both the data of consumers, employees and business partners.

Labour Rights
It is important to us that sustainable management is visible in all parts of our organization. To achieve this, we have a strong and continuous focus on taking good care of our employees and to create a motivating environment where our employees thrive and develop.

We value being a social and friendly organization that accommodates diversity. Diversity in Habico Holding is about recognizing employees because of, not despite of the fact that they are different. We see the potential of each employee and create opportunities for everyone to develop at work, irrespective of their gender, ethnicity, disability or other personal characteristics. Diversity thus provide us with an opportunity to share experiences and gather learnings across different cultures and to transform this knowledge into a competitive advantage.

The well-being and motivation of our employees are dependent on a healthy and safe workplace. To ensure this, we comply with legislation and collective agreements on fair wages, rest and leisure, equal remuneration for men and women, anti-discrimination and equal opportunities in access to employment and career.

In our supply chain and with other business partners we are committed to identify and mitigate or eliminate any risk for infringing the right to freedom of association and to collective bargaining. We

Management's Commentary

are also committed to eliminate all forms of forced and compulsory labour and to effectively abolish child labour.

Anti-corruption and Bribery
Habico Holding places great emphasis on being a good and competent partner for our stakeholders. Part of this involves working against corruption and to promote good business ethics.

Our anti-corruption effort includes prevention of extortion and bribery and is carried out in compliance with international standards. In our Supplier Code of Conduct our suppliers and business partners are requested to support and respect anti-corruption principles. At the same time
we conduct risk assessments and mitigations plans as an integrated part of our business planning and operations.

Development Activities

Habico Holding's two business areas both have significant development activities covering both product and process development.

Events since the End of the Fiscal Year

From the reporting date until today, no events have occurred which could change the assessments made in the Annual Report.

Outlook

Habico Holding expects activity and results for 2018 to be at same level as 2017.

Income statement

(1.000 EUR)

Parent company 2016	Parent company 2017		Note	Group 2017	Group 2016
		Revenue	1	796.905	725.777
		Other operating income		1.538	404
		Cost of sales		-678.085	-617.524
		Gross profit		**120.358**	**108.657**
-41	-19	Other external expenses		-32.044	-32.360
		Staff costs	2	-45.241	-42.980
-41	**-19**	**Income before depreciation**		**43.073**	**33.317**
0	0	Depreciation, amort. and impairm. losses	3	-9.313	-8.978
-41	**-19**	**Operating income**		**33.760**	**24.339**
12.338	23.881	Income from investments in group entities	4		
94	3	Financial income	5	3.033	3.301
-151	-85	Financial expenses	6	-5.620	-8.717
12.240	**23.780**	**Profit before tax**		**31.173**	**18.923**
21	22	Tax	7	-7.371	-6.662
12.261	**23.802**	**Profit for the year**	8	**23.802**	**12.261**

Balance sheet

(1.000 EUR)

Parent company 2016	Parent company 2017		Note	Group 2017	Group 2016
		Goodwill		46.909	48.526
		Files and application fees		19.403	19.712
		Other intangible assets		1.979	2.888
		Development projects in progress		719	0
		Intangible assets	9	**69.010**	**71.126**
		Property		18.588	19.829
		Leasehold improvements		82	65
		Plant and equipments		5.407	3.201
		Tangible fixed assets	10	**24.077**	**23.095**
117.634	138.165	Investments in group entities	11		
		Other bonds and equity investments	12	6.103	5.544
117.634	**138.165**	**Financial assets**		**6.103**	**5.544**
117.634	**138.165**	**Fixed assets**		**99.190**	**99.765**
0	**0**	**Inventories**	13	**151.405**	**148.576**
0	765	Receivables from sales		111.742	95.356
		Other receivables		1.277	676
		Prepayments	14	928	1.432
1	1	Deferred tax assets	16	447	448
496	5.163	Income taxes		747	1.215
497	**5.929**	**Receivables**		**115.141**	**99.127**
0	**0**	**Cash**		**39**	**3.086**
497	**5.929**	**Current assets**		**266.585**	**250.789**
118.131	**144.094**	**Total assets**		**365.775**	**350.554**

Balance sheet

(1.000 EUR)

Parent company 2016	Parent company 2017		Note	Group 2017	Group 2016
1.343	1.157	Share capital	15	1.157	1.343
96.848	117.379	Reserve for net revaluation of equity holdings		0	0
12.079	10.183	Retained earnings		127.562	108.927
3.363	5.373	Proposed dividends for the year		5.373	3.363
113.633	**134.092**	**Total equity**		**134.092**	**113.633**
		Deferred tax liabilities	16	3.170	2.839
		Provisions		**3.170**	**2.839**
		Mortgage debt		5.093	5.408
		Bank loan		22.339	39.956
		Long-term liabilities	17	**27.432**	**45.364**
		Short-term portion of long-term liabilities	17	18.588	10.868
693	374	Bank debt		97.252	100.887
0	0	Trade payables		52.962	43.099
3.800	9.623	Payables to group entities		0	0
0	0	Income taxes		1.369	5.538
5	5	Other debt		30.910	28.326
4.498	**10.002**	**Short-term liabilities**		**201.081**	**188.718**
4.498	**10.002**	**Liabilities**		**228.513**	**234.082**
118.131	**144.094**	**Total equity, provisions and liabilities**		**365.775**	**350.554**

Pledged assets and contingent liabilites	18
Other notes	19-23

Statement of changes in equity
(1.000 EUR)

	Group			
	Share capital	Retained earnings	Proposed dividend	Total
Equity at 01.01.2017	1.343	108.927	3.363	113.633
Reduction of share capital	-186	186	0	0
Adjustment of hedging instruments	0	392	0	392
Exchange rate adjustments	0	-372	0	-372
Distributed dividend	0	0	-3.363	-3.363
Profit for the year	0	18.429	5.373	23.802
Equity at 31.12.2017	**1.157**	**127.562**	**5.373**	**134.092**

	Parent company				
	Share capital	Net revaluation equity method	Retained earnings	Proposed dividend	Total
Equity at 01.01.2017	1.343	96.848	12.079	3.363	113.633
Reduction of share capital	-186	0	186	0	0
Adjustment of hedging instruments	0	392	0	0	392
Exchange rate adjustments	0	-379	7	0	-372
Distributed dividend in the year	0	0	0	-3.363	-3.363
Profit for the year	0	20.518	-2.089	5.373	23.802
Equity at 31.12.2017	**1.157**	**117.379**	**10.183**	**5.373**	**134.092**

Cash flow statement
(1.000 EUR)

	Note	Group 2017	Group 2016
Operating income		33.760	24.339
Depreciation and impairment losses		9.313	8.978
Exchange rate adjustments and hedging instruments on equity		50	39
Change in other provisions		0	-5.164
Working capital changes	19	-6.865	-30.842
		36.258	-2.650
Interests, net		-2.587	-5.394
Income taxes paid		-11.393	-5.089
Cash flows from operating activities		**22.278**	**-13.133**
Acquisition of intangible assets, property, plant and equipment		-10.219	-9.824
Sale of property, plant and equipment		2.119	2.465
Change in deposits, fixed asset investments		-15	0
Cash flows from investing activities		**-8.115**	**-7.359**
Cash flows from operating and investing activities		**14.163**	**-20.492**
Change in long-term liabilities other than provisions, net		-10.212	-13.081
Dividend paid		-3.363	-2.015
Cash flow from financing activities		**-13.575**	**-15.096**
Increase/decrease in cash and cash equivalents		**588**	**-35.588**
Cash and equivalents 01.01.2017		-97.801	-62.213
Cash and equivalents 31.12.2017	20	**-97.213**	**-97.801**

Notes
(1.000 EUR)

Parent company 2016	Parent company 2017		Group 2017	Group 2016
		1. Segment information		
		Revenue		
		Parallelimport	717.627	646.498
		Generics	79.278	79.279
		Total	**796.905**	**725.777**
		2. Staff costs		
		Wages and salaries	35.934	34.807
		Pension costs	3.313	2.805
		Other social security costs	5.994	5.368
			45.241	**42.980**
		Of this, for Board of Directors	**121**	**141**
		Average number of employees	**979**	**960**
		Accumulated fees paid to executive board and board of directors in the group, concerning managerial work	**1.239**	**1.040**
		3. Depreciation, amort. and impairm. losses		
		Goodwill	1.557	1.557
		Files and applications	5.017	4.381
		Other intangible assets	1.131	1.651
		Buildings	577	495
		Operating equip. and leasehold improvements	1.031	894
			9.313	**8.978**
		4. Income from investments in group enterprises		
12.338	23.881	Share of profit/loss after tax		
12.338	**23.881**			
		5. Financial income		
0	3	Financial income, group enterprises		
94	0	Other financial income	3.033	3.301
94	**3**		**3.033**	**3.301**

Notes
(1.000 EUR)

Parent company 2016	Parent company 2017		Group 2017	Group 2016
		6. Financial expenses		
151	75	Financial expenses, group enterprises		
0	10	Other financial expenses	5.620	8.717
151	**85**		**5.620**	**8.717**
		7. Tax		
-21	-22	Current tax	6.769	5.372
0	0	Change in deffered tax	333	579
0	0	Adjustments concerning previous years	269	711
-21	**-22**		**7.371**	**6.662**
		8. Distribution of profit		
	5.373	Proposed dividend		
	20.518	Reserve for net revaluation of equity holdings		
	-2.089	Retained earnings		
	23.802			

Group

9. Intangible assets	**Goodwill**	**Files and application fees**	**Other intangible assets**	**Develop-ment projects in progress**	**Total**
Cost at 01.01.2017	59.142	38.943	15.101	0	113.186
Additions	0	5.150	225	719	6.094
Exchange rate adjustments	-67	-389	-13	0	-469
Disposals	0	-893	-177	0	-1.070
Cost at 31.12.2017	**59.075**	**42.811**	**15.136**	**719**	**117.741**
Amortization 01.01.2017	10.616	19.231	12.213	0	42.060
Amortization for the year	1.557	5.017	1.131	0	7.705
Exchange rate adjustments	-7	-258	-10	0	-275
Reversal relating to disposals	0	-582	-177	0	-759
Amortization 31.12.2017	**12.166**	**23.408**	**13.157**	**0**	**48.731**
Carrying amount 31.12.2017	**46.909**	**19.403**	**1.979**	**719**	**69.010**
Carrying amount 31.12.2016	48.526	19.712	2.888	0	71.126

Notes
(1.000 EUR)

10. Tangible fixed assets	Group: Property	Leasehold improve-ments	Plant and equitment	Total
Cost at 01.01.2017	23.368	1.418	10.785	35.571
Additions	773	34	3.318	4.125
Exchange rate adjustments	244	-3	132	373
Disposals	-1.648	0	-696	-2.344
Cost at 31.12.2017	**22.737**	**1.449**	**13.539**	**37.725**
Depreciation 01.01.2017	3.539	1.353	7.584	12.476
Depreciation for the year	577	17	1.014	1.608
Exchange rate adjustments	33	-3	70	100
Reversal relating to disposals	0	0	-536	-536
Depreciation 31.12.2017	**4.149**	**1.367**	**8.132**	**13.648**
Carrying amount 31.12.2017	**18.588**	**82**	**5.407**	**24.077**
Carrying amount 31.12.2016	19.829	65	3.201	23.095

11. Investments in group entities	Parent company
Cost at 01.01.2017	20.786
Cost at 31.12.2017	**20.786**
Net revaluation at 01.01.2017	96.848
Net share of profit/loss for the year	23.881
Dividend distributed during the year	-3.363
Adjustment of hedging on equity	392
Exchange rate adjustments	-379
Net revaluation 31.12.2017	**117.379**
Carrying amount 31.12.2017	**138.165**
Carrying amount 31.12.2016	117.634

Unamortised share of group goodwill on consolidation amounts 2.596 t.EUR.

Investments in group enterprises:	Country	Share
Habico A/S	Denmark	100%
Habico Invest 2016 A/S	Denmark	100%

See Group structure page 8

Notes
(1.000 EUR)

	Group		
	Shares	Deposits	Total
12. Other bonds and equity investments			
Cost at 01.01.2017	4.705	28	4.733
Additions	950	617	1.567
Disposals	-1.552	0	-1.552
Cost at 31.12.2017	**4.103**	**645**	**4.748**
Value adjustment 01.01.2017	811	0	811
Value adjustment for the year	551	0	551
Exchange rate adjustments	-7	0	-7
Value adjustment 31.12.2017	**1.355**	**0**	**1.355**
Carrying amount 31.12.2017	**5.458**	**645**	**6.103**
Carrying amount 31.12.2016	5.516	28	5.544

Parent company			Group	
2016	2017		2017	2016
		13. Inventories		
		Raw materials and consumables	54.694	68.438
		Manufactured goods and goods for resale	96.711	80.138
			151.405	**148.576**

14. Prepayments

Consists of prepayments on costs concerning subsequent financial year.

15. Share capital

The share capital consists of 8.612 shares at EUR 134,3

The shares have not been divided into classes.

Parent company 2016	Parent company 2017	
1.343	1.343	Contribution from demerger 13.09.2003
	-186	Reduction of share capital
1.343	**1.157**	**Share capital 31.12.2017**

Notes

(1.000 EUR)

Parent company 2016	Parent company 2017		Group 2017	Group 2016
		16. Deferred tax		
		Deferred tax is incumbent on the following financial statement items:		
		Intangible assets	1.588	1.333
		Tangible fixed assets	1.571	1.386
		Inventories	-14	-5
		Other provisions	0	52
-1	-1	Tax loss carryforwards	-422	-375
-1	**-1**		**2.723**	**2.391**
		Net value is recognised in the balance sheet as follows:		
-1	-1	Deferred tax assets	-447	-448
		Deferred tax liabilities	3.170	2.839
-1	**-1**		**2.723**	**2.391**
		Development Deferred tax:		
-1	-1	Net value in balance sheet - primo year	2.390	1.775
0	0	Effect in P&L during the year	247	579
0	0	Effect on Equity during the year	86	37
-1	**-1**	Net value in balance sheet - ultimo year	**2.723**	**2.391**

	Group			
	Due for payment within 1 year	**Due for payment after 1 year**	**Amortized debt in total**	**Nominal debt in total**
17. Long-term debt				
Mortgage debt	537	5.093	5.630	5.630
Bank loans	18.051	22.339	40.390	40.390
Long-term debt 31.12.2017	**18.588**	**27.432**	**46.020**	**46.020**
Long term debt 31.12.2016	10.868	45.364	56.232	56.232
Due for payment after 5 years:				
Mortgage debt		2.515		
Bank loans		0		
		2.515		

Notes
(1.000 EUR)

	Group	
	2017	**2016**
18. Pledged assets and contingent liabilities		
Group:		
Mortgage deeds and letter of indemnity have been issued as security for credit institutions with a nominal amount of	**18.398**	**18.409**
The actual liability on the balance sheet date amounts to	**5.630**	**6.241**
Carrying amount of mortgaged properties	**15.872**	**15.450**
Certain operating equipments have been financed by means of finance leases.		
Total leasehold obligation until contracts expire	**945**	**420**
Leasehold liabilities	**6.531**	**7.298**

Group:
The Group has provided guarantees under which the guarantors assume joint and several liability for group enterprises' net debt with bank and credit institution. The Groups total net debt in relation to this guarantee is booked at MEUR 90,3 at 31. December 2017.

The group companies has provided receivables from sales of goods and services, MEUR 78,0, as security for debt to the Group's banks and credit institutions.

The group companies are a party to litigation regarding alleged infringements of trademark and patent rights. Management believes that these legal proceedings will not lead to significant losses for the group.

There are pledged payments concerning investments in stocks and equity holdings. The maximum claim of payment is MEUR 1,5.

The Group has normal trade obligations on returned goods, and no significant losses are expected.

Parent:
The Company is the administration company in a joint danish taxation. The Company therefore held liable under the Corporation Tax Act rules for income taxes, and if any obligation to withhold tax on interest, royalties and dividends for the jointly taxed companies.

	Group	
	2017	**2016**
19. Working capital changes		
Change in inventories (- = increase)	-2.829	-29.369
Change in receivables (- = increase)	-16.483	2.415
Change in trade payables etc. (- = decrease)	12.447	-3.888
	-6.865	**-30.842**
20. Cash and cash equivalents		
Cash	39	3.086
Short-term bank debt	-97.252	-100.887
	-97.213	**-97.801**

Notes
(1.000 EUR)

21. Related parties

Related parties with controlling interest in Habico Holding A/S:

Hans Bøgh-Sørensen, Odense (majority shareholder).

Other related parties Habico Holding A/S has had transactions with in 2017:

The companies Board of Directors and Executive Board.

Fees etc. are separately disclosed in note 2, Staff costs.

All other transactions with related parties are eliminated in the consolidated statements.

All transactions with related parties are carried out on arms length.

Parent company			Group	
2016	**2017**		**2017**	**2016**
		22. Fees to auditors appointed at the Company's general meeting		
		Fees are recognized under Other external expenses with:		
4	4	Audit	188	183
13	28	Other services	298	288
17	**32**		**486**	**471**

23. Exchange rate risk and financial instruments

As part of the hedge of recognized and unrecognized transactions, the Group uses hedging instruments in the form of forward exchange contracts. Hedge of recognized transactions primarily comprise receivables and payables. The Group also uses interest rate swap to secure fixed interest on long term liabilities. The Group has secured MEUR 16,9 to a fixed rate of 2.1% with duration until medio 2019. As at 31.12.2017 unrealized net losses on derivative financial instruments for currency hedging and interest rate swap on Group level in total amounts TEUR 94. The amount is in the balance sheet included under other debt.

Accounting policies

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year. The annual report is presented in EUR.

Income statement items are translated at the average rate for the year. Balance sheet items are translated at closing rate. The exchange rate adjustment from the average for the year, respectively, previous year's closing rate are posted directly to equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event, that future economic benefits will flow to the Group, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

The consolidated financial statements

The consolidated financial statements include Habico Holding A/S (parent company) and companies (group enterprises) controlled by the parent, see the group overview page 8. The parent company is considered to have control when it directly or indirectly owns more than 50% of the voting rights or in other ways actually exercises controlling influence. Companies in which the Group directly or indirectly owns between 20% and 50% of the voting rights and exercises significant influence, but no controlling influence, are considered as associated companies. See the group overview page 8.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements for Habico Holding A/S and it's subsidiaries. The consolidated financial statements are prepared by aggregation of uniform accounting items. On consolidation, elimination of intercompany revenue and expenses, and dividends as well as gains and losses on transactions between consolidated companies. The accounts used for consolidation are prepared in accordance with the groups accounting policies.

In the consolidated financial statement accounts of the subsidiaries are recognized 100%. Minority interests' proportionate share of net profit and net assets are presented as separate items in the income statement and balance sheet.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities acquired are recognised under intangible assets, and they are amortised systematically in the income statement based on an individual assessment of their useful lives, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet as a separate item under deferred income, and they are recognised in the income statement as such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated expenses for divestment or winding-up.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent units, all amounts are translated at the year-end rate. Differences in the exchange rate which arise when translating the foreign company’s equity at the beginning of the year using the exchange rates at balance sheet date are recognised directly in equity.

Derivatives

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are classified directly on equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not qualify as hedging instruments, changes in fair market value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign group enterprises or associates are classified directly as equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the determined consideration.

Other operating income

Other operating income comprises income of a secondary nature to the Group's primary activities.

Cost of sales

Cost of sales includes the consumption of commodities and freight costs that are incurred to generate the calculated revenue.

Other external expenses

Other external expenses comprise expenses for distribution, sale, advertising, administration, premises, etc.

Staff costs

Staff costs comprise wages and salaries, social security costs, pension contributions, etc. for the Company's staff.

Income from investments in Group entities

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Financial income and expenses

These items comprise interest income and interest expenses, realised as well as unrealised capital gains and losses on liabilities and transactions in foreign currencies.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the balance sheet date when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable values, either as a set-off against deferred tax liabilities or as net tax assets.

The Parent is jointly taxed with all Danish subsidiaries and parent companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

The jointly taxed companies are subject to the rules of section 11B of the Danish Companies Act governing interest deduction limitation. It has been agreed in the joint taxation that reduced interest deduction is recognised in the company in which the interest deduction has been reduced.

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed on the basis of the experience gained by Management for each business area.

The maximum amortization period of goodwill is 40 years.

The determination of the lifetime is decided based on an evaulation of a combined company with Know How, skills and a efficient organization, which is expected to provide development of the business in a long time to come, and because the lifetime of the medicinal products normally are very long.

When goodwill is subject to impairment, goodwill is written down to the lower of recoverable amount and carrying amount.

Files and application fees

Files and application fees are measured at cost less accumulated amortisation and impairment losses.

Files and application fees regarding a specific product in relation to which a potential future market can be demonstrated and where the intention is to market the product in question are recognised as intangible assets. Other costs relating to applications are recognised as cost in the income statement as incurred.

Accounting policies

Files and application fees regarding generic products are amortised straight-line over their expected useful lives calculated from the date when the product to which the files and application fees relate is introduced to the market. The amortisation period is 5-12 years.

When files and applications are subject to impairment, files and application fees are written down to the lower of recoverable amount and carrying amount.

Development projects in progress

Development costs comprises costs, staff costs and depreciations, directly associated to development activities.

Development projects, which are clearly defined and identifiable, and where the technical viability,ressources and a potential future market kan be established with the intention to produce,market or utilise the projects, are recognised in the balance sheet as intangible assets, if the cost are measured reliable, and there is a certain security, that the future profit will cover the production-, marketing- and aministrations costs as well as development costs. Additional development costs are recognised in the income statement, as the costs occurs.

Development projects, are measured at cost less accumulated amortisation and impairment.

When development projects are completed, the products are amortised straight-line over their expected useful lives calculated from the date when the product to which the development cost relate is introduced to the market. The amortisation period usually used is 5-10 years.

Other intangible assets

Cost of development and implementation of major IT systems as well as other intangible assets is measured at cost with deduction of accumulated amortisation and impairment losses. The period of amortisation is usually 3-7 years.

When other intangible assets are subject to impairment, other intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Properties, leasehold improvements and operating equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. Interest expenses are not included in cost.

The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value amounts to 40% of the acquisition price. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Property:	10-50 years
Leasehold improvements:	5-10 years
Operating equipment:	3-10 years

Estimated useful lives and residual values are reassessed annually.

When property, plant and equipment are subject to impariment, PPE are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised goodwill or negative goodwill on consolidation and plus or minus unrealised intra-group profits and losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and plus or minus amortisation of positive, or negative, goodwill on consolidation is recognised in the income statement.

Group enterprises with negative equity are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of investments in group enterprises is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost.

The purchase method is applied in the acquisition of investments in group enterprises; see above description under consolidated financial statements.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consu-mables and direct labour costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad receivables.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Bank debt

Bank debt comprises debt to banks.

Dividend

The proposed dividends for the financial year are recognised as equity.

Treasury shares

Acquisition and selling prices of as well as dividend on treasury shares are recognised directly as equity under retained earnings.

Accounting policies

Mortgage debt

At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. The mortgage debt is subsequently measured at amorti-sed cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortized cost, usually equaling nominal value of the liability.

Operating lease commitments

Lease payments on operating leases are recognised on an ongoing basis in the income statement over the term of the lease.

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognised in the cash flow sta-tement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divest-ment of enterprises, activities and fixed asset investments as well as acquisition, development, im-provement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Parent's share capital and related costs as well as the raising of loans, inception of finance leases, instal-ments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Segment information

Information should be provided for business segments. No information is given in respect of geo-graphical markets as the risk to which the markets are subject is found to be quite similar.

Financial highlights

Financial highlights are calculated as follows:

Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin:	$\frac{\text{Operating income x 100}}{\text{Revenue}}$
Equity ratio:	$\frac{\text{Equity x 100}}{\text{Total assets}}$
Return on equity:	$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$