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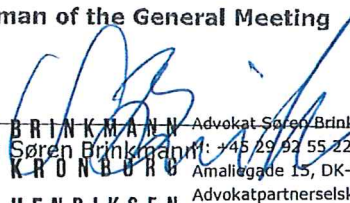
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Azanta A/S
Gearhalsvej 1
DK-2500 Valby
Central Business Registration
No 28108915

Annual report 2017

The Annual General Meeting adopted the annual report on 22.05.2018

Chairman of the General Meeting


Name: BRINKMANN Advokat Søren Brinkmann
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KRONDØR Amaliegade 15, DK-1256 Copenhagen
Advokatpartnerselskab
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Entity details

Entity

Azanta A/S
Gearhalsvej 1
DK-2500 Valby

Central Business Registration No: 28108915

Registered in: Valby

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

David Carl Christian von Kauffmann, Chairman

Per Gullestrup

Jens Munch-Hansen

Bo Jesper Hansen

Executive Board

Wolfgang Amann

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Azanta 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.

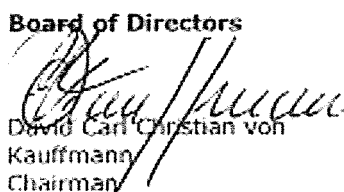
Copenhagen, 03.05.2018

Executive Board



Wolfgang Amann

Board of Directors




David Carl Christian von
Kauffmann
Chairman



Per Gullestrup



Jens Munch-Hansen



Bo Jesper Hansen

Independent auditor's report

To the shareholders of Azanta A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Azanta 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. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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 31.12.2016, and of the results of their operations for the financial year 01.01.2016 - 31.12.2016 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 Entity'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

Independent auditor's report

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 skepticism 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 Entity'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 Entity'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.

Independent auditor's report

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.

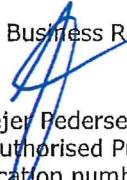
Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material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

Copenhagen, 03.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556


Jens Sejer Pedersen
State Authorised Public Accountant
Identification number (MNE) mne14986

Management commentary

Primary activities

Azanta A/S ("Azanta") is a privately-owned specialty pharmaceutical company primarily operating within obstetrics, women's healthcare, addiction medicine and oncology.

Vision

Azanta seeks to be a market leader within certain niche specialty pharma products, employing innovative repositioning and drug formulation strategies, offering patients the best medical treatment solutions.

Development in activities and finances

Revenue decreased from DKK 44.6 million in 2016 to DKK 34.5 million in 2017. The decrease was attributed to lower sale of addiction medicine as a result of many clinics had built up extra inventory at the end of 2016.

Following the approval in Q1 2017 for market launch of Angusta in the Nordic countries the Company continued to strengthen its commercial and medicinal organization, which resulted in increased staff costs. By investing in building an organization which can properly support the market launch of Angusta in the Nordic area and beyond, Azanta invested in the future growth of the Company although this strategy would result in a temporary worsening of the Company's operating financial results.

Thus, in 2017 the Company had a net loss of DKK 8.6 million compared with a profit in 2016 of DKK 1.7 million. The net loss was after R&D costs of DKK 17.6 million and a R&D tax credit of DKK 3.8 million. The Company shareholder capital and equity reserves as at 31/12 2017 amounted to DKK 16.8 million after a capital raise of DKK 2 million in Q4 2017 and the full year net loss of DKK 8.6 million. The Company's total balance as at 31/12 2017 was DKK 39.8 million.

In 2017 the Company performed debt service of DKK 9 million and the Company's cash balance by the end of 2017 was DKK 19.7 million. In Q1 2018 the Company repaid the remaining part of its debt, DKK 14.6 million, that was originally established in 2014.

To fund the commercialization of Angusta beyond the Nordics market, the Company secured in Q2 2018 a 2 year term loan of DKK 8 million with an additional credit facility of DKK 4 million if required. The Company expect to fund the servicing of this loan with free cash flow from operations. Repayment is in Q2 2020.

Management has, based on the above established funding in Q2 2018, prepared the consolidated financial statements for 2017 on the basis of going concern.

Development Projects

Angusta®

Angusta® is a 25 micrograms misoprostol tablet for oral use developed for induction of labour. Angusta® has been available on a Named Patient Use Program under special authorization in Denmark, Norway and Finland since 2013. As mentioned earlier in Q1 2017 Angusta® was granted Marketing Authorization in the Nordics countries (Denmark, Sweden, Norway, Finland and Iceland). By the end of 2017 more than 45.000 women in the Nordics has benefitted from Angusta®.

Management commentary

In December 2017 Regulatory Approval was granted for Angusta® in France and 10 countries in Central Eastern Europe (Latvia, Estonia, Poland, Romania, Bulgaria, Czech Republic, Slovakia, Hungary, Slovenia, Croatia) via a Mutual Recognition Procedure (MRP).

Marketing approval of Angusta® in other European countries as well as in North America will be pursued in 2018 and beyond.

Nimoral™

Nimoral™, a hypoxic radiosensitizer used in treatment of H&N cancer is in late stage development.

Nimoral™ is available on named patient/compassionate use in Denmark since 2011 and in Norway since 2015.

Outlook

In 2018 Azanta will continue the market launch of Angusta® in Denmark, Sweden, Norway and Finland and start launching in France and Central Eastern Europe. With a strengthened organization and increasing sales of Angusta®, the Company expects a continued positive development.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	1	34.480	44.550
Cost of sales		(6.491)	(8.723)
Other external expenses		(25.994)	(26.997)
Gross profit/loss		1.995	8.830
Staff costs	2	(11.595)	(8.102)
Depreciation, amortisation and impairment losses	3	(145)	(85)
Operating profit/loss		(9.745)	643
Other financial income	4	14	46
Other financial expenses	5	(2.633)	(3.247)
Profit/loss before tax		(12.364)	(2.558)
Tax on profit/loss for the year	6	3.780	4.283
Profit/loss for the year		(8.584)	1.725
Proposed distribution of profit/loss			
Retained earnings		(8.584)	1.725
		(8.584)	1.725

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment		1.221	1.366
Property, plant and equipment	7	1.221	1.366
Deposits		361	356
Fixed asset investments		361	356
Fixed assets		1.582	1.722
Raw materials and consumables		8.731	3.976
Inventories		8.731	3.976
Trade receivables		5.282	14.348
Other receivables		25	14
Income tax receivable		3.931	4.660
Prepayments		561	535
Receivables		9.799	19.557
Other investments		31	31
Other investments		31	31
Cash		19.701	30.775
Current assets		38.262	54.339
Assets		39.844	56.061

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		5.494	5.400
Retained earnings		11.294	18.237
Equity		<u>16.788</u>	<u>23.637</u>
Subordinate loan capital		0	13.361
Non-current liabilities other than provisions		<u>0</u>	<u>13.361</u>
Current portion of long-term liabilities other than provisions		13.946	7.736
Trade payables		2.511	2.740
Other payables		6.599	8.587
Current liabilities other than provisions		<u>23.056</u>	<u>19.063</u>
Liabilities other than provisions		<u>23.056</u>	<u>32.424</u>
Equity and liabilities		<u>39.844</u>	<u>56.061</u>
Unrecognised rental and lease commitments	8		
Mortgages and securities	9		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5.400	18.237	23.637
Increase of capital	94	1.834	1.928
Exchange rate adjustments	0	(193)	(193)
Profit/loss for the year	0	(8.584)	(8.584)
Equity end of year	5.494	11.294	16.788

Notes to consolidated financial statements

1. Revenue

The Group revenues are primarily derived from the areas of oncology, women's health and addiction medicines sold through the Nordic market.

	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	10.769	7.362
Pension costs	591	509
Other social security costs	235	231
	11.595	8.102
Average number of employees	10	7
	2017 DKK'000	2016 DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	145	85
	145	85
	2017 DKK'000	2016 DKK'000
4. Other financial income		
Interest income	14	46
	14	46
	2017 DKK'000	2016 DKK'000
5. Other financial expenses		
Interest expenses	2.633	3.247
	2.633	3.247
	2017 DKK'000	2016 DKK'000
6. Tax on profit/loss for the year		
Tax on current year taxable income	(3.780)	(4.283)
	(3.780)	(4.283)

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK'000
7. Property, plant and equipment	
Cost beginning of year	1.451
Cost end of year	1.451
Depreciation and impairment losses beginning of the year	(85)
Depreciation for the year	(145)
Depreciation and impairment losses end of the year	(230)
Carrying amount end of year	1.221

8. Unrecognised rental and lease commitments

The Company has rent payments concerning a contract, which is interminable until 31 May 2023, amounting to DKK 3,655 thousand.

9. Mortgages and securities

Azanta A/S and Azanta Danmark A/S have granted Norgine Venture a general floating charge of EUR 3 million on the Company's assets. The charge includes goodwill, rights, operating equipment, inventories and accounts receivable. The charge has been released in april 2018.

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue		822	1.541
Cost of sales		(644)	(1.227)
Other external expenses		(8.649)	(13.448)
Gross profit/loss		(8.471)	(13.134)
Staff costs	1	(6.650)	(4.067)
Depreciation, amortisation and impairment losses		(145)	(85)
Operating profit/loss		(15.266)	(17.286)
Income from investments in group enterprises		5.155	17.302
Other financial income		10	233
Other financial expenses	2	(2.396)	(2.807)
Profit/loss before tax		(12.497)	(2.558)
Tax on profit/loss for the year		3.913	4.283
Profit/loss for the year		(8.584)	1.725
Proposed distribution of profit/loss			
Retained earnings		(8.584)	1.725
		(8.584)	1.725

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment		1.221	1.366
Property, plant and equipment	3	<u>1.221</u>	<u>1.366</u>
Investments in group enterprises		63.604	61.259
Deposits		337	332
Fixed asset investments	4	<u>63.941</u>	<u>61.591</u>
Fixed assets		<u>65.162</u>	<u>62.957</u>
Raw materials and consumables		923	95
Inventories		<u>923</u>	<u>95</u>
Other receivables		345	421
Income tax receivable		3.862	4.283
Prepayments		402	328
Receivables		<u>4.609</u>	<u>5.032</u>
Other investments		31	31
Other investments		<u>31</u>	<u>31</u>
Cash		<u>6.229</u>	<u>19.785</u>
Current assets		<u>11.792</u>	<u>24.943</u>
Assets		<u>76.954</u>	<u>87.900</u>

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital	5	5.494	5.400
Retained earnings		11.294	18.237
Equity		16.788	23.637
Payables to group enterprises		54.698	59.020
Non-current liabilities other than provisions	6	54.698	59.020
Trade payables		4.228	5.115
Payables to group enterprises		756	0
Other payables		484	128
Current liabilities other than provisions		5.468	5.243
Liabilities other than provisions		60.166	64.263
Equity and liabilities		76.954	87.900
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Mortgages and securities	9		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5.400	18.237	23.637
Increase of capital	94	1.834	1.928
Exchange rate adjustments	0	(193)	(193)
Profit/loss for the year	0	(8.584)	(8.584)
Equity end of year	5.494	11.294	16.788

In 2012 and 2014, a total of 400,000 and 148,000 warrants respectively were issued to members of the Company's management. Each warrant confers a right to subscribe for 1 share at a subscription price of DKK 18.229 per nominal DKK 0.10 share in the Company. The warrants vest with one third on each of the first, second and third anniversary of the grant and can be exercised for five years after the vesting of each tranche.

In 2014, a total of 171,253 warrants were issued to Norgine Venture (the "Norgine Warrants"). Each warrant confers a right to subscribe for 1 share at a base subscription price of DKK 45.651 per nominal DKK 0.10 share in the Company. The warrants will be exercisable for 10 years from the grant date, in 2014. In the event that an investment round, where shares, warrants, convertible debentures or similar share instruments are subscribed for in the Company, occurs before these Norgine Warrants expire or are exercised, the base subscription price shall be adjusted. The revised base subscription price will be the lowest price paid per share in the last investment round before any exercise or expiry of the Norgine Warrants.

In 2015, a total of 6,000,050 warrants were issued to EEP Co-Investment Limited. Each warrant confers a right to subscribe for 1 share at a subscription price of DKK 1.075 per nominal DKK 0.10 share in the Company. The warrants will be exercisable up until 31 December 2030 or for 5 years after the first trading day following an Initial Public Offering ("IPO") if such an IPO occurs between 23 September 2019 and 23 September 2024.

In 2016, a total of 822,410 warrants were issued to CEO Hanne Damgaard Jensen. Each warrant confers a right to subscribe for 1 share at a subscription price of DKK 1.075 per nominal DKK 0.10 share in the Company. 20% of the warrants will be exercisable 5 April 2017 – 5 April 2027, 20% of the warrants will be exercisable 5 April 2018 – 5 April 2028, 30% of the warrants will be exercisable 5 April 2019 – 5 April 2029 and 30% of the warrants will be exercisable 5 April 2020 – 5 April 2030.

In 2017, a total of 683,607 warrants were issued to Board Member Bo Jesper Hansen. Each warrant confers a right to subscribe for 1 share at a subscription price of DKK 1.075 per nominal DKK 0.10 share in the Company. The warrants will be exercisable up until 31 December 2030 or for 5 years after the first trading day following an Initial Public Offering ("IPO") if such an IPO occurs between 23 September 2019 and 23 September 2024.

The detailed terms and conditions associated with the respective warrants above are contained in the Company's Articles of Association.

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Staff costs		
Wages and salaries	6.050	3.677
Pension costs	572	372
Other social security costs	28	18
	6.650	4.067
Average number of employees	4	3
	2017 DKK'000	2016 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	2.349	2.618
Interest expenses	47	189
	2.396	2.807
		Other fixtures and fittings, tools and equipment DKK'000
3. Property, plant and equipment		
Cost beginning of year		1.451
Cost end of year		1.451
Depreciation and impairment losses beginning of the year		(85)
Depreciation for the year		(145)
Depreciation and impairment losses end of the year		(230)
Carrying amount end of year		1.221

Notes to parent financial statements

	Investments in group enterprises DKK'000	Deposits DKK'000
4. Fixed asset investments		
Cost beginning of year	74.900	332
Additions	1.754	5
Cost end of year	76.654	337
Impairment losses beginning of year	(13.641)	0
Exchange rate adjustments	(193)	0
Share of profit/loss for the year	5.155	0
Dividend	(4.371)	0
Impairment losses end of year	(13.050)	0
Carrying amount end of year	63.604	337

	Registered in	Equity inter- rest %
Investments in associates comprise:		
Azanta AS	Oslo, Norway	100,0
Azanta AB	Stockholm, Sweden	100,0
Azanta Oy	Espoo, Finland	100,0
Azanta Danmark A/S	Valby, Denmark	100,0

	Number	Par value DKK'000	Nominal value DKK'000
5. Contributed capital			
Ordinary shares	54.935.183	0,1	5.494
	54.935.183		5.494

6. Liabilities other than provisions

Payables to group enterprises is due March 31, 2019 at the earliest.

7. Unrecognised rental and lease commitments

The Company has rent payments concerning a contract, which is interminable until 31 May 2023, amounting to DKK 3,655 thousand.

Notes to parent financial statements

8. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

9. Mortgages and securities

Azanta A/S and Azanta Danmark A/S have granted Norgine Venture a general floating charge of EUR 3 million on the Company's assets. The charge includes goodwill, rights, operating equipment, inventories and accounts receivable. The charge has been released in april 2018.

In a comfort letter dated 31 December 2017, Azanta A/S has confirmed its full financial support to the subsidiary, Azanta AB, Sweden.

In a comfort letter dated 30 April 2018, Azanta A/S has confirmed its full financial support to the subsidiary, Azanta Danmark A/S.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, and the value of the liability 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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

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

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

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 for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

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

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs

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 writedowns for bad and doubtful debts.

Accounting policies

Income tax payable or receivable

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.

Prepayments

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

Other investments

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.