2care4 ApS

Stenhuggervej 12, DK-6710 Esbjerg V

Annual Report for 1 January - 31 December 2019

CVR No 28 96 40 80

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 4 /6 2020

Frederik Bloch Jørgensen
Chairman of the General Meeting

pwc

Contents

pwc

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of 2care4 ApS for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Esbjerg, 4 June 2020

Executive Board

Ulrik Ernst Rasmussen
CEO

Board of Directors

Henrik Bisgaard Jensen	Toke Værndal

Independent Auditor's Report

To the Shareholders of 2care4 ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of 2care4 ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of 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 financial statements that are free from material misstate-

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Esbjerg, 4 June 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Palle H. Jensen	Stefan Dracea
State Authorised Public Accountant	State Authorised Public Accountant
mne32115	mne42827

Company Information

The Company	2care4 ApS Stenhuggervej 12 DK-6710 Esbjerg V Telephone: + 45 7515 2900 Facsimile: + 45 7515 2910 Website: www.2care4.dk CVR No: 28 96 40 80 Financial period: 1 January - 31 December Incorporated: 5 August 2005 Financial year: 14th financial year Municipality of reg. office: Esbjerg
Board of Directors	Henrik Bisgaard Jensen Toke Værndal
Executive Board	Ulrik Ernst Rasmussen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Esbjerg Brygge 28 DK-6700 Esbjerg

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019	2018	2017	2016	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	830,481	766,648	696,739	626,773	457,403
Gross profit/loss	96,132	90,998	76,501	83,368	56,656
Operating profit/loss	22,773	30,991	17,613	32,417	15,297
Net financials	-2,673	-3,925	-2,352	-5,790	-4,951
Net profit/loss for the year	15,833	21,083	11,751	20,723	7,926
Balance sheet					
Balance sheet total	341,533	314,888	285,558	244,275	195,678
Equity	58,667	42,833	21,750	29,871	26,079
Investment in property, plant and equipment	4,526	2,358	818	1,871	390
Number of employees	102	79	64	61	72
Ratios					
Gross margin	11.6%	11.9%	11.0%	13.3%	12.4%
Solvency ratio	17.2%	13.6%	7.6%	12.2%	13.3%
Return on equity	31.2%	65.3%	45.5%	74.1%	35.4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to accounting policies, the comparative figures back to 2015 have not been restated. See the description under accounting policies.

Management's Review

Key activities

The Company's main activity is the development, importation, production, distribution and exportation of medical products.

Development in the year

Profit for the year after tax for 2019 amounts to DKKm 15.8 (2018: DKKm 21.1). The profit for the year is considered less satisfactory and does not meet the expectations for 2019. Growth was expected to be around 15% for 2019, which was achieved, but profit expectations were not met, primarily due to price and market developments.

For the financial year 2020, the Company expects an activity level similar to 2019 but a decreasing profit level due to the impact of the COVID-19 pandemic, non the less the profit level is still expected to be positive.

Special risks - operating risks and financial risks

General risk

When launching new products, the Company is very dependent on the processing time partly with the healthcare authorities in the countries where the products are sold and partly with the central European registration authority, EMA, in Amsterdam. In a number of countries, the processing time still remains long, which limits a fast introduction of new parallel imported goods.

Furthermore, we see a general risk in an increase of export restrictions from political side.

Financial risks

The Company is exposed to fluctuations in interest rate levels and foreign exchange rates.

Control of the financial risks and cash flows of the Company is conducted from the headquarters of the Group. The Group pursues a low risk profile within this area.

Equivalently, a tight control of the credit policy is implemented. Thus, the Company only has a very limited risk towards customers or co-operators. The majority of sales is effected to consolidated pharmaceutical wholesalers.

Research and development

The development of the Company includes implemented measures that within a few years are expected to generate increased revenue for the Company.

Management's Review

Statement of corporate social responsibility

Business model

The business model of 2care4 ApS includes the development, in-licensing, production, import, export and distribution of medical products and equipment and business related to that. The main activity relates toparallel import of medical products purchased throughout Europe, which are then sold in the Scandinavian market under strict surveillance by relevant authorities. The Company is represented in the Scandinavian countries and in Poland and currently employs over 340 people of whom approximately 130 work out of the headquarters in Esbjerg, Denmark.

The Company only trades medical products approved for sale locally by European authorities allowing for purchasing the products in one country, relabeling the products to contain Scandinavian instructions for use before selling to pharmacies and hospitals in Denmark, Norway and Sweden in compliance with the detailed legislation for the type of business.

The Company complies with all relevant legislation related to Corporate Social Responsibility, andgenerally strives to minimize the negative impacts of the Company's activities as much as possible.

Risk analysis

Risk is defined as the potential negative effect that can be experienced by the business or any of the 2care4´s stakeholders. Risk is seen as a combination between impact and likelihood of any given subject.

Production

When purchasing medical products for parallel import, 2care4 buys from wholesalers. There is no contact with the original producer as such, and therefore, 2care4 has no influence on the production phase at all. As regards the 2care4's generic business, we are in constant dialogue with our partners to ensure that they are in compliance with all local legislation and rules.

With regard to worker safety, we have a zero-accident target for our internal production sites. The result for 2019 was 1 accident, which was registered, and experience gained was implemented to avoid similar incidents in the future.

Anti-corruption

The Company has a zero tolerance towards corruption, and when marketing products towards pharmacies in the Nordics and DE, the guidelines of AME (Affordable Medicines Europe), MFE (Medicines for Europe) and of ENLI (Etisk Nævn for Lægemiddel Industrien) are applied and complied with in detail. Due to the nature of the traded products and the fact that authorities have defined very detailed regulations around the activities and business processes, the Company has not identified any risks with respect to corruption and bribery for neither PI nor Generics.

Human rights

2care4's potential risk of influencing social and employee conditions and human rights is in general estimated to be limited, mainly due to the strictly regulated business environment in which the Company

Management's Review

operates. We strive to comply with all current legislation and guidelines in relation to human rights etc. both internally as well as externally. We have no knowledge of breach in any way internally for both PI and Generics or externally via our business partners.

Environment and energy consumption

The energy consumption and general environmental footprint from 2care4's PI activities are very limited and has limited impact on the surrounding environment. Since the medical products are purchased as commodities, 2care4 has little opportunity to assess and evaluate impacts on the environment in the supply chain. This given that there is no contact with the original producer as such and, therefore, the Company has no influence on the production phase at all.

In our opinion, we as a Company comply with current legislation in the area, and we are in dialogue with our business partners concerning compliance with local legislation at the locations in the world where the Company's products are manufactured. The Company's generic division is managed by the headquarters in Denmark at which we ensure compliance with local Danish legislation.

2care4 ApS is currently in the process of revising and developing clearer guidelines on CSR related areas such as environment, anti-corruption and human rights in 2020.

Statement on gender composition

Diversity target for the Board of Directors

The Company has set at target of 20% women on the Board of Directors no later than in 2020/21. Status at the end of 2019 is zero due to that the general assembly in 2019 not requiring changes to the Board.

The Company has obtained a gender split of 49% women and 51% men at other management levels and has thereby obtained equal representation.

Subsequent events

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak.

Company Management has tried to estimate the effect of COVID-19 on the expected revenue and net profit of the Company. It is, however, too early yet to give an opinion as to the extent of the negative implications. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

Income Statement 1 January - 31 December

	Note	2019 DKK'000	2018 DKK'000
Revenue	1	**830,481**	**766,648**
Change in inventories of finished goods, work in progress and goods for resale		19,400	18,081
Expenses for raw materials and consumables		-722,939	-664,745
Other external expenses		-30,810	-28,986
Gross profit/loss		**96,132**	**90,998**
Staff expenses	2	-61,473	-49,188
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-11,886	-10,819
Profit/loss before financial income and expenses		**22,773**	**30,991**
Financial income	4	993	793
Financial expenses	5	-3,666	-4,718
Profit/loss before tax		**20,100**	**27,066**
Tax on profit/loss for the year	6	-4,267	-5,983
Net profit/loss for the year		**15,833**	**21,083**

Balance Sheet 31 December

Assets

	Note	2019	2018
		DKK'000	DKK'000
Completed development projects		793	3,198
Acquired licenses		13,452	12,902
Intangible assets	7	**14,245**	**16,100**
Other fixtures and fittings, tools and equipment		2,390	1,900
Leasehold improvements		731	180
Prepayments for property, plant and equipment		2,881	1,260
Property, plant and equipment	8	**6,002**	**3,340**
Fixed assets		**20,247**	**19,440**
Inventories	9	**188,711**	**186,402**
Trade receivables		87,927	86,468
Receivables from group enterprises		24,944	18,538
Other receivables	10	788	1,075
Deferred tax asset	13	1,276	0
Prepayments	11	1,437	1,515
Receivables		**116,372**	**107,596**
Cash at bank and in hand		**16,203**	**1,450**
Currents assets		**321,286**	**295,448**
Assets		**341,533**	**314,888**

Balance Sheet 31 December

Liabilities and equity

	Note	2019	2018
		DKK'000	DKK'000
Share capital		125	125
Reserve for development costs		541	1,069
Retained earnings		58,001	41,639
Equity		**58,667**	**42,833**
Provision for deferred tax	13	0	1,134
Other provisions	14	16,005	6,150
Provisions		**16,005**	**7,284**
Credit institutions		5,199	6,282
Lease obligations		0	374
Other payables		1,119	0
Long-term debt	15	**6,318**	**6,656**
Credit institutions	15	205,982	172,285
Lease obligations	15	90	104
Trade payables		24,862	43,723
Payables to group enterprises		5,456	19,268
Corporation tax		6,677	4,514
Other payables	15	17,476	18,221
Short-term debt		**260,543**	**258,115**
Debt		**266,861**	**264,771**
Liabilities and equity		**341,533**	**314,888**
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	125	1,069	41,640	42,834
Development costs for the year	0	157	-157	0
Depreciation, amortisation and impairment for the year	0	-685	685	0
Net profit/loss for the year	0	0	15,833	15,833
Equity at 31 December	**125**	**541**	**58,001**	**58,667**

Notes to the Financial Statements

		2019	2018
		DKK'000	DKK'000
1	**Revenue**		
	Geographical segments		
	EU	754,027	696,649
	Other world	76,454	69,999
		830,481	**766,648**
	Revenue by activity		
	Human	830,481	766,577
		830,481	**766,648**
2	**Staff expenses**		
	Wages and salaries	56,839	45,469
	Pensions	1,883	1,548
	Other social security expenses	804	669
	Other staff expenses	1,947	1,502
		61,473	**49,188**
	Average number of employees	**102**	**79**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

		2019	2018
		DKK'000	DKK'000
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	10,518	9,551
	Depreciation of property, plant and equipment	1,410	1,015
	Gain and loss on disposal	-42	253
		11,886	**10,819**
4	**Financial income**		
	Interest received from group enterprises	993	517
	Exchange adjustments	0	276
		993	**793**
5	**Financial expenses**		
	Interest paid to group enterprises	509	944
	Other financial expenses	3,157	3,774
		3,666	**4,718**
6	**Tax on profit/loss for the year**		
	Current tax for the year	6,844	4,514
	Deferred tax for the year	-2,410	1,469
	Adjustment of tax concerning previous years	-167	0
		4,267	**5,983**

Notes to the Financial Statements

7 Intangible assets

	Completed development projects	Acquired licenses
	DKK'000	DKK'000
Cost at 1 January	11,279	45,881
Additions for the year	318	8,837
Disposals for the year	-6,239	-1,836
Cost at 31 December	5,358	52,882
Impairment losses and amortisation at 1 January	8,081	32,979
Amortisation for the year	2,233	8,285
Reversal of amortisation of disposals for the year	-5,749	-1,834
Impairment losses and amortisation at 31 December	4,565	39,430
Carrying amount at 31 December	**793**	**13,452**
Amortised over	3 years	3 years

Completed development projects

Completed development projects include development and registration of pharmaceutical products for humans. Each product has a 3 year depreciation period, starting from when the product is launched in the market. The management has not established any indication for impairment of the current book value of the assets.

Notes to the Financial Statements

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments for property, plant and equipment
	DKK'000	DKK'000	DKK'000
Cost at 1 January	5,827	2,662	1,260
Additions for the year	2,176	729	1,621
Disposals for the year	-1,577	0	0
Cost at 31 December	6,426	3,391	2,881
Impairment losses and depreciation at 1 January	3,927	2,482	0
Depreciation for the year	1,233	178	0
Reversal of impairment and depreciation of sold assets	-1,124	0	0
Impairment losses and depreciation at 31 December	4,036	2,660	0
Carrying amount at 31 December	**2,390**	**731**	**2,881**
Depreciated over	3-5 years	3-10 years	
Including assets under finance leases amounting to	90	0	0

9 Inventories

	2019	2018
	DKK'000	DKK'000
Raw materials and consumables	79,848	99,148
Work in progress	4,634	7,427
Finished goods and goods for resale	63,292	47,812
Prepayments for goods	40,937	32,015
	188,711	**186,402**

10 Other receivables

The company has entered currency forward contracts to hedge future cashflow in Swedish and Norwegian kroner, totalling kSEK 19,876 and kNOK 7.589 for January 2020. Compared to the forward exchange rates the contracts hold a positive value of kDKK 141. The hedging does not meet the accounting criterias for hedging and the profit is therefore booked in the income statement under financial income.

Notes to the Financial Statements

11 Prepayments

Prepayments consist of prepaid expenses.

12 Distribution of profit

	2019 DKK'000	2018 DKK'000
Retained earnings	15,833	21,083
	15,833	**21,083**

13 Deferred tax asset

	2019 DKK'000	2018 DKK'000
Intangible assets	3,134	3,541
Property, plant and equipment	-483	-499
Inventories	-3	-231
Trade receivables	-78	0
Amortization	-3,850	-1,682
Tax loss carry-forward	4	5
Transferred to deferred tax asset	1,276	0
	0	**1,134**
Deferred tax asset		
Calculated tax asset	1,276	0
Carrying amount	**1,276**	**0**

14 Other provisions

The recognized provision amounts to kDKK 16,005 (2018: kDKK 6,150) to cover the estimated reimbursement of price reductions to customers, to cover items at customers and profit on goods that probably will be returned according to cooperation agreements. The provision is recognized based on previous experience regarding the extend of these liabilities.

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2019	2018
	DKK'000	DKK'000
Credit institutions		
After 5 years	878	0
Between 1 and 5 years	4,321	6,282
Long-term part	5,199	6,282
Within 1 year	1,080	968
Other short-term debt to credit institutions	204,902	171,317
Short-term part	205,982	172,285
	211,181	**178,567**
Lease obligations		
Between 1 and 5 years	0	374
Long-term part	0	374
Within 1 year	90	104
	90	**478**
Other payables		
Between 1 and 5 years	1,119	0
Long-term part	1,119	0
Other short-term payables	17,476	18,221
	18,595	**18,221**

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

As collateral for bank loans kDKK 188,699, the company has issued af floating company charge at nominal value kDKK 98,000 including the following assets, which on the 31st of december 2019 amounts to kDKK:

	2019 DKK'000	2018 DKK'000
Trade receiveables	87,926	86,468
Inventories	188,711	186,402
Fixture and fittings, tools and equipment (excl. finance leasing)	2,300	1,368
Intangible assets	14,246	16,100

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of 2care4 Group ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
2care4 Group ApS	Parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest group

Name	Place of registered office
2care4 Group ApS	Stenhuggervej 12, 6710 Esbjerg V.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of 2care4 ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in kDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of 2care4 Group ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

18 Accounting Policies (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with 2care4 Group ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Intangible assets

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process inquestion, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, anamount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful liveswhich are determined based on a specific assessment of each development project. If the useful lifecannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, butover no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Notes to the Financial Statements

18 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-10	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

18 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$