

Paranova Pack A/S

Marielundvej 46 D 2. tv., 2730 Herlev
CVR no. 29 43 16 12

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 30.06.23

Erik Bernhard Pfeiffer
Dirigent



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The company

Paranova Pack A/S
Marielundvej 46 D 2. tv.
2730 Herlev

Tel.: 44 66 32 00
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Registered office: Herlev
CVR no.: 29 43 16 12
Financial year: 01.01 - 31.12

Executive Board

Dirk Andreas Oltersdorf

Board of Directors

Erik Bernhard Pfeiffer
Dirk Andreas Oltersdorf
Hans-Joachim Oltersdorf

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Paranova Group A/S, Herlev

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

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

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

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

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

Herlev, June 30, 2023

Executive Board

Dirk Andreas Oltersdorf

Board of Directors

Erik Bernhard Pfeiffer
Chairman

Dirk Andreas Oltersdorf

Hans-Joachim Oltersdorf

To the Shareholder of Paranova Pack A/S**Opinion**

We have audited the financial statements of Paranova Pack A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the 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 Financial Statements Act.

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Soeborg, Copenhagen, June 30, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Nygaard

State Authorized Public Accountant
MNE-no. mne11743

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Revenue	1,748,809	1,837,475	1,483,106	1,309,512	1,338,582
Index	131	137	111	98	100
Gross result	-5,579	31,006	28,167	25,715	29,689
Index	-19	104	95	87	100
Operating profit/loss	-33,458	5,663	154	-4,809	827
Index	-4,046	685	19	-581	100
Total net financials	-8,186	-4,153	-1,071	-1,615	-4,288
Index	191	97	25	38	100
Profit/loss from continuing operations	-54,514	1,628	-917	0	0
Index	-	-	-	-	100
<i>Balance</i>					
Total assets	94,391	149,335	184,382	277,176	261,437
Index	36	57	71	106	100
Investments in property, plant and equipment	319	528	317	737	0
Index	-	-	-	-	100
Equity	-2,065	52,449	50,821	51,738	58,162
Index	-4	90	87	89	100
Ratios					
	2022	2021	2020	2019	2018
<i>Profitability</i>					
Return on equity	-216%	3%	-2%	-12%	-5%
Gross margin	0%	2%	2%	2%	2%
Profit margin	-2%	0%	0%	0%	0%

Ratios - continued -

	2022	2021	2020	2019	2018
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Others

Number of employees (average)	45	40	47	55	55
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Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$				
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Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$				
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Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$				
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Primary activities

The company's activities comprise wholesale of pharmaceuticals and healthcare products.

The company is the operational company within the Paranova Group.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK -54,514k against DKK 1,628k for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK -2,065k.

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

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

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

The revenue in in the German market was as expected.

Information on going concern

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

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

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

Outlook

Based on the challenges in 2022 the company has started a few initiatives in the different business areas. The business and the organization was restructured and more will be done with data analytics and streamlined processes. The focus is on valuable assortments.

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

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

No serious impact is expected from the Ukrainian crisis.

Financial risks*Foreign currency risks*

A significant share of the sourcing is in foreign currencies. The company has not entered into hedging contracts. The company does not engage in speculative currency positions.

Interest rate risks

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

Subsequent events

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

Corporate social responsibility

The company is part of the Paranova Group. Reference is made to the group corporate social responsibility report in the annual report for 2022 for the parent company Paranova Group A/S, CVR-no. 18 13 94 80.

Income statement

Note		2022 DKK '000	2021 DKK '000
3	Revenue	1,748,809	1,837,475
	Other operating income	2,265	3,999
	Cost of sales	-1,733,559	-1,786,602
	Other external expenses	-23,094	-23,866
	Gross result	-5,579	31,006
4	Staff costs	-26,239	-23,694
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	-31,818	7,312
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-1,640	-1,645
	Other operating expenses	0	-4
	Operating profit/loss	-33,458	5,663
	Financial income	1,139	2,294
5	Financial expenses	-9,325	-6,447
	Profit/loss before tax	-41,644	1,510
6	Tax on profit or loss for the year	-12,870	118
	Profit/loss for the year	-54,514	1,628
	Proposed appropriation account		
	Retained earnings	-54,514	1,628
	Total	-54,514	1,628

ASSETS		31.12.22	31.12.21
Note		DKK '000	DKK '000
	Acquired rights	1,473	2,328
7	Total intangible assets	1,473	2,328
	Other fixtures and fittings, tools and equipment	791	794
8	Total property, plant and equipment	791	794
9	Deposits	226	226
	Total investments	226	226
	Total non-current assets	2,490	3,348
	Raw materials and consumables	1,244	63
	Manufactured goods and goods for resale	64,149	117,539
	Prepayments for goods	0	735
	Total inventories	65,393	118,337
	Trade receivables	2,781	428
	Receivables from group enterprises	24	12,701
	Deferred tax asset	0	12,870
	Other receivables	22,076	16
10	Prepayments	1,392	1,083
	Total receivables	26,273	27,098
	Cash	235	552
	Total current assets	91,901	145,987
	Total assets	94,391	149,335

EQUITY AND LIABILITIES		31.12.22	31.12.21
Note		DKK '000	DKK '000
	Share capital	500	500
	Retained earnings	-2,565	51,949
	Total equity	-2,065	52,449
12	Other provisions	1,281	2,902
	Total provisions	1,281	2,902
	Payables to other credit institutions	78	0
	Trade payables	2,315	2,713
	Payables to group enterprises	71,348	68,601
	Other payables	21,434	22,670
	Total short-term payables	95,175	93,984
	Total payables	95,175	93,984
	Total equity and liabilities	94,391	149,335
13	Contingent liabilities		
14	Related parties		

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings
Statement of changes in equity for 01.01.21 - 31.12.21		
Balance as at 01.01.21	500	50,321
Net profit/loss for the year	0	1,628
Balance as at 31.12.21	500	51,949
Statement of changes in equity for 01.01.22 - 31.12.22		
Balance as at 01.01.22	500	51,949
Net profit/loss for the year	0	-54,514
Balance as at 31.12.22	500	-2,565

1. Information as regards going concern

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

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

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

2. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2022 DKK '000	2021 DKK '000
Gain on the disposal of property, plant and equipment	Other operating income	1	0
Adjustment of deferred tax for the year	Tax on profit or loss for the year	-12,870	0
Total		-12,869	0

Impairment adjustment has been made regarding the company's deferred tax asset due to uncertainty about the timing of the use of the asset.

	2022	2021
	DKK '000	DKK '000

3. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Revenue, sales of medicine	1,748,809	1,837,475
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Revenue comprises the following geographical markets:

Revenue, Denmark	374,138	734,384
Revenue, Germany	834,392	625,146
Revenue, Sweden	271,569	283,165
Revenue, Finland	163,839	183,332
Revenue, other countries	104,871	11,448
Total	1,748,809	1,837,475

	2022	2021
	DKK '000	DKK '000
4. Staff costs		
Wages and salaries	21,547	19,622
Pensions	3,384	2,954
Other social security costs	445	414
Other staff costs	863	704
Total	26,239	23,694
Average number of employees during the year	45	40

5. Financial expenses

Interest, group enterprises	2,411	3,012
Other interest expenses	12	59
Foreign currency translation adjustments	6,902	3,376
Total	9,325	6,447

6. Tax on profit or loss for the year

Adjustment of deferred tax for the year	12,870	-1,510
Adjustment of tax in respect of previous years	0	1,392
Total	12,870	-118

7. Intangible assets

Figures in DKK '000

Acquired rights

Cost as at 01.01.22	6,843
Additions during the year	474
Cost as at 31.12.22	7,317
Amortisation and impairment losses as at 01.01.22	-4,516
Amortisation during the year	-1,328
Amortisation and impairment losses as at 31.12.22	-5,844
Carrying amount as at 31.12.22	1,473

8. Property, plant and equipment

Figures in DKK '000

Other fixtures
and fittings,
tools and
equipment

Cost as at 01.01.22	1,931
Additions during the year	319
Disposals during the year	-11
Cost as at 31.12.22	2,239
Depreciation and impairment losses as at 01.01.22	-1,137
Depreciation during the year	-311
Depreciation and impairment losses as at 31.12.22	-1,448
Carrying amount as at 31.12.22	791

9. Non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.22	226
Cost as at 31.12.22	226
Carrying amount as at 31.12.22	226

	31.12.22 DKK '000	31.12.21 DKK '000
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10. Prepayments

Prepaid insurance premiums	509	31
Prepaid membership fees and subscriptions	228	167
Prepaid lease payments	0	12
Other prepayments	655	873
Total	1,392	1,083

11. Deferred tax

Provisions for deferred tax as at 01.01.22	12,870	12,752
Deferred tax recognised in the income statement	-12,870	118
Provisions for deferred tax as at 31.12.22	0	12,870

	31.12.22	31.12.21
	DKK '000	DKK '000

12. Other provisions

Other provisions are expected to be distributed as follows:

Current liabilities	1,281	2,902
Total	1,281	2,902

13. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 3-35 months and average lease payments of DKK 332k. a total of DKK 2,451k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 0k at the balance sheet date, of which DKK 0k is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

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

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

14. Related parties

The company is included in the consolidated financial statements of the parent Paranova Group A/S, Herlev.

15. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class by applying the exemption set out in section 78a of the Danish Financial Statements Act.

Change in accounting policies

The company has changed its accounting policies in the following areas:

Transition to application of the rules applying to a lower reporting class

The company is placed in reporting class C medium-sized, but presents its annual report in accordance with the provisions laid down for class B enterprises in accordance with the rules on subsidiaries in reporting class C medium-sized set out in section 78a of the Danish Financial Statements Act. The recognition and measurement provisions have been amended in accordance with the provisions laid down for class B enterprises, which has had no effect in recognition and measurement:

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities

15. Accounting policies - continued -

are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

15. Accounting policies - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

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

INCOME STATEMENT**Gross result**

Gross result comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

15. Accounting policies - continued -**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value DKK '000
Acquired rights	3	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

15. Accounting policies - continued -

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

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

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Acquired rights*

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

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

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

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

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

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

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

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

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

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

15. Accounting policies - continued -**Inventories**

Inventories are measured at cost calculated according to the FEFO-method (First Expired First Out). Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

15. Accounting policies - continued -

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.