

Nordic Bioscience Holding A/S

Herlev Hovedgade 207
2730 Herlev

Central Business Registration
No 30511271

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017

Chairman of the General Meeting

Name: Thomas Nielsen

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Entity details

Entity

Nordic Bioscience Holding A/S
Herlev Hovedgade 207
2730 Herlev

Central Business Registration No: 30511271
Founded: 29.06.2007
Registered in: Herlev
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Claus Henrik Christiansen, Chairman
Henrik Bernt Sanders
Bente Juel Christiansen

Executive Board

Morten Asser Karsdal, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen 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 Nordic Bioscience Holding A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented 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 and the Group's cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

Herlev, 15.05.2017

Executive Board

Morten Asser Karsdal
Chief Executive Officer

Board of Directors

Claus Henrik Christiansen
Chairman

Henrik Bernt Sanders

Bente Juel Christiansen

Independent auditor's report

To the shareholders of Nordic Bioscience Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nordic Bioscience Holding A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are 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 and the consolidated cash flows 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

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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, 15.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jan Larsen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Gross profit	119.930	132.882	38.416	(7.474)	(20.890)
Operating profit/loss	(1.201)	49.300	38.416	(7.474)	(20.890)
Net financials	17.782	3.165	12.201	112.311	(75.670)
Profit/loss for the year	3.215	33.128	40.440	98.518	(92.875)
Total assets	459.452	434.167	362.590	337.244	273.092
Investments in property, plant and equipment	5.914	21.413	6.870	14.630	473
Equity incl minority interests	316.661	310.479	278.755	239.434	217.493
Ratios					
Return on equity (%)	1,0	11,2	15,6	43,1	(42,7)
Equity ratio (%)	68,9	71,5	76,9	71,0	79,6

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios

Return on equity (%)

Calculation formula

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$$

Ratios

The entity's return on capital invested in the entity by the owners.

Equity ratio (%)

$$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$$

The financial strength of the entity.

Management commentary

Primary activities

The activities of the Parent Company comprise shareholdings in subsidiaries that carry out research and development within the pharmaceutical sector.

The research and development is performed both for own and for third parties on a contract basis and consist of both clinical and preclinical research.

Development in activities and finances

The Group has continued the activities with an increased research activity level compared to the year 2015. The group reached a Gross Profit of 120 mDKK and an Operating Profit of 3 mDKK. The result is in line with the expectations, which the management expressed in the Annual Report for 2015.

Management expects the overall activity to increase in 2017. The increased activity is expected to generate increased profit from research and development for third parties. Management also expects to increase the research and development expenditure in projects owned by the Group. Payments for out licensing or sale of projects may positively affect the overall profit of the Group.

Research and development activities

The Group carries out research and development within the pharmaceutical sector. A part of the activities are focused on biochemical markers, which are typically used as an aid in diagnosing or predicting disease development for various diseases. The other part is focused on pharmaceutical projects with the aim to develop better treatments for patients.

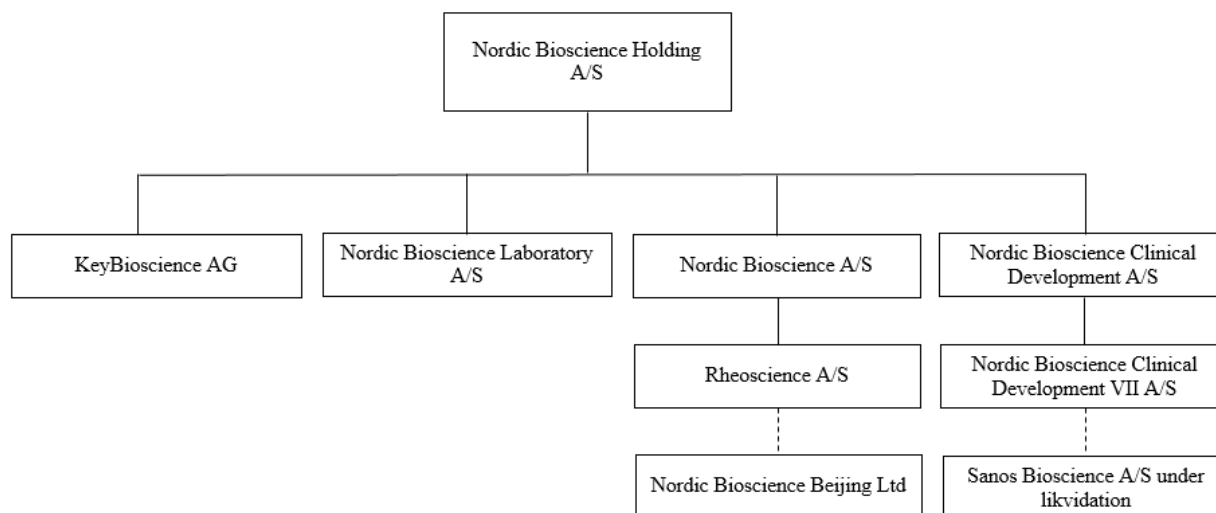
The key to the Group's success is a group of more than 130 employees, where more than 100 employees are directly engaged in research and development activities. The Group seeks to foster a unique and competitive environment with some degree of freedom to explore scientific ideas. We believe in publishing our scientific results and we publish more than 40 scientific publications a year in the highest ranking journals.

External environment

In our activities, we are only using a very limited number of products, and limited quantities hereof, which could potentially damage the external environment. We find it very important to be in compliance or exceed all applicable environmental regulations and have a good and close relationship with the relevant authorities overseeing such activities. Our laboratories are CAP certified.

Management commentary

Group relations



*All group enterprises are 100 % owned, except from Rheoscience A/S, who is owned by 72,9 %

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.

	Number	Nominal value DKK	Share of contributed capital %	Purchase / (selling)- price DKK
Treasury shares				
Treasury shares disposed of:				
Aktier	78.000	78.000	0,7	3.104.905
	78.000	78.000	0,7	
Holding of treasury shares:				
Aktier	2.495.000	2.495.000	21,3	
	2.495.000	2.495.000	21,3	

Consolidated income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Gross profit		119.930.073	132.882
Research and development costs	1	(99.111.355)	(68.114)
Administrative costs		(20.881.520)	(15.468)
Other operating expenses		(1.137.994)	0
Operating profit/loss		(1.200.796)	49.300
Income from investments in group enterprises		0	(6.938)
Income from investments in associates		4.668.615	0
Other financial income		30.204.481	18.623
Other financial expenses		(17.090.694)	(8.520)
Profit/loss before tax		16.581.606	52.465
Tax on profit/loss for the year	2	(13.366.475)	(19.337)
Profit/loss for the year	3	3.215.131	33.128

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Acquired intangible assets		69.008.075	23.459
Intangible assets	4	69.008.075	23.459
Land and buildings		52.128.363	50.634
Other fixtures and fittings, tools and equipment		12.540.755	12.196
Property, plant and equipment	5	64.669.118	62.830
Investments in associates		0	30
Other investments		1.365.965	0
Deferred tax		36.390.398	42.275
Fixed asset investments	6	37.756.363	42.305
Fixed assets		171.433.556	128.594
Trade receivables		51.769.830	52.140
Other receivables		2.492.703	5.670
Receivables		54.262.533	57.810
Other investments		205.605.101	170.807
Other investments		205.605.101	170.807
Cash		28.150.853	76.956
Current assets		288.018.487	305.573
Assets		459.452.043	434.167

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		11.734.077	11.734
Retained earnings		304.926.735	298.745
Equity		316.660.812	310.479
Mortgage debts		17.925.708	19.135
Non-current liabilities other than provisions	7	17.925.708	19.135
Current portion of long-term liabilities other than provisions	7	1.200.000	1.168
Bank loans		44.644.224	0
Trade payables		49.778.321	15.751
Payables to group enterprises		2.860.262	0
Payables to shareholders and management		387.505	0
Income tax payable		8.828.092	68.697
Other payables		17.167.119	18.937
Current liabilities other than provisions		124.865.523	104.553
Liabilities other than provisions		142.791.231	123.688
Equity and liabilities		459.452.043	434.167
Mortgages and securities	9		
Subsidiaries	10		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	11.734.077	298.744.959	310.479.036
Sale of treasury shares	0	3.104.905	3.104.905
Exchange rate adjustments	0	(138.260)	(138.260)
Profit/loss for the year	0	3.215.131	3.215.131
Equity end of year	11.734.077	304.926.735	316.660.812

Number of treasury shares sold: DKK 78 thousand, with an average sales price of DKK 39.81.

Consolidated cash flow statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Operating profit/loss		(1.200.796)	49.300
Amortisation, depreciation and impairment losses		5.740.269	5.509
Working capital changes	8	41.238.395	94.479
Cash flow from ordinary operating activities		45.777.868	149.288
Financial income received		34.873.096	18.623
Financial income paid		(17.090.694)	(8.520)
Income taxes refunded/(paid)		(69.548.598)	(6.939)
Other cash flows from operating activities		0	(6.938)
Cash flows from operating activities		(5.988.328)	145.514
Acquisition etc of intangible assets		(47.214.326)	(13.704)
Acquisition etc of property, plant and equipment		(5.914.328)	(21.412)
Sale of property, plant and equipment		0	5.314
Acquisition of fixed asset investments		(1.335.965)	0
Other adjustments		0	(2.452)
Cash flows from investing activities		(54.464.619)	(32.254)
Instalments on loans etc		(1.177.292)	(4.075)
Sale of treasury shares		3.104.905	1.047
Cash flows from financing activities		1.927.613	(3.028)
Increase/decrease in cash and cash equivalents		(58.525.334)	110.232
Cash and cash equivalents beginning of year		247.763.230	137.531
Currency translation adjustments of cash and cash equivalents		(138.260)	0
Cash and cash equivalents end of year		189.099.636	247.763
Cash and cash equivalents at year-end are composed of:			
Cash		28.150.853	76.956
Securities		205.605.100	170.807
Short-term debt to banks		(44.644.224)	0
Cash and cash equivalents end of year		189.111.729	247.763

Notes to consolidated financial statements

	2016 DKK	2015 DKK'000
1. Staff costs		
Wages and salaries	51.637.252	39.931
Pension costs	463.691	350
Other social security costs	74.661	63
Other staff costs	945.948	904
	53.121.552	41.248
Average number of employees	133	123
	Remunera- tion of manage- ment 2016 DKK	Remunera- tion of manage- ment 2015 DKK'000
Total amount for management categories	2.692.265	2.602
	2.692.265	2.602
	2016 DKK	2015 DKK'000
2. Tax on profit/loss for the year		
Tax on current year taxable income	8.821.684	14.856
Change in deferred tax for the year	5.838.279	(1.721)
Adjustment concerning previous years	(1.293.488)	6.202
	13.366.475	19.337
	2016 DKK	2015 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	3.215.131	33.128
	3.215.131	33.128

Notes to consolidated financial statements

	Investments in associates DKK	Other investments DKK	Deferred tax DKK
6. Fixed asset investments			
Cost beginning of year	30.000	0	42.275.000
Additions	0	1.365.965	0
Disposals	(30.000)	0	(5.884.602)
Cost end of year	0	1.365.965	36.390.398
Carrying amount end of year	0	1.365.965	36.390.398

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
7. Liabilities other than provisions				
Mortgage debts	1.200.000	1.168	17.925.708	11.025.709
	1.200.000	1.168	17.925.708	11.025.709

	2016 DKK	2015 DKK'000
8. Change in working capital		
Increase/decrease in receivables	5.752.075	89.129
Increase/decrease in trade payables etc	35.486.320	5.350
Other changes	0	0
	41.238.395	94.479

9. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties at a book value of DKK 52,128,363.

Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %
10. Subsidiaries			
Nordic Bioscience A/S	Herlev, DK	A/S	100,0
Nordic Bioscience Clinical Development A/S	Herlev, DK	A/S	100,0
Nordic Bioscience Clinical Development VII A/S	Herlev, DK	A/S	100,0
Nordic Bioscience Laboratory A/S under frivillig likvidation	Herlev, DK	A/S	100,0
Nordic Bioscience Beijing Ltd.	Beijing, CN	Ltd.	100,0
KeyBioscience AG	Stans, CH	AG	100,0
Rheoscience ApS	Herlev, DK	ApS	72,9
Sanos Bioscience A/S under frivillig likvidation	Herlev, DK	A/S	100,0

Parent income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Gross profit		0	0
Administrative costs	1	(1.995.502)	(1.273)
Operating profit/loss		(1.995.502)	(1.273)
Income from investments in group enterprises		(22.104.461)	16.821
Income from investments in associates		4.668.615	0
Other financial income from group enterprises		1.007.639	4.413
Other financial income		29.341.378	18.225
Other financial expenses		(383.446)	(48)
Profit/loss before tax		10.534.223	38.138
Tax on profit/loss for the year	2	(7.319.092)	(5.010)
Profit/loss for the year	3	3.215.131	33.128

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Investments in group enterprises		91.125.110	76.225
Investments in associates		0	30
Fixed asset investments	4	91.125.110	76.255
Fixed assets		91.125.110	76.255
Receivables from group enterprises		6.964.074	61.220
Other receivables		325.568	0
Receivables		7.289.642	61.220
Other investments		205.629.655	170.808
Other investments		205.629.655	170.808
Cash		65.343.744	15.407
Current assets		278.263.041	247.435
Assets		369.388.151	323.690

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		11.734.077	11.734
Retained earnings		304.926.737	298.745
Equity		316.660.814	310.479
Provisions for investments in group enterprises	5	0	12.942
Provisions		0	12.942
Bank loans		44.668.778	0
Income tax payable		7.319.092	0
Other payables		739.467	269
Current liabilities other than provisions		52.727.337	269
Liabilities other than provisions		52.727.337	269
Equity and liabilities		369.388.151	323.690
Contingent liabilities	6		
Transactions with related parties	7		

Parent statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	11.734.077	298.744.950	310.479.027
Sale of treasury shares	0	3.104.905	3.104.905
Exchange rate adjustments	0	(138.249)	(138.249)
Profit/loss for the year	0	3.215.131	3.215.131
Equity end of year	11.734.077	304.926.737	316.660.814

Number of treasury shares sold: DKK 78 thousand, with an average sales price of DKK 39.81.

Notes to parent financial statements

	2016 DKK	2015 DKK'000
1. Staff costs		
Wages and salaries	1.949.446	1.225
	1.949.446	1.225
	Remunera- tion of manage- ment 2016 DKK	Remunera- tion of manage- ment 2015 DKK'000
Total amount for management categories	1.949.446	1.225
	1.949.446	1.225
	2016 DKK	2015 DKK'000
2. Tax on profit/loss for the year		
Tax on current year taxable income	7.319.092	5.010
	7.319.092	5.010
	2016 DKK	2015 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	3.215.131	33.128
	3.215.131	33.128

Notes to parent financial statements

	Investments in group enterprises DKK	Investments in associates DKK
4. Fixed asset investments		
Cost beginning of year	185.363.000	30.000
Additions	117.084.100	0
Disposals	0	(30.000)
Cost end of year	302.447.100	0
Impairment losses beginning of year	(109.138.000)	0
Exchange rate adjustments	(138.249)	0
Share of profit/loss for the year	(22.104.461)	0
Dividend	(67.000.000)	0
Reversal of impairment losses	(12.941.280)	0
Impairment losses end of year	(211.321.990)	0
Carrying amount end of year	91.125.110	0

5. Provisions for investments in group enterprises

Provisions for investments in group enterprises involve a provision for negative equity in group enterprises, in which the Group made a capital increase in 2016.

6. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 01.07.2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

7. Transactions with related parties

Referring to section 98 c (7) of the Danish Financial Statements Act, Nordic BioScience Holding ApS has not disclosed such transactions with related parties.

Accounting policies

Reporting class

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

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and cost of sales.

Accounting policies

Revenue

Revenue from contracts concluded on performance of clinical studies as well as sale of other services is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year-end.

Contracts concluded on performance of clinical studies running over several financial years are recognised under the percentage-of-completion method as the studies progress.

Cost of sales

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

Research and development costs

Research and development costs include research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Administrative costs

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

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.

Income from investments in associates

Income from investments in associates comprises dividends etc received from the individual associates in the financial year.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

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.

Accounting policies

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

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.

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.

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

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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, but over no more than 20 years. The amortisation of patents and licences begins after regulatory approval has been obtained.

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

Property, plant and equipment

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

Accounting policies

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-7 years

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.

Group enterprises with negative equity are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method under equity.

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

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method under equity.

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

Other investments

Other investments comprise unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

Deferred tax

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

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

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

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.

Mortgage debt

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

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.

Income tax receivable or payable

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.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

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

Accounting policies

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