Nunc A/S

Kamstrupvej 90, DK-4000 Roskilde

Annual Report for 1 January - 31 December 2016

CVR No 39 58 29 10

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/5 2017

Magnus Glissmann Bojer-Larsen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Nunc A/S for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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.

Roskilde, 24 May 2017

Executive Board

Grant Hellier Lawrence

Board of Directors

Petrus Thomas Adrianus van der Zande
Chairman

Linda Carina Carlsson

Grant Hellier Lawrence

Søren Christensen
Staff Representative

Helle Pia Nielsen
Staff Representative

Independent Auditor’s Report

To the Shareholders of Nunc A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nunc A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”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 Statement Act. We did not identify any material misstatement in Management’s Review.

Independent Auditor's Report

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 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 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 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.

Independent Auditor's Report

- 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.

Copenhagen, 24 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr State Autorised Public Accountant	Morten Jørgensen State Autorised Public Accountant

Company Information

The Company	Nunc A/S Kamstrupvej 90 DK-4000 Roskilde Website: www.thermofisher.com CVR No: 39 58 29 10 Financial period: 1 January - 31 December Municipality of reg. office: Roskilde
Board of Directors	Petrus Thomas Adrianus van der Zande, Chairman Linda Carina Carlsson Grant Hellier Lawrence Søren Christensen Helle Pia Nielsen
Executive Board	Grant Hellier Lawrence
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	442.376	432.698	428.538	443.613	574.585
Gross profit/loss	176.178	152.365	140.737	138.972	188.155
Operating profit/loss	128.858	88.106	96.580	86.682	132.943
Profit/loss before financial income and expenses	128.858	88.106	96.580	86.682	132.943
Net financials	12.024	14.231	12.690	10.407	9.347
Net profit/loss for the year	109.388	78.380	85.099	72.963	105.678
Balance sheet					
Balance sheet total	761.377	1.260.121	1.185.483	1.092.941	1.051.467
Equity	320.914	1.144.627	1.066.247	981.148	908.186
Investment in property, plant and equipment	17.728	49.195	-28.178	-9.245	12.842
Number of employees	380	378	375	396	418
Ratios					
Gross margin	39,8%	35,2%	32,8%	31,3%	32,7%
Profit margin	29,1%	20,4%	22,5%	19,5%	23,1%
Return on assets	16,9%	7,0%	8,1%	7,9%	12,6%
Solvency ratio	42,1%	90,8%	89,9%	89,8%	86,4%
Return on equity	14,9%	7,1%	8,3%	7,7%	12,4%

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.

Management's Review

Main activity

As in prior years, the Company's primary activities have consisted in making and selling disposable plastic products for cell culture, molecular biology, immunology and diagnostics. The products are sold primarily to laboratories and the pharmaceutical industry.

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 109,388, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 320,914.

In 2016, the Company realized a revenue of DKK 442,376k, which is an increase of DKK 9,678k compared with 2015.

Management considers the profit for the year satisfactory.

The past year and follow-up on development expectations from last year

For the financial year 2017, Company Management expect a revenue and a result before tax at the same level as in 2016.

Research and development

The Company's research and development activities are proceeding as planned, and are expected to be at the same level next year.

External environment

The Company is aware of the environment and works on reducing the environmental impact from its activities. The Company is working applying the ISO 14001 Environmental Management Standard.

Intellectual capital resources

It is vital for Nunc A/S's continued growth to attract and retain staff covering many different lines of education. Among the staff are engineers, academics, commercially trained people, technicians and specialist workers.

Modern and automated production processes are applied to ensure competitive quality in products. Fields of activity are cell culture, immuno chemestry, DNA analyses and storage of biological tests.

The Company uses a Cobolt 60 radiation facility as well as various IT software and hardware.

The common denominator for these areas is that they require a high level of competence. Resources are therefore invested in upgrading the skills of the Company's staff further and in creating a sound working environment.

Management's Review

Corporate Social Responsibility

Regarding the Danish Financial Statements Act § 99a, the Company has no independent written policies for social responsibility, including politics on human rights, environment and climate.

We refer to the statement in the Consolidated Financial Statements and the CSR report of the Parent Company, Thermo Fisher Scientific Inc. The Consolidated Financial Statements and the CSR report can be obtained at the Company address.

Diversity

The Company generally wants to ensure that it always is the most qualified person who fill a given position. All employees' efforts are measured based on individual goals. We want to foster diversity. In 2016 we continued the efforts from prior years in order always to create equal opportunities for all persons, regardless of gender, age, and ethnicity, religious or political conviction. The Company's existence is depending on skilled employees, and the Company strives to have the most qualified persons on all positions.

The Company target was having at least one female board member by the end of 2016. Linda Carlsson joined The Board in November 2015 and the target is reached. The status is that one of the elected board members are a woman, and so are one of the staff elected members.

Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

Subsequent events

No events have occurred after the balance sheet date, which could significantly affect the Company's financial position.

Income Statement 1 January - 31 December

	Note	2016	2015
		TDKK	TDKK
Revenue	2	**442.376**	**432.698**
Cost of sales	3	-266.198	-280.333
Gross profit/loss		**176.178**	**152.365**
Distribution expenses	3	-10.151	-11.632
Administrative expenses	3	-37.169	-52.627
Operating profit/loss		**128.858**	**88.106**
Financial income	4	12.318	14.231
Financial expenses	5	-294	0
Profit/loss before tax		**140.882**	**102.337**
Tax on profit/loss for the year	6	-31.494	-23.957
Net profit/loss for the year		**109.388**	**78.380**

Balance Sheet 31 December

Assets

	Note	2016	2015
		TDKK	TDKK
Computer Software		773	1.297
Intangible assets	7	**773**	**1.297**
Land and buildings		52.769	50.186
Other fixtures and fittings, tools and equipment		111.662	87.970
Property, plant and equipment in progress		14.162	43.305
Property, plant and equipment	8	**178.593**	**181.461**
Investments in subsidiaries	9	230.717	230.717
Fixed asset investments		**230.717**	**230.717**
Fixed assets		**410.083**	**413.475**
Inventories	10	**38.215**	**37.848**
Trade receivables		433	786
Receivables from group enterprises		305.468	796.735
Other receivables		4.620	8.584
Prepayments	11	2.558	2.689
Receivables		**313.079**	**808.794**
Cash at bank and in hand		**0**	**4**
Currents assets		**351.294**	**846.646**
Assets		**761.377**	**1.260.121**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		TDKK	TDKK
Share capital		1.000	1.000
Retained earnings		319.914	1.143.627
Equity		**320.914**	**1.144.627**
Provision for deferred tax	12	19.397	17.446
Provisions		**19.397**	**17.446**
Trade payables		31.201	32.982
Payables to group enterprises		331.090	4.557
Corporation tax		20.571	23.600
Other payables		38.204	36.909
Short-term debt		**421.066**	**98.048**
Debt		**421.066**	**98.048**
Liabilities and equity		**761.377**	**1.260.121**
Distribution of profit	1		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	1.000	1.143.627	1.144.627
Extraordinary dividend paid	0	-933.101	-933.101
Net profit/loss for the year	0	109.388	109.388
Equity at 31 December	**1.000**	**319.914**	**320.914**

Notes to the Financial Statements

		2016	2015
		TDKK	TDKK
1	**Distribution of profit**		
	Extraordinary dividend paid	933.101	0
	Retained earnings	-823.713	78.380
		109.388	**78.380**

		2016	2015
2	**Revenue**		
	Geographical segments		
	Revenue, Denmark	4	0
	Revenue, exports	442.372	432.698
		442.376	**432.698**

		2016	2015
3	**Staff**		
	Wages and Salaries	152.904	152.456
	Pensions	12.542	12.037
	Other social security expenses	3.412	3.212
	Other staff expenses	8.333	19.635
		177.191	**187.340**
	Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
	Cost of sales	140.043	139.064
	Distribution expenses	7.932	8.187
	Administrative expenses	29.216	40.089
		177.191	**187.340**
	Average number of employees	**380**	**378**

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

		2016	2015
		TDKK	TDKK
4	**Financial income**		
	Interest received from group enterprises	12.318	11.787
	Exchange rate adjustments	0	2.444
		12.318	**14.231**
5	**Financial expenses**		
	Other financial expenses	4	0
	Exchange adjustments, expenses	290	0
		294	**0**
6	**Tax on profit/loss for the year**		
	Current tax for the year	20.571	23.600
	Deferred tax for the year	2.340	511
	Adjustment of tax concerning previous years	8.972	79
	Adjustment of deferred tax concerning previous years	-389	-233
		31.494	**23.957**

7 Intangible assets

	Computer Software
	TDKK
Cost at 1 January	11.760
Transfers for the year	309
Cost at 31 December	12.069
Impairment losses and amortisation at 1 January	10.463
Amortisation for the year	833
Impairment losses and amortisation at 31 December	11.296
Carrying amount at 31 December	**773**
Amortised over	3-5 years

Notes to the Financial Statements

7 Intangible assets (continued)

	2016	2015
	TDKK	TDKK
Amortisation and impairment of intangible assets are recognised in the following items:		
Administrative expenses	833	1.336
	833	**1.336**

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 January	89.089	508.462	43.304
Additions for the year	0	0	17.727
Disposals for the year	0	-1.133	0
Transfers for the year	4.683	41.877	-46.869
Cost at 31 December	93.772	549.206	14.162
Impairment losses and depreciation at 1 January	38.904	420.490	0
Depreciation for the year	2.099	18.187	0
Reversal of impairment and depreciation of sold assets	0	-1.133	0
Impairment losses and depreciation at 31 December	41.003	437.544	0
Carrying amount at 31 December	**52.769**	**111.662**	**14.162**
Depreciated over	50 years	3-13 years	

	2016	2015
	TDKK	TDKK
Depreciation and impairment of property, plant and equipment are recognised in the following items:		
Cost of sales	19.331	18.202
Administrative expenses	955	830
	20.286	**19.032**

Notes to the Financial Statements

		2016	2015
		TDKK	TDKK
9	**Investments in subsidiaries**		
	Cost at 1 January	230.717	230.717
	Carrying amount at 31 December	**230.717**	**230.717**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Proxeon Biosystems ApS	Roskilde	4.000.000	100%	219.320.550	31.081.178

		2016	2015
10	**Inventories**		
	Raw materials and consumables	13.030	14.217
	Work in progress	17.870	19.074
	Finished goods and goods for resale	7.315	4.557
		38.215	**37.848**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

	2016	2015
	TDKK	TDKK
12 Provision for deferred tax		
Provision for deferred tax at 1 January	17.446	17.168
Amounts recognised in the income statement for the year	1.951	278
Provision for deferred tax at 31 December	**19.397**	**17.446**

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2016	2015
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1.102	967
Between 1 and 5 years	1.181	962
	2.283	**1.929**

Other contingent liabilities

The Company has at 31 December a total purchase obligation of DKK 3.153k related to raw materials and consumables.

The group companies are jointly and severally liable for tax on the jointly taxed income of the Group. 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

14 Related parties

Transactions

Except for intercompany transactions and normal management remuneration, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties.

Consolidated Financial Statements

The company is included in the consolidated report for the ultimate parent Thermo Fischer Scientific Inc.

Name	Place of registered office
Thermo Fisher Scientific Inc	

The Annual Report of Thermo Fischer Scientific Inc. may be obtained at the following address:

Thermo Fischer Scientific Inc., 168 Third Avenue, Waltham, MA 02451, USA.

15 Fee to auditors appointed at the general meeting

	2016 TDKK	2015 TDKK
Audit fee to PricewaterhouseCoopers	355	355
Other assurance engagements	8	0
Tax advisory services	84	84
Other services	28	28
	475	**467**

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Nunc A/S for 2016 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.

Financial Statements for 2016 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Thermo Fischer Scientific Inc., the Company has not prepared consolidated financial statements.

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 Thermo Fisher Scientific Inc, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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 statementincluding depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts, amount taht 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end. Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

16 Accounting Policies (continued)

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

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 Danish subsidiaries in the Thermo Fisher Scientific Group. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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:

Buildings	50	years
Plant and machinery	3-13	years
Other fixtures and fittings, tools and equipment	3-13	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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.

16 Accounting Policies (continued)

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 recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial debts

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

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$