

Paranova Group A/S

Marielundvej 46 D, 2.tv., 2730 Herlev
CVR no. 18 13 94 80

Annual report for 2024

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 30.04.25

Erik Bernhard Pfeiffer
Dirigent

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The company

Paranova Group A/S
Marielundvej 46 D, 2.tv.
2730 Herlev
Tel.: 44 66 32 00
Registered office: Herlev
CVR no.: 18 13 94 80
Financial year: 01.01 - 31.12

Executive Board

Dirk Andreas Oltersdorf

Board of Directors

Dirk Andreas Oltersdorf
Chairman Erik Bernhard Pfeiffer
Hans-Joachim Oltersdorf

Auditors

Beierholm
Godkendt Revisionspartnerselskab

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 01.01.24 - 31.12.24 for Paranova Group A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.24 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.24 - 31.12.24.

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, April 30, 2025

Executive Board

Dirk Andreas Oltersdorf

Board of Directors

Dirk Andreas Oltersdorf

Erik Bernhard Pfeiffer
Chairman

Hans-Joachim Oltersdorf

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

We have audited the consolidated financial statements and financial statements of Paranova Group A/S for the financial year 01.01.24 - 31.12.24, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including material accounting policy information for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.24 and of the results of the group's and the company's operations and consolidated cash flows for the financial year 01.01.24 - 31.12.24 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 financial statements" section of our report. We are independent of the group and 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 on the management's review

Management is responsible for the management's review.

Our opinion on the consolidated financial statements and financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and financial statements, it is our responsibility to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 by law and regulations.

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

Management's responsibilities for the consolidated financial statements and financial statements

Management is responsible for the preparation of consolidated financial statements and 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and financial statements, management is responsible for assessing the group's and 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 consolidated financial statements and financial statements unless management either intends to liquidate the group and the company 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 consolidated financial statements and 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 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 consolidated financial statements and 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 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 consolidated financial statements and 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and financial statements, including the disclosures, and whether the consolidated financial statements and financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for expressing an opinion on the consolidated financial statements and financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Soeborg, Copenhagen, April 30, 2025

Beierholm

Godkendt Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Nygaard

State Authorised Public Accountant
MNE-no. mne11743

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000

	2024	2023	2022	2021	2020
<i>Profit/loss</i>					
Revenue	1,861,948	1,307,656	1,263,433	1,877,032	1,484,150
Index	125	88	85	126	100
Gross result	70,616	73,701	19,557	45,250	43,621
Index	162	169	45	104	100
Operating profit/loss	39,625	37,329	-19,260	5,555	-2,509
Index	-1,579	-1,488	768	-221	100
Total net financials	-3,672	-5,329	-6,643	-2,494	-1,150
Profit before tax	35,953	32,000	-25,903	3,061	-3,659
Index	-983	-875	708	-84	100
Total tax	-3,036	-504	-15,576	-227	6
Index	-50,600	-8,400	-259,600	-3,783	100
Profit for the year	33,315	19,362	-53,993	2,834	-3,653

Balance

Total assets	145,730	185,295	176,927	320,954	555,620
Investments in property, plant and equipment	628	250	328	536	317
Equity	44,179	10,851	-8,042	45,901	43,243

Ratios

	2024	2023	2022	2021	2020
<i>Profitability</i>					
Return on equity	121%	1,378%	-111%	6%	-8%
Gross margin	4%	6%	2%	2%	3%
Asset turnover	11	8	8	4	4

Others

Number of employees (average)	47	62	61	61	57
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The comparative figures for 20x1 have been restated in accordance with the new accounting policies.

Financial highlights for the past 2 to 4 years have not been restated in accordance with the change in accounting policies, see section 101(3) of the Danish Financial Statements Act. (Tilføj overordnet omtale af, hvilken indvirkning den ændrede regnskabspraksis har på virksomhedens sammenligningstal.)

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Asset turnover:	$\frac{\text{Revenue}}{\text{Avg. total assets}}$

Primary activities

The group's activities comprise distribution of parallel imported pharmaceuticals.

Development in activities and financial affairs

The income statement for the period 01.01.24 - 31.12.24 shows a profit of DKK 33,315k against DKK 19,362k for the period 01.01.23 - 31.12.23. The balance sheet shows equity of DKK 44,179k.

The earnings expectations for 2024 were a repositive result of DKK 25.000k - DKK 35.000k, based on the restructured and leaner organization.

The result was better than budgetted and better than in previous years. The improvement was mainly resulting from a good performing business in Germany. The business in the Danish and Finnish market is satisfying under common circumstances.

Outlook

Based on the restructured and leaner organization, the Group expects a satisfying and positive development in the Nordic business in 2025, and expects a profit before tax in the region of DKK 50.000 k.

Key for a performing organization is the work with data analytics and the implementation of lean and smart processes.

The focus is on valuable assortments.

With all these initiatives and decision, the management expect a better performing organization, a higher turnover level and a sustainable improved result.

No serious impact is expected from the Ukrainian crisis.

Income statement

Note	Group		Parent		
	2024 DKK '000	2023 DKK '000	2024 DKK '000	2023 DKK '000	
	Revenue	1,861,948	1,307,656	0	0
	Other operating income	1,149	27,787	0	0
	Cost of sales	-1,738,473	-1,210,951	0	0
	Other external expenses	-54,008	-50,791	-643	-338
	Gross result	70,616	73,701	-643	-338
1	Staff costs	-26,634	-31,351	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	43,982	42,350	-643	-338
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-4,336	-4,918	0	0
	Other operating expenses	-21	-103	0	0
	Operating profit/loss	39,625	37,329	-643	-338
2	Income from equity investments in group enterprises	0	0	34,278	19,404
3	Financial income	481	1,207	3	1
4	Financial expenses	-4,153	-6,536	-28	0
	Profit before tax	35,953	32,000	33,610	19,067
	Tax on profit for the year	-3,036	-504	-295	295
	Profit from continuing operations	32,917	31,496	33,315	19,362
5	Profit/loss from discontinuing operations	398	-12,134	0	0
	Profit for the year	33,315	19,362	33,315	19,362
6	Proposed appropriation account				

Balance sheet

		Group		Parent	
		31.12.24 DKK '000	31.12.23 DKK '000	31.12.24 DKK '000	31.12.23 DKK '000
ASSETS					
Note					
	Acquired rights	6,596	5,474	0	0
7	Total intangible assets	6,596	5,474	0	0
	Other fixtures and fittings, tools and equipment	929	695	0	0
8	Total property, plant and equipment	929	695	0	0
9	Equity investments in group enterprises	0	0	91,595	57,450
10	Deposits	404	531	0	0
	Total investments	404	531	91,595	57,450
	Total non-current assets	7,929	6,700	91,595	57,450
	Raw materials and consumables	393	509	0	0
	Manufactured goods and goods for resale	36,296	37,367	0	0
	Total inventories	36,689	37,876	0	0
	Trade receivables	66,003	33,657	0	0
	Receivables from group enterprises	1,273	68,928	1,273	0
14	Deferred tax asset	5,369	7,115	0	0
	Income tax receivable	0	0	0	295
	Other receivables	10,257	6,828	2	83
11	Prepayments	2,477	2,252	8	9
	Total receivables	85,379	118,780	1,283	387
	Cash	14,797	20,468	117	61
12	Discontinuing operations	936	1,471	0	0
	Total current assets	137,801	178,595	1,400	448
	Total assets	145,730	185,295	92,995	57,898

EQUITY AND LIABILITIES

Note	Group		Parent	
	31.12.24 DKK '000	31.12.23 DKK '000	31.12.24 DKK '000	31.12.23 DKK '000
13	Share capital	30,000	30,000	30,000
	Reserve for net revaluation according to the equity method	0	10,894	0
	Foreign currency translation reserve	-4,998	0	0
	Retained earnings	19,177	3,285	-19,149
	Total equity	44,179	44,179	10,851
15	Other provisions	554	2,268	2,414
	Total provisions	554	2,268	2,414
	Trade payables	4,255	196	182
	Payables to group enterprises	15,739	46,070	44,451
	Income taxes	1,066	0	0
	Other payables	79,851	279	-3
	Deferred income	3	3	3
12	Discontinuing operations	83	0	0
	Total short-term payables	100,997	46,548	44,633
	Total payables	100,997	46,548	44,633
	Total equity and liabilities	145,730	92,995	57,898
16	Contingent liabilities			
17	Related parties			

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Retained earnings
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Group:

Statement of changes in equity for
01.01.24 - 31.12.24

Balance as at 01.01.24	30,000	0	-5,011	-14,138
Foreign currency translation adjustment of foreign enterprises	0	0	13	0
Net profit/loss for the year	0	0	0	33,315
Balance as at 31.12.24	30,000	0	-4,998	19,177

Parent:

Statement of changes in equity for
01.01.24 - 31.12.24

Balance as at 01.01.24	30,000	0	0	-19,149
Foreign currency translation adjustment of foreign enterprises	0	0	0	13
Net profit/loss for the year	0	10,894	0	22,421
Balance as at 31.12.24	30,000	10,894	0	3,285

Consolidated cash flow statement

Note	Group	
	2024 DKK '000	2023 DKK '000
	33,315	19,362
Profit for the year		
18 Adjustments	8,494	10,827
Change in working capital:		
Inventories	1,186	27,518
Receivables	30,847	-17,290
Trade payables	369	-1,571
Other payables relating to operating activities	-62,900	-15,400
Other provisions	-5,967	5,240
Cash flows from operating activities before net financials	5,344	28,686
Interest income and similar income received	484	1,723
Interest expenses and similar expenses paid	-4,153	-7,018
Income tax paid	-1,517	0
Cash flows from operating activities	158	23,391
Purchase of intangible assets	-5,201	-3,522
Sale of intangible assets	0	504
Purchase of property, plant and equipment	-628	-250
Cash flows from investing activities	-5,829	-3,268
Repayment of payables to credit institutions	0	-78
Cash flows from financing activities	0	-78
Total cash flows for the year	-5,671	20,045
Cash, beginning of year	20,468	423
Cash, end of year	14,797	20,468
Cash, end of year, comprises:		
Cash	14,797	20,468
Total	14,797	20,468

	Group		Parent	
	2024 DKK '000	2023 DKK '000	2024 DKK '000	2023 DKK '000
1. Staff costs				
Wages and salaries	21,644	25,621	0	0
Pensions	3,359	4,064	0	0
Other social security costs	440	508	0	0
Other staff costs	1,191	1,158	0	0
Total	26,634	31,351	0	0
Average number of employees during the year	47	62	0	0

With reference to section 98b(3) no. 2 of the Danish Financial Statements Act, remuneration for the management is not disclosed for 2024 and 2023, as information would otherwise lead to amounts being shown for a single member of management.

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	34,278	19,404
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	Group		Parent	
	2024 DKK '000	2023 DKK '000	2024 DKK '000	2023 DKK '000
3. Financial income				
Interest, group enterprises	0	-466	0	0
Other interest income	270	267	0	0
Foreign currency translation adjustments	208	1,405	0	0
Other financial income	3	1	3	1
Other financial income	481	1,673	3	1
Total	481	1,207	3	1

4. Financial expenses

Interest, group enterprises	3,890	5,352	0	0
Other interest expenses	42	36	28	0
Foreign currency translation adjustments	221	1,630	0	0
Other financial expenses	263	1,666	28	0
Transferred to discontinuing operations	0	-482	0	0
Total	4,153	6,536	28	0

	Group		Parent	
	2024	2023	2024	2023
	DKK '000	DKK '000	DKK '000	DKK '000

5. Profit/loss from discontinuing operations

The activity in Sweden is being discontinued. The activity is recognised in the company's income statement with the following amounts:

Revenue	-2,422	123,141	0	0
Other operating income	2	147	0	0
Cost of sales	2,799	-132,251	0	0
Property costs	-2	0	0	0
Other external expenses	-86	-2,179	0	0
Depreciation and amortisation of and impairment losses on intangible assets and property, plant and equipment	0	-971	0	0
Other operating expenses	0	-426	0	0
Other financial income	47	518	0	0
Other financial expenses	0	-483	0	0
Tax on profit or loss for the year	60	370	0	0
Total	398	-12,134	0	0

6. Proposed appropriation account

Reserve for net revaluation according to the equity method	0	0	10,894	0
Retained earnings	33,315	19,362	22,421	19,362
Total	33,315	19,362	33,315	19,362

7. Intangible assets

Figures in DKK '000

Acquired rights

Group:

Cost as at 01.01.24	73,959
Foreign currency translation adjustment of foreign enterprises	11
Additions during the year	5,201
Transfers during the year to/from other items	-1,493
Cost as at 31.12.24	77,678
Amortisation and impairment losses as at 01.01.24	-68,485
Foreign currency translation adjustment of foreign enterprises	-10
Amortisation during the year	-3,943
Transfers during the year to/from other items	1,356
Amortisation and impairment losses as at 31.12.24	-71,082
Carrying amount as at 31.12.24	6,596

8. Property, plant and equipment

Figures in DKK '000

Other fixtures
Leasehold and fittings, tools
improvements and equipment

Group:

Cost as at 01.01.24	244	2,682
Additions during the year	0	628
Cost as at 31.12.24	244	3,310
Depreciation and impairment losses as at 01.01.24	-244	-1,989
Depreciation during the year	0	-392
Depreciation and impairment losses as at 31.12.24	-244	-2,381
Carrying amount as at 31.12.24	0	929

Parent:

Cost as at 01.01.24	244	187
Cost as at 31.12.24	244	187
Depreciation and impairment losses as at 01.01.24	-244	-187
Depreciation and impairment losses as at 31.12.24	-244	-187
Carrying amount as at 31.12.24	0	0

9. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.24	80,700
Transfers during the year to/from other items	1
Cost as at 31.12.24	80,701
Foreign currency translation adjustment of foreign enterprises	12
Net profit/loss from equity investments	34,278
Transfers during the year to/from other items	-23,396
Revaluations as at 31.12.24	10,894
Depreciation and impairment losses as at 01.01.24	-25,664
Reversal of impairment losses in respect of previous years	23,396
Negative equity value transferred to provisions	2,268
Depreciation and impairment losses as at 31.12.24	0
Carrying amount as at 31.12.24	91,595
Ownership interest	
Name and registered office:	
Subsidiaries:	
Paranova Pack A/S, Denmark	100%
Paranova Danmark A/S, Denmark	100%
Paranova AS, Norway	100%
Paranova Läkemedel AB, Sweden	100%
Paranova Oy, Finland	100%

The subsidiaries Paranova Pack A/S and Paranova Danmark A/S have presented their annual report for 2024 according to the provisions on Class B enterprises set out in section 78 a of the Danish Financial Statements Act.

10. Other non-current financial assets

Figures in DKK '000

Deposits

Group:

Cost as at 01.01.24	531
Additions during the year	9
Disposals during the year	-136
Cost as at 31.12.24	404
Carrying amount as at 31.12.24	404

	Group		Parent	
	31.12.24	31.12.23	31.12.24	31.12.23
	DKK '000	DKK '000	DKK '000	DKK '000

11. Prepayments

Other prepayments	2,477	2,252	8	9
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	Group		Parent	
	31.12.24 DKK '000	31.12.23 DKK '000	31.12.24 DKK '000	31.12.23 DKK '000

12. Discontinuing operations

The activity in Sweden is being discontinued. The activity is recognised in the company's balance sheet with the following amounts:

Assets relating to discontinuing operations:

Income tax receivable	0	153	0	0
Other receivables	46	47	0	0
Deferred income	0	14	0	0
Cash	890	1,257	0	0
Total assets relating to discontinuing operations	936	1,471	0	0

Liabilities relating to discontinuing operations:

Provisions for deferred tax	0	131	0	0
Prepayments received from customers	0	391	0	0
Trade payables	1	271	0	0
Income taxes	38	0	0	0
Other payables	44	3,467	0	0
Total liabilities relating to discontinuing operations	83	4,260	0	0

13. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	30,000	30,000
Total		30,000

	Group		Parent	
	31.12.24 DKK '000	31.12.23 DKK '000	31.12.24 DKK '000	31.12.23 DKK '000

14. Deferred tax

Provisions for deferred tax as at 01.01.24	7,115	6,109	0	0
Deferred tax recognised in the income statement	-1,746	1,007	0	0
Provisions for deferred tax as at 31.12.24	5,369	7,116	0	0

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	5,369	7,115	0	0
Provisions for deferred tax	0	-131	0	0
Total	5,369	6,984	0	0

Deferred tax is distributed as below:

Intangible assets	1,733	4,129	0	45
Property, plant and equipment	873	1,158	395	527
Provisions	122	1,435	0	0
Tax losses	20,608	23,719	4,900	4,582
Impairment	-17,967	-23,326	-5,295	-5,154
Total	5,369	7,115	0	0

As at 31.12.24, the company has recognised a deferred tax asset of DKK 5,369k, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

15. Other provisions

Figures in DKK '000	Warranty commitments	Provisions for subsidiaries	
Group:			
Provisions as at 01.01.24	6,521	0	
Reversed provision in respect of previous years	-5,967	0	
Provisions as at 31.12.24	554	0	
Parent:			
Provisions as at 01.01.24	0	2,414	
Reversed provision in respect of previous years	0	-147	
Provisions as at 31.12.24	0	2,267	
31.12.24 DKK '000	31.12.23 DKK '000	31.12.24 DKK '000	31.12.23 DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	2,268	2,414	2,268	2,414
Current liabilities	554	6,521	0	0
Total	2,822	8,935	2,268	2,414

16. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of 5-55 months and total lease payments of DKK 2,497k.

Other contingent liabilities

Parent:

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 tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company MPA Pharma GmbH.

17. Related parties

Controlling influence	Basis of influence
MPA Pharma GmbH, Germany	Ownership

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company is included in the consolidated financial statements of the parent MPA Pharma GmbH, Germany.

18. Adjustments for the cash flow statement

Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	4,336	4,918
Financial income	-484	-1,205
Financial expenses	4,153	7,017
Tax on profit or loss for the year	3,036	504
Other adjustments	-2,547	-407
Total	8,494	10,827

19. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

19. Accounting policies - continued -**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 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.

19. Accounting policies - continued -**CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

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.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are

19. Accounting policies - continued -

recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

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

INCOME STATEMENT**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.

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

19. Accounting policies - continued -

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
Leasehold improvements	5	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.

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.

Income from equity investments in group enterprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

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

19. Accounting policies - continued -

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. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

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.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as 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

19. Accounting policies - continued -

between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the parent has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

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

19. Accounting policies - continued -

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.

Inventories

Inventories are measured at cost calculated according to 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

19. Accounting policies - continued -

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

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.

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

19. Accounting policies - continued -

offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries 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 financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.

DISCONTINUING OPERATIONS

19. Accounting policies - continued -

Discontinuing operations comprise significant business areas and activities that according to an overall plan must be disposed of, closed down or relinquished, and which may be separated from the continuing operations. Discontinuing operations comprise the actually discontinued operations for the year and operations that are discontinuing but still in existence at the balance sheet date. Assets and liabilities as well as income and expenses included in discontinuing operations are recognised and measured in accordance with the company's accounting policies.

The net profit or loss from discontinuing operations is presented separately in the income statement after continuing operations. Assets and liabilities relating to discontinuing operations are also presented separately in the balance sheet as current assets and short-term payables, respectively.