Annual Report for 2024

Salpharm Animal Health Holding A/S

CVR-nr. 43 93 53 80

The Annual Report was presented and adopted at the Annual General Meeting of the company on 6/3 2025

Michael Degn-Mortensen
Chairman of the general meeting

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www.salfarm.com

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Salpharm Animal Health Holding A/S for the financial year 1 January - 31 December 2024.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2024 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2024.

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.

Kolding, 6 March 2025

Executive Board

Peter Wendorff Olsen
CEO

Board of Directors

Dirk Friedrich Alois Ehle Chairman	Peter Wendorff Olsen	Simon Damkjær Wille

Independent Auditor's report

To the shareholder of Salpharm Animal Health Holding A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2024 and of the results of the Group's and the Parent Company's operations as well as of the consolidated cash flows for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Salpharm Animal Health Holding A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”the Financial Statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor's responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Group 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 Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group´s and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s and the Parent Company´s internal control.

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

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s and the Parent 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 Group and the Parent 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.

- 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 forming an opinion on the Consolidated Financial Statements and the Parent Company 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.

Independent Auditor's report

Trekantområdet, 6 March 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Heidi Bonde
State Authorised Public Accountant
mne42815

Company information

The Company	Salpharm Animal Health Holding A/S Nordager 19 DK-6000 Kolding CVR No: 43 93 53 80 Financial period: 1 January - 31 December Municipality of reg. office: Kolding
Board of Directors	Dirk Friedrich Alois Ehle, chairman Peter Wendorff Olsen Simon Damkjær Wille
Executive Board	Peter Wendorff Olsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Group Chart

Company	Residence	Ownership
Salpharm Animal Health Holding A/S	**Kolding, Denmark**	
Salpharm Animal Health A/S	Kolding, Denmark	100%
Salpharm Holding ApS	Kolding, Denmark	100%
Salfarm Danmark A/S	Kolding, Denmark	100%
Salfarm Scandinavia AB	Helsingborg, Sweden	100%
Salfarm Scandinavia AS	Oslo, Norway	100%

Financial Highlights

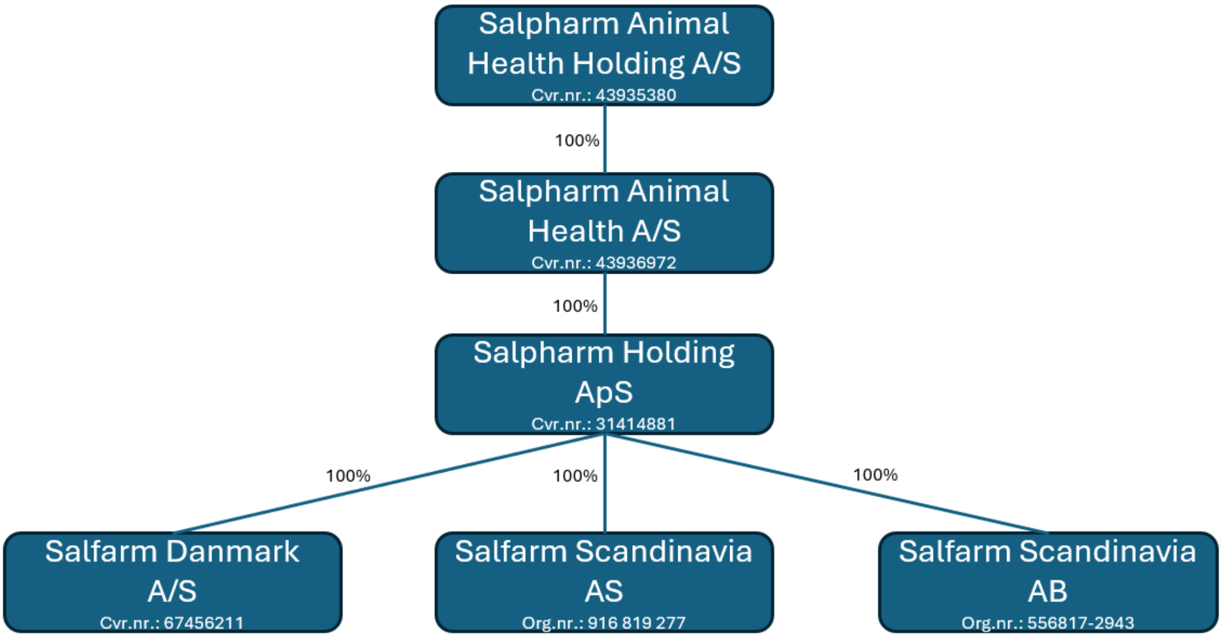
Seen over a 2-year period, the development of the Group is described by the following financial highlights:

	Group	
	2024	2023
	TDKK	TDKK
Key figures		
Profit/loss		
Gross loss	-10,387	-52
Profit/loss of primary operations	-10,387	-52
Profit/loss of financial income and expenses	29	-15
Net profit/loss for the year	-10,360	-66
Balance sheet		
Balance sheet total	459,926	1,008
Equity	218,428	990
Ratios		
Return on assets	-2.3%	-5.2%
Solvency ratio	47.5%	98.2%
Return on equity	-9.4%	-13.3%

The key figures have been prepared in accordance with the recommendations and key figures of the Finance Association. Please refer to the definitions in the section on accounting policies.

Management's review

Group chart



Business review

Salpharm Animal Health Holding A/S provides services to it's subsidiaries and invest in and hold shares in companies.

In 2024 Salpharm Animal Health Holding A/S' subsidiary has purchased Salpharm Holding ApS and its subsidiaries. Salpharm Holding ApS and its subsidiaries is an independent Nordic distributor of veterinary pharmaceuticals and other products related to the veterinary market, like medical accessories and feed supplements.

Financial review

The income statement for 2024 shows net loss of DKK 10.4 million against DKK 0.07 million last year, and the balance sheet on 31 December 2024 shows equity of DKK 218.4 million.

Impact on the external environment

The Group requires accountability from suppliers and wants to make sure that suppliers are working within the same ethical guidelines and good business practices as the Group. To ensure these terms are kept, the Group aims to integrate its code of conduct in trade agreements with suppliers.

Number of employees

At year-end 2024, the Group had 30 employees. We entered the year with 0 employees in Salpharm Animal Health Holding A/S. The 2024 average for the Group ended at 0 employees.

Unusual matters having affected the financial statements

There have been no unusual circumstances which should be referred to in relation to the accounts.

Foreign currency risks

Foreign activities mean that profit, cash flow and equity are affected by the exchange rate development between DKK, SEK, NOK and EUR. Management considers the Group's risk of fluctuations in foreign currency to be moderate.

Exchange rate fluctuations related to the translation of the result and inter Group balance of foreign subsidiaries at the balance sheet date constitute a risk. No hedging is performed to meet fluctuations unless the risk is considered substantial.

Interest Rate Risks

The net interest-bearing debt has not represented a substantial amount historically.

Moderate fluctuations in the interest rate level will not have a significant impact on the profit. Currently no hedging is performed, however, Management will continuously assess the risk and to the extent of the assessed risk perform relevant hedging.

Credit Risks

The Group’s credit risks related to trade receivables are included in the balance sheet. Management has at year-end assessed the risks related to trade receivables and has made relevant provision for losses. Historically the Group has not experienced any significant losses on trade receivables.

Employee Risks

Having the right competencies with adequate experience is vital. Therefore, it is important that the Group continues to attract, retain and develop skilled employees. Failure to do so has the potential to negatively impact the expected development of the Group.

Supplier Risks

The Group has a large number of suppliers and keeps a focus on minimizing risks and dependency on single suppliers. Loss of key suppliers could have a negative effect on the Group.

IT Risks

The Group depends on Information Technology to manage critical business processes, ranging from sales, production, to administrative and financial functions. The Group uses IT systems for internal purposes and externally for its customers. Extensive disruption of IT systems could have a negative effect on the Group.

Development activities

Development activities primarily include veterinary pharmaceutical development. The Group continuously invests in the development of veterinary pharmaceuticals, which is a key lever in the continued successful development of the Group.

Management's review

Governance

The Board of Directors and the Executive Board work constantly to ensure that appropriate and sufficient control systems are in place, managed by a robust management team structure. The Board of Directors and the Executive Board have a number of duties that are defined by the Companies Act, the Danish Financial Statements Act and the Articles of Association and Rules of Procedure for the Board of Directors, among other regulations and policies. On this basis, the necessary internal procedures are continually being developed, refined, and maintained to ensure active, reliable and profitable management of the Group.

The Board of Directors ensures that the Executive Board complies with the approved objectives, strategies, business procedures and rules of procedure for the Executive Board. The information presented to the Board of Directors is provided systematically before and during meetings, as well as in written and verbal reports.

The topics of these reports include market development and the Group's development and profitability. The Board of Directors and the Executive Management have overall responsibility for risk management and internal controls related to financial reporting.

The Board of Directors of the Group meet at least four times a year. Furthermore, information about the Group, results and financial position is shared with the Board of Directors on a regular basis (monthly). If relevant, extraordinary meetings are held.

Furthermore, the Group's main activities are regulated by EU legislation and requirements by the medicine's agencies of each country in which the Group operates. To ensure compliance with rules and regulations, the Group has a Regulatory and Quality Department with competent staff maintaining the Group's quality system and ensuring the required training of the Group's staff.

Audit and risk committee

The board and management have discussed the need for an audit and risk committee and have assessed that it is not relevant at this time given the size of the Group.

Events after the balance sheet date

No events materially affecting the Group's financial position have occurred subsequent to the financial year-end.

Outlook

The veterinary pharmaceutical market in the Nordic countries is expected to have a stable growth of approx. 4-5% over the coming years. Salfarm is a well-established player in this market and has developed a robust business model based on deep local market insight and knowledge of rules and regulations in each of the individual countries, which forms a solid foundation for further growth.

Due to the growth in the market and the expectations of the coming activities, the Group expects an EBITDA at or slightly above DKK 50m in 2025.

Income statement 1 January - 31 December

	Note	Group 2024	Group 2023	Parent company 2024	Parent company 2023
		DKK	DKK	DKK	DKK
Gross loss		**-10,386,628**	**-51,690**	**-22,250**	**-9,125**
Income from investments in subsidiaries		0	0	-10,339,194	-49,816
Financial income		37,629	0	5,789	0
Financial expenses		-8,529	-14,502	-4,251	-7,251
Profit/loss before tax		**-10,357,528**	**-66,192**	**-10,359,906**	**-66,192**
Tax on profit/loss for the year	2	-2,378	0	0	0
Net profit/loss for the year	3	**-10,359,906**	**-66,192**	**-10,359,906**	**-66,192**

Balance sheet 31 December

Assets

		Group		Parent company	
	Note	2024	2023	2024	2023
		DKK	DKK	DKK	DKK
Completed development projects		31,968,796	0	0	0
Customer relationship		169,591,000	0	0	0
Acquired other similar rights		1,162,602	0	0	0
Goodwill		152,748,048	0	0	0
Development projects in progress		1,443,813	0	0	0
Intangible assets	4	**356,914,259**	**0**	**0**	**0**
Other fixtures and fittings, tools and equipment		206,085	0	0	0
Leasehold improvements		685,988	0	0	0
Property, plant and equipment	5	**892,073**	**0**	**0**	**0**
Investments in subsidiaries	6	0	0	217,777,320	478,103
Deposits	7	126,077	0	0	0
Fixed asset investments		**126,077**	**0**	**217,777,320**	**478,103**
Fixed assets		**357,932,409**	**0**	**217,777,320**	**478,103**
Finished goods and goods for resale		40,315,725	0	0	0
Inventories		**40,315,725**	**0**	**0**	**0**
Trade receivables		18,745,217	0	0	0
Other receivables		460,982	0	0	0
Prepayments	8	251,893	0	0	0
Receivables		**19,458,092**	**0**	**0**	**0**
Cash at bank and in hand		**42,220,260**	**1,007,896**	**672,804**	**520,668**
Current assets		**101,994,077**	**1,007,896**	**672,804**	**520,668**
Assets		**459,926,486**	**1,007,896**	**218,450,124**	**998,771**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2024	Group 2023	Parent company 2024	Parent company 2023
		DKK	DKK	DKK	DKK
Share capital		22,798,488	1,055,838	22,798,488	1,055,838
Share premium account		0	0	0	0
Retained earnings		195,629,762	-66,192	195,629,762	-66,192
Equity		**218,428,250**	**989,646**	**218,428,250**	**989,646**
Provision for deferred tax	9	44,714,734	0	0	0
Provisions		**44,714,734**	**0**	**0**	**0**
Credit institutions		155,950,000	0	0	0
Long-term debt	10	**155,950,000**	**0**	**0**	**0**
Credit institutions	10	181,136	0	0	0
Trade payables		29,265,226	0	0	0
Payables to group enterprises		3,257,805	0	0	0
Corporation tax		1,400,456	0	0	0
Other payables		6,728,879	18,250	21,874	9,125
Short-term debt		**40,833,502**	**18,250**	**21,874**	**9,125**
Debt		**196,783,502**	**18,250**	**21,874**	**9,125**
Liabilities and equity		**459,926,486**	**1,007,896**	**218,450,124**	**998,771**

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Statement of changes in equity

Group

	Share capital	Share premium account	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,055,838	0	-66,192	989,646
Capital increase	21,742,650	206,055,860	0	227,798,510
Net profit/loss for the year	0	0	-10,359,906	-10,359,906
Transfer from share premium account	0	-206,055,860	206,055,860	0
Equity at 31 December	**22,798,488**	**0**	**195,629,762**	**218,428,250**

Parent company

	Share capital	Share premium account	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,055,838	0	-66,192	989,646
Capital increase	21,742,650	206,055,860	0	227,798,510
Net profit/loss for the year	0	0	-10,359,906	-10,359,906
Transfer from share premium account	0	-206,055,860	206,055,860	0
Equity at 31 December	**22,798,488**	**0**	**195,629,762**	**218,428,250**

Cash flow statement 1 January - 31 December

	Note	Group 2024	Group 2023
		DKK	DKK
Result of the year		-10,359,906	-66,192
Adjustments	11	-26,722	14,502
Change in working capital	12	6,177,854	18,250
Cash flow from operations before financial items		**-4,208,774**	**-33,440**
Financial income		37,629	0
Financial expenses		-8,529	-14,502
Cash flows from operating activities		**-4,179,674**	**-47,942**
Business acquisition		-301,815,318	0
Cash and cash equivalents of acquired business		28,596,505	0
Cash flows from investing activities		**-273,218,813**	**0**
Raising of loans from credit institutions		155,950,000	0
Raising of payables to group enterprises		3,257,805	0
Cash capital increase		159,403,046	1,055,838
Cash flows from financing activities		**318,610,851**	**1,055,838**
Change in cash and cash equivalents		**41,212,364**	**1,007,896**
Cash and cash equivalents at 1 January		1,007,896	0
Cash and cash equivalents at 31 December		**42,220,260**	**1,007,896**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		42,220,260	1,007,896
Cash and cash equivalents at 31 December		**42,220,260**	**1,007,896**

Notes to the Financial Statements

	Group		Parent company	
	2024	2023	2024	2023
1. Staff				
Average number of employees	0	0	0	0

The group's and the parent company's only employee is the Executive Board, who has not received any remuneration during the financial year.

	Group		Parent company	
	2024	2023	2024	2023
	DKK	DKK	DKK	DKK
2. Income tax expense				
Current tax for the year	2,378	0	0	0
	2,378	**0**	**0**	**0**

	Parent company	
	2024	2023
	DKK	DKK
3. Profit allocation		
Retained earnings	-10,359,906	-66,192
	-10,359,906	**-66,192**

Notes to the Financial Statements

4. Intangible fixed assets

Group

	Completed develop-ment projects	Customer relationship	Acquired other similar rights	Goodwill	Develop-ment projects in progress
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	0	0	0	0	0
Net effect from merger and acquisition	31,968,796	169,591,000	1,162,602	152,748,048	1,443,813
Cost at 31 December	31,968,796	169,591,000	1,162,602	152,748,048	1,443,813
Carrying amount at 31 December	**31,968,796**	**169,591,000**	**1,162,602**	**152,748,048**	**1,443,813**
Amortised over	8-10 years	8 years	10 years	5-20 years	

The development costs relate to the development of the indication and species of existing products, as well as the preparation of new registration dossiers. Ongoing development projects are expected to be completed during 2025-2030. The projects are progressing as planned using the allocated resources. It is expected that the development of the products will increase market demand from both existing and new customers. Prior to commencement, there were strong indications that there was a market need for the anticipated developments.

5. Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improve-ments
	DKK	DKK
Cost at 1 January	0	0
Net effect from merger and acquisition	206,085	685,988
Cost at 31 December	206,085	685,988
Carrying amount at 31 December	**206,085**	**685,988**
Amortised over	3-10 years	5 years

	Parent company	
	2024	2023
	DKK	DKK

6. Investments in subsidiaries

	2024 DKK	2023 DKK
Cost at 1 January	527,919	527,919
Additions for the year	227,638,411	0
Cost at 31 December	228,166,330	527,919
Value adjustments at 1 January	-49,816	-49,816
Net profit/loss for the year	-10,339,194	0
Value adjustments at 31 December	-10,389,010	-49,816
Carrying amount at 31 December	**217,777,320**	**478,103**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Salpharm Animal Health A/S	Kolding, Denmark	100%
Salpharm Holding ApS	Kolding, Denmark	100%
- Salfarm Danmark A/S	Kolding, Denmark	100%
- Salfarm Scandinavia AB	Helsingborg, Sweden	100%
- Salfarm Scandinavia AS	Oslo, Norway	100%

7. Other fixed asset investments

Group

	Deposits
	DKK
Cost at 1 January	0
Net effect from merger and acquisition	126,077
Cost at 31 December	126,077
Carrying amount at 31 December	**126,077**

8. Prepayments

Prepayments consist of prepaid expenses related to electricity, travel expenses, etc.

9. Provision for deferred tax

	Group		Parent company	
	2024	2023	2024	2023
	DKK	DKK	DKK	DKK
Net effect from merger and acquisition	44,714,734	0	0	0
Deferred tax liabilities at 31 December	**44,714,734**	**0**	**0**	**0**

10. Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2024	2023	2024	2023
	DKK	DKK	DKK	DKK
Credit institutions				
After 5 years	93,570,000	0	0	0
Between 1 and 5 years	62,380,000	0	0	0
Long-term part	155,950,000	0	0	0
Other short-term debt to credit institutions	181,136	0	0	0
	156,131,136	**0**	**0**	**0**

11. Cash flow statement - Adjustments

	Group 2024	Group 2023
	DKK	DKK
Financial income	-37,629	0
Financial expenses	8,529	14,502
Tax on profit/loss for the year	2,378	0
	-26,722	**14,502**

12. Cash flow statement - Change in working capital

	Group 2024	Group 2023
	DKK	DKK
Change in receivables	-379,528	0
Change in trade payables, etc	6,557,382	18,250
	6,177,854	**18,250**

13. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

The Group has assumed lease commitments amounting to DKK 1,736 ,537 as at the balance sheet date.

The Group has assumed rent obligation amounting to DKK 423,291 as at the balance sheet date.

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the Danish 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.

14. Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(6) of the Danish Financial Statements Act.

Transactions with related parties have been conducted on an arm's length basis.

15. Accounting policies

The Annual Report of Salpharm Animal Health Holding A/S for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2024 are presented in DKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Salpharm Animal Health Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Leases

All 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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Income statement

Other external expenses

Other external expenses comprise expenses for consulent assistance etc.

Gross loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss comprises of other external expenses.

Notes to the Financial Statements

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year after deducting depreciation of goodwill and other excess values.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for 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 group companies. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5-20 years, determined on the basis of Management's experience with the individual business areas. The depreciation period is 20 years on a strategically acquired company with a strong market position and long earnings profile. Goodwill is amortized over the estimated useful life of the investment in the subsidiary based on the business case determined at the time of purchase.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 8-10 year.

Other intangible fixed assets

Rights are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Rights are amortised over the period of the agreements, which is 10 years.

Customer relationship

Customer relationships are amortized on a straight-line basis over a 8 year useful life. Costs for acquired assets represent the purchase price acquisition.

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.

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

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises. Goodwill and other intangible assets arising at the time of acquisition are amortized over their expected useful lives, which are between 8 to 20 years.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

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

The cost of goods for resale equals landed cost.

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning electricity, travel expenses etc.

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, including the tax base of tax loss carry-forwards, 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 receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act, the Parent Company has not prepared a cash flow statement for the Company itself but has only prepared a cash flow statement for the Group.

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Current asset investments". "Current asset investments" consist of short-term securities with an insignificant risk of value changes that can readily be turned into cash.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Return on assets	Profit/loss of primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity