



Orifarm Supply A/S

Energivej 15
5260 Odense S
CVR No. 17153684

Annual report 2020

The Annual General Meeting adopted the
annual report on 11.06.2021

Kim Jensen

Chairman of the General Meeting

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Entity details

Entity

Orifarm Supply A/S

Energivej 15

5260 Odense S

CVR No.: 17153684

Registered office: Odense

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Ole Michael Friis, Chairman

Hans Carl Bøgh-Sørensen

Birgitte Bøgh-Sørensen

Executive Board

Erik Sandberg, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Orifarm Supply A/S for the financial year 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 11.06.2021

Executive Board

Erik Sandberg

Chief Executive Officer

Board of Directors

Ole Michael Friis

Chairman

Hans Carl Bøgh-Sørensen

Birgitte Bøgh-Sørensen

Independent auditor's report

To the shareholder of Orifarm Supply A/S

Opinion

We have audited the financial statements of Orifarm Supply A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 11.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Nikolaj Thomsen

State Authorised Public Accountant
Identification No (MNE) mne33276

Jens Serup

State Authorised Public Accountant
Identification No (MNE) mne45825

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	7,025,289	6,301,721	5,377,580	5,087,340	4,685,833
Gross profit/loss	301,666	282,033	238,279	180,568	111,546
Operating profit/loss	233,082	216,033	177,209	130,018	84,966
Net financials	(4,256)	(4,962)	(15,317)	(19,040)	(31,499)
Profit/loss for the year	173,456	164,376	125,988	86,199	41,704
Total assets	1,340,870	1,199,454	1,028,183	1,021,000	1,161,554
Inventories	1,116,699	1,006,381	751,435	756,512	761,822
Investments in property, plant and equipment	3,898	2,181	458	604	0
Equity	546,723	502,565	428,101	334,545	246,081
Ratios					
Gross margin (%)	4.29	4.48	4.43	3.55	2.38
Net margin (%)	2.47	2.61	2.34	1.69	0.89
Return on equity (%)	33.06	35.32	33.04	29.69	18.57
Equity ratio (%)	40.77	41.90	41.64	32.77	21.19

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets

Primary activities

Orifarm Supply A/S is part of the Orifarm Group which is an ambitious operator in the European market for pharmaceuticals. Our ambition is to make affordable healthcare available. In other words: We offer consumers and societies more healthcare for their money.

Orifarm Supply A/S deals with import, repackaging and sale of pharmaceuticals. Pharmaceuticals are imported from EU/EEA Member States where original pharmaceutical producers sell their preparations at lower prices, than e.g. the Nordic countries or Germany. This makes it possible to offer original pharmaceuticals at a lower price in other EU countries.

Development in activities and finances

Orifarm Supply A/S's revenue totaled MDKK 7,025 (2019: MDKK 6,302) which primarily consists of sale to other parallel import inter group companies.

Orifarm Supply A/S' gross margin decreased to 4.3% (2019: 4.5%) and operating profit increased by MDKK 17 to MDKK 233.

Orifarm Supply A/S' annual result for 2020 amounts to MDKK 173 (2019: MDKK 164), which is considered satisfactory and better than expected as set out in the financial statements for 2019.

Outlook

For 2021, Orifarm Supply A/S expects growth in revenue in the range of 2-4% and a decline of 5-10% in operating income compared to 2020 level.

COVID-19 has not significantly impacted the earnings in 2020. When setting the expectations for activity and earnings for 2021, collected knowledge and experience since March 2020 and until now has been considered.

Particular risks

Operating conditions

To a significant extent, earnings depend on legislative measures that affect the pricing of pharmaceuticals in both the purchase and the sales countries. Earnings are also affected by measures in the sales countries which are intended to limit the consumption of pharmaceuticals.

It is Orifarm's policy to avoid infringing on trademark rights, and Orifarm Supply A/S is not currently involved in any major pending litigation of this kind.

Financial matters

The Company is exposed to fluctuations in foreign exchange rates and interest rate levels. The risks are mitigated through hedge, in accordance with the company's policy. Exchange rate risks are primarily related to the currencies SEK, NOK, CZK and GBP.

Orifarm's financial risks, including its cash management and extension of credits, are managed centrally. The aim is to maintain a balanced risk profile.

Research and development activities

Orifarm has significant development activities covering both product and process development.

Statutory report on corporate social responsibility

Orifarm Group joined the UN Global Compact in 2018 and we are consequently incorporating the Ten Principles into our strategies, policies and procedures.

Our progress report is reported for the group as a whole and is available at www.orifarm.com/media/1835/orifarm_cop-rapport-2020.pdf

Statutory report on the underrepresented gender

Throughout many years, the Company has focused on diversity among the employees and in management, including an equal distribution between men and women. The Company believes that this ensures a good working environment and helps sharpen the Company's competitiveness.

With 3 board members, the current distribution between the genders of 1/3 is considered to be an equal distribution. On this basis, no further target figures for the Board are reported.

To ensure diversity among other management levels, the company has set up a policy to increase the proportion of the underrepresented gender in the rest of management. The policy can be found at www.orifarm.com/media/1835/orifarm_cop-rapport-2020.pdf

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	2	7,025,289	6,301,721
Other operating income		71,205	54,839
Cost of sales		(6,689,201)	(5,978,074)
Other external expenses		(105,627)	(96,453)
Gross profit/loss		301,666	282,033
Staff costs	3	(63,268)	(62,244)
Depreciation, amortisation and impairment losses	4	(5,316)	(3,756)
Operating profit/loss		233,082	216,033
Other financial income	5	31,909	23,288
Other financial expenses	6	(36,165)	(28,250)
Profit/loss before tax		228,826	211,071
Tax on profit/loss for the year	7	(55,370)	(46,695)
Profit/loss for the year	8	173,456	164,376

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Acquired intangible assets		390	0
Goodwill		47,342	50,607
Intangible assets	9	47,732	50,607
Other fixtures and fittings, tools and equipment		4,106	2,130
Property, plant and equipment	10	4,106	2,130
Other investments		0	0
Financial assets	11	0	0
Fixed assets		51,838	52,737
Raw materials and consumables		952,161	679,118
Manufactured goods and goods for resale		158,120	256,267
Prepayments for goods		6,418	70,996
Inventories		1,116,699	1,006,381
Trade receivables		8,153	728
Receivables from group enterprises		151,520	132,942
Other receivables		6,375	2,913
Joint taxation contribution receivable		0	1,648
Prepayments	12	6,108	538
Receivables		172,156	138,769
Cash		177	1,567
Current assets		1,289,032	1,146,717
Assets		1,340,870	1,199,454

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	13	10,000	10,000
Reserve for fair value adjustments of hedging instruments		702	0
Retained earnings		526,021	362,565
Proposed dividend		10,000	130,000
Equity		546,723	502,565
Deferred tax	14	7,863	6,326
Provisions		7,863	6,326
Other payables		5,992	1,738
Non-current liabilities other than provisions	15	5,992	1,738
Current portion of non-current liabilities other than provisions	15	122	35
Trade payables		166,579	175,627
Payables to group enterprises		548,477	480,430
Tax payable		19,217	0
Other payables		45,897	32,733
Current liabilities other than provisions		780,292	688,825
Liabilities other than provisions		786,284	690,563
Equity and liabilities		1,340,870	1,199,454
Events after the balance sheet date	1		
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Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	10,000	0	362,565	130,000	502,565
Ordinary dividend paid	0	0	0	(130,000)	(130,000)
Fair value adjustments of hedging instruments	0	900	0	0	900
Tax of entries on equity	0	(198)	0	0	(198)
Profit/loss for the year	0	0	163,456	10,000	173,456
Equity end of year	10,000	702	526,021	10,000	546,723

Notes

1 Events after the balance sheet date

From the balance sheet date until today, no events have occurred which could change the assessments made in the Annual Report.

The continuing outbreak of COVID-19 at the beginning of 2021 is not expected to have a material impact on the Entity's financial position, as Orifarm's supply chain is intact and pharmaceuticals are highly demanded and essential also during the COVID-19 outbreak.

2 Revenue

Orifarm Supply A/S is manufacturing and selling parallel-imported pharmaceuticals, from which the Entity only has one segment.

No geographical segment information is specified in the annual report. The information has been omitted, as the information may give rise to significant damage to the company, cf. Section 96 (1) of the Danish Financial Statements Act.

3 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	55,586	54,759
Pension costs	6,897	6,449
Other staff costs	785	1,036
	63,268	62,244
Average number of full-time employees	109	104

The Board of Directors does not receive remuneration. Referring to section 98 b, subsection 3, 2 of the Danish Financial Statements Act, remuneration to the Executive Board is not disclosed.

4 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Amortisation of intangible assets	3,394	3,265
Depreciation of property, plant and equipment	1,922	491
	5,316	3,756

5 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	1,929	3,519
Other interest income	3	12
Exchange rate adjustments	29,977	19,757
	31,909	23,288

6 Other financial expenses

	2020 DKK'000	2019 DKK'000
Financial expenses from group enterprises	7,532	9,487
Other interest expenses	416	552
Exchange rate adjustments	28,217	18,211
	36,165	28,250

7 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	49,036	45,220
Change in deferred tax	1,339	1,396
Adjustment concerning previous years	4,995	79
	55,370	46,695

8 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Ordinary dividend for the financial year	10,000	130,000
Retained earnings	163,456	34,376
	173,456	164,376

9 Intangible assets

	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	269	65,300
Additions	519	0
Cost end of year	788	65,300
Amortisation and impairment losses beginning of year	(269)	(14,693)
Amortisation for the year	(129)	(3,265)
Amortisation and impairment losses end of year	(398)	(17,958)
Carrying amount end of year	390	47,342

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	7,735
Additions	3,898
Cost end of year	11,633
Depreciation and impairment losses beginning of year	(5,605)
Depreciation for the year	(1,922)
Depreciation and impairment losses end of year	(7,527)
Carrying amount end of year	4,106

11 Financial assets

	Other investments DKK'000
Cost beginning of year	25
Cost end of year	25
Impairment losses beginning of year	(25)
Impairment losses end of year	(25)
Carrying amount end of year	0

Other investments comprises of a 5 % share in Orifarm Supply s.r.o. registered in the Czech Republic.

12 Prepayments

Prepayments consist of expenses payed in advance.

13 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	10,000	1	10,000
	10,000		10,000

The shares is not divided into share classes.

There has not been changes in contributed capital in the past five financial years.

14 Deferred tax

	2020	2019
	DKK'000	DKK'000
Intangible assets	8,449	7,029
Property, plant and equipment	(122)	(41)
Equity	(464)	(662)
Deferred tax	7,863	6,326

Changes during the year	2020
	DKK'000
Beginning of year	6,326
Recognised in the income statement	1,339
Recognised directly in equity	198
End of year	7,863

15 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2020	2019	months	2020
	DKK'000	DKK'000	DKK'000	DKK'000
Other payables	122	35	5,992	5,625
	122	35	5,992	5,625

16 Financial instruments

As part of the Entity's hedge of cash flow, the Entity has entered forward contracts on sales of SEK against EUR expiring in 2021. As on 31.12.2020 the value of the obligations are 2.109 t.DKK, which are included in other payables.

17 Unrecognised rental and lease commitments

	2020	2019
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	721	833

18 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where HBS Capital ApS serves as administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The Entity is a party to litigations regarding alleged infringement of trademark rights. Management believes that these legal proceedings will not lead to material losses.

19 Assets charged and collateral

The Group has provided guarantees under which the guarantors assume joint and several liability for group enterprises' net debt with bank and credit institution. The Groups total net debt in relation to this guarantee is booked at 1.609 m.DKK at 31.12.2020.

The Entity has provided inventories of a total of 186 m.DKK, as security for bank debt in Orifarm Group A/S, Orifarm GmbH, Orifarm Generics Holding A/S, Orifarm Generics A/S and Habico Invest A/S.

20 Related parties with controlling interest

Related parties with controlling interest in Orifarm Supply A/S:

The following Companies own all the shares in the Entity, and therefore have a controlling influence on this:

- Orifarm Supply Holding A/S
- Orifarm PI A/S
- Orifarm Group A/S
- Habico A/S
- Habico Holding A/S
- HBS Capital ApS

All transactions with related parties are conducted on arms length.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
HBS Capital ApS, Odense, Central Business Registration Number 41 00 08 80.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Orifarm Group A/S, Odense, Central Business Registration Number 27 34 72 82.

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112 (1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other

payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

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

Cost of sales

Cost of sales includes direct and indirect costs incurred to generate revenue. The cost of sales is recognized raw materials, consumables and cost of production staff.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for distribution, sale, advertising, administration, premises etc.

Referring to section 96 (3) in the Danish Financial Statement Act the Entity has decided not to show the fee to auditors. Reference is made to the information for the Group in the consolidated financial statements for Orifarm Group A/S.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as equipment.

Other financial income

Other financial income comprises, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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

The jointly taxed companies to the rules of section 11B of the Danish Companies Act governing interest deduction limitation. It has been agreed in the joint taxation that reduced interest deduction is recognised in the company in which the interest deduction has been reduced.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. The amortisation period used is 20 years.

The determination of the lifetime is decided based on an evaluation of a combined company with Know How, skills and a efficient organization, which is expected to provide development of the business in a long time to come, and because the lifetime of the medical products normally are very long.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

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

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

Property, plant and equipment

Equipment are measured at cost less accumulated depreciation and impairment losses.

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

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment

3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of equipment are written down to the lower of recoverable amount and carrying amount.

Profit or losses from the sale of equipment are calculated as the difference between selling price less selling cost and carrying amount at the time of sale. Profit and losses are recognized in the income statement.

Other investments

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

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

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

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Deferred tax

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

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

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Referring to section 86 (4) of the Danish Financial Statements Act, Orifarm Supply A/S has not prepared any cash flow statement. Orifarm Supply A/S is included in the consolidated cash flow statement in Orifarm Group A/S.