

## **Orifarm Supply A/S**

Energivej 15  
5260 Odense S  
CVR No. 17153684

### **Annual report 2021**

The Annual General Meeting adopted the  
annual report on 24.06.2022

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**Kim Jensen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021	10
Balance sheet at 31.12.2021	11
Statement of changes in equity for 2021	13
Notes	14
Accounting policies	19

# Entity details

## Entity

Orifarm Supply A/S

Energivej 15

5260 Odense S

Business Registration No.: 17153684

Registered office: Odense

Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Ole Michael Friis

Hans Bøgh-Sørensen

Birgitte Bøgh-Sørensen

## Executive Board

Erik Sandberg

## 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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 24.06.2022

## Executive Board

**Erik Sandberg**

## Board of Directors

**Ole Michael Friis**

**Hans 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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in 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 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.

### 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, 24.06.2022

**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

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
<b>Key figures</b>					
Revenue	8,027,258	7,025,289	6,301,721	5,377,580	5,087,340
Gross profit/loss	342,477	301,668	282,033	238,279	180,568
Operating profit/loss	228,477	233,084	216,033	177,209	130,018
Net financials	(5,919)	(4,258)	(15,317)	(19,040)	(31,499)
Profit/loss for the year	173,585	173,456	164,376	125,988	86,199
Total assets	1,306,291	1,340,870	1,199,454	1,028,183	1,021,000
Inventories	1,082,484	1,116,699	1,006,381	751,435	756,512
Investments in property, plant and equipment	1,663	3,897	2,181	458	604
Equity	711,955	546,723	502,565	428,101	334,545
<b>Ratios</b>					
Gross margin (%)	4.27	4.29	4.48	4.43	3.55
Net margin (%)	2.16	2.47	2.61	2.34	1.69
Return on equity (%)	27.58	33.06	35.32	33.04	29.69
Equity ratio (%)	54.50	40.77	41.90	41.64	32.77

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, and 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 in 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 8,027 (2020: MDKK 7,025) which primarily consists of sale to other parallel import inter group companies.

Orifarm Supply A/S' gross margin remained at 4.3% and operating profit decreased by MDKK 5 to MDKK 228.

These levels have been reached despite sourcing/supply chain constraints and increased price competition throughout 2021.

### Profit/loss for the year in relation to expected developments

The company's results for 2021 are considered satisfactory and better than expected as set out in the financial statements for 2020.

### Outlook

For 2022, Orifarm Supply A/S expects a revenue and operating income in line with 2021 level. No consequences from the conflict in Ukraine have been incorporated into these expectations.

### Statutory report on corporate social responsibility

Orifarm Supply A/S is a part of the Orifarm Group. Reference is made to group reporting on CSR, which can be found at [www.orifarm.com/CSR2021](http://www.orifarm.com/CSR2021).

### 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 Group 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/CSR2021](http://www.orifarm.com/CSR2021).

### Statutory report on data ethics policy

Orifarm Supply A/S is a part of the Orifarm Group. Reference is made to group reporting on data ethics, which can be found at [www.orifarm.com/CSR2021](http://www.orifarm.com/CSR2021).

**Events after the balance sheet date**

From the reporting date until today, no events have occurred which could change the assessments made in the Annual Report. At the current stage in time, the conflict in Ukraine is not expected to have any significant effect on the results.

# Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue	2	8,027,258	7,025,289
Other operating income		35	71,205
Cost of sales		(7,646,965)	(6,689,201)
Other external expenses		(37,851)	(105,625)
<b>Gross profit/loss</b>		<b>342,477</b>	<b>301,668</b>
Staff costs	3	(110,199)	(63,268)
Depreciation, amortisation and impairment losses	4	(3,801)	(5,316)
<b>Operating profit/loss</b>		<b>228,477</b>	<b>233,084</b>
Other financial income	5	31,708	31,909
Other financial expenses	6	(37,627)	(36,167)
<b>Profit/loss before tax</b>		<b>222,558</b>	<b>228,826</b>
Tax on profit/loss for the year	7	(48,973)	(55,370)
<b>Profit/loss for the year</b>	8	<b>173,585</b>	<b>173,456</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK'000	2020 DKK'000
Acquired intangible assets		217	390
Goodwill		44,077	47,342
<b>Intangible assets</b>	9	<b>44,294</b>	<b>47,732</b>
Other fixtures and fittings, tools and equipment		5,405	4,105
<b>Property, plant and equipment</b>	10	<b>5,405</b>	<b>4,105</b>
Other investments		0	0
<b>Financial assets</b>	11	<b>0</b>	<b>0</b>
<b>Fixed assets</b>		<b>49,699</b>	<b>51,837</b>
Raw materials and consumables		892,875	952,161
Manufactured goods and goods for resale		183,128	158,120
Prepayments for goods		6,483	6,418
<b>Inventories</b>		<b>1,082,486</b>	<b>1,116,699</b>
Trade receivables		11,320	8,153
Receivables from group enterprises		152,529	151,520
Other receivables		3,774	6,375
Prepayments	12	6,483	6,109
<b>Receivables</b>		<b>174,106</b>	<b>172,157</b>
<b>Cash</b>		<b>0</b>	<b>177</b>
<b>Current assets</b>		<b>1,256,592</b>	<b>1,289,033</b>
<b>Assets</b>		<b>1,306,291</b>	<b>1,340,870</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK'000</b>	<b>2020 DKK'000</b>
Contributed capital	13	10,000	10,000
Reserve for fair value adjustments of hedging instruments		0	702
Retained earnings		526,955	526,021
Proposed dividend		175,000	10,000
<b>Equity</b>		<b>711,955</b>	<b>546,723</b>
Deferred tax	14	9,891	7,863
<b>Provisions</b>		<b>9,891</b>	<b>7,863</b>
Other payables		0	5,992
<b>Non-current liabilities other than provisions</b>	<b>15</b>	<b>0</b>	<b>5,992</b>
Current portion of non-current liabilities other than provisions	15	0	122
Bank loans		27,012	25,000
Trade payables		194,281	166,579
Payables to group enterprises		247,157	523,477
Tax payable		27,416	19,217
Other payables		88,579	45,897
<b>Current liabilities other than provisions</b>		<b>584,445</b>	<b>780,292</b>
<b>Liabilities other than provisions</b>		<b>584,445</b>	<b>786,284</b>
<b>Equity and liabilities</b>		<b>1,306,291</b>	<b>1,340,870</b>
Events after the balance sheet date	1		
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

# Statement of changes in equity for 2021

	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	702	526,021	10,000	546,723
Ordinary dividend paid	0	0	0	(10,000)	(10,000)
Other entries on equity	0	0	1,647	0	1,647
Dissolution of reserves	0	(702)	702	0	0
Profit/loss for the year	0	0	(1,415)	175,000	173,585
<b>Equity end of year</b>	<b>10,000</b>	<b>0</b>	<b>526,955</b>	<b>175,000</b>	<b>711,955</b>

# Notes

## 1 Events after the balance sheet date

From the reporting date until today, no events have occurred which could change the assessments made in the Annual Report. At the current stage in time, the conflict in Ukraine is not expected to have any significant effect on the results.

## 2 Revenue

Orifarm Supply A/S is importing 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 significant damage to the company, cf. Section 96 (1) of the Danish Financial Statements Act.

## 3 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	96,669	55,586
Pension costs	11,657	6,897
Other staff costs	1,873	785
	<b>110,199</b>	<b>63,268</b>
Average number of full-time employees	127	109

Staff costs has been increased by MDKK 31.4 and average number of full-time employees by 61 employees due to Orifarm Supply A/S receiving shared services from Other Group entities.

The Board of Directors does not receive remuneration.

## 4 Depreciation, amortisation and impairment losses

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation of intangible assets	3,438	3,394
Depreciation of property, plant and equipment	363	1,922
	<b>3,801</b>	<b>5,316</b>

## 5 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from group enterprises	7,273	1,929
Other interest income	5	3
Exchange rate adjustments	24,430	29,977
	<b>31,708</b>	<b>31,909</b>

## 6 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	13,281	7,534
Other interest expenses	742	416
Exchange rate adjustments	23,604	28,217
	<b>37,627</b>	<b>36,167</b>

## 7 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	47,416	49,036
Change in deferred tax	1,564	1,339
Adjustment concerning previous years	(7)	4,995
	<b>48,973</b>	<b>55,370</b>

## 8 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Ordinary dividend for the financial year	175,000	10,000
Retained earnings	(1,415)	163,456
	<b>173,585</b>	<b>173,456</b>

## 9 Intangible assets

	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	788	65,300
<b>Cost end of year</b>	<b>788</b>	<b>65,300</b>
Amortisation and impairment losses beginning of year	(398)	(17,958)
Amortisation for the year	(173)	(3,265)
<b>Amortisation and impairment losses end of year</b>	<b>(571)</b>	<b>(21,223)</b>
<b>Carrying amount end of year</b>	<b>217</b>	<b>44,077</b>



## 10 Property, plant and equipment

	<b>Other fixtures and fittings, tools and equipment DKK'000</b>
Cost beginning of year	11,633
Additions	1,663
<b>Cost end of year</b>	<b>13,296</b>
Depreciation and impairment losses beginning of year	(7,528)
Depreciation for the year	(363)
<b>Depreciation and impairment losses end of year</b>	<b>(7,891)</b>
<b>Carrying amount end of year</b>	<b>5,405</b>

## 11 Financial assets

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

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

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
Shares	10,000	1	10,000
	<b>10,000</b>		<b>10,000</b>

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

	2021 DKK'000	2020 DKK'000
Intangible assets	9,697	8,449
Property, plant and equipment	194	(122)
Equity	0	(464)
<b>Deferred tax</b>	<b>9,891</b>	<b>7,863</b>

	2021 DKK'000	2020 DKK'000
<b>Changes during the year</b>		
Beginning of year	7,863	6,326
Recognised in the income statement	1,564	1,339
Recognised directly in equity	464	198
<b>End of year</b>	<b>9,891</b>	<b>7,863</b>

#### 15 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000
Other payables	122
	<b>122</b>

There are no non-current liabilities which are outstanding after 5 years.

#### 16 Financial instruments

As part of the Entity's risk management, the entity uses hedging instruments in the form of forward exchange contracts. Hedge of recognized transactions primarily comprise receivables and payables. As of 31.12.2021, the Entity has no derivative financial instruments.

#### 17 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Liabilities under rental or lease agreements until maturity in total	326	721

#### 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 Group's total net debt in relation to this guarantee is booked at MDKK 4,611 at 31.12.2021.

The Entity has provided inventories MDKK186, as security for debt to the Group's bank and credit insitiutions.

### **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

### **21 Transactions with related parties**

All transactions with related parties are conducted on arms length.

### **22 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.

Reclassifications of items of the income statements and balance sheet have been made in the comparison year which have not affected profit.

## 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
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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.

**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.