

## **Orifarm Generics A/S**

Energivej 15

5260 Odense S

Central Business Registration No

25674030

## **Annual report 2017**

The Annual General Meeting adopted the annual report on 28.05.2018

### **Chairman of the General Meeting**

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Name: Kim Jensen

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## Entity details

### Entity

Orifarm Generics A/S  
Energivej 15  
5260 Odense S

Central Business Registration No: 25674030  
Registered in: Odense  
Financial year: 01.01.2017 - 31.12.2017

### Board of Directors

Hans Carl Bøgh-Sørensen, chairman  
Birgitte Bøgh-Sørensen  
Erik Sandberg

### Executive Board

Karsten Haumann

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Tværkajen 5  
Postboks 10  
5100 Odense C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Orifarm Generics A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 28.05.2018

### Executive Board

Karsten Haumann

### Board of Directors

Hans Carl Bøgh-Sørensen  
chairman

Birgitte Bøgh-Sørensen

Erik Sandberg

# Independent auditor's report

## To the shareholders of Orifarm Generics A/S

### Opinion

We have audited the financial statements of Orifarm Generics A/S for the financial year 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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 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:

## Independent auditor's report

- 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.

## Independent auditor's report

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.

Odense, 28.05.2018

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Lars Knage Nielsen  
State Authorised Public Accountant  
Identification number (MNE) mne10074

Allan Dydensborg Madsen  
State Authorised Public Accountant  
Identification number (MNE) mne34144

## Management commentary

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>			
<b>Key figures</b>			
Gross profit	171.953	169.884	40.013
Operating profit/loss	101.789	107.630	972
Net financials	(2.938)	(670)	(4)
Profit/loss for the year	76.351	83.250	605
Total assets	259.688	240.606	46.456
Investments in property, plant and equipment	0	54	0
Equity	86.770	60.419	8.039
<b>Ratios</b>			
Return on equity (%)	103,7	243,2	7,5
Equity ratio (%)	33,4	25,1	17,3

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios</b>
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

Orifarm Generics A/S is part of Orifarm Group A/S which is an ambitious operator in the European market for pharmaceuticals. Our ambition is to supply high quality pharmaceuticals at a lower cost. In other words: We offer consumers and societies more healthcare for their money.

Orifarm Generics A/S is manufacturing and selling generics pharmaceuticals in the Nordics.

Orifarm entered the generic pharmaceuticals trade in 2001. Generic pharmaceuticals can be produced and marketed once the original manufacturer's patent expires and its exclusive rights lapse. Generic competition normally lowers prices on medicine significantly which benefits patients and society at large.

Included in Orifarm Generics' broad range of generic preparations is a line of generic over-the-counter products which are marketed under the umbrella brand "Tænk gult".

The formation and development of the company is healthcare business model innovation. This is expressed in Orifarm's mission statement, which is "Challenging the pharmaceutical market".

Orifarm's vision - "We want to be number 1 in making healthcare a better deal" - expresses the general objective. "A better deal" refers not only to savings, but also to how Orifarm delivers solutions that meet its stakeholder's needs. Orifarm's operating activities are guided by our values, which are flexibility, ambition, responsibility and customer focus.

### Development in activities and finances

Orifarm Generics' gross profit increased slightly to MDKK 172 (2016: MDKK 170). Furthermore the operating profit totalled MDKK 102 (2016: MDKK 108).

Orifarm Generics had a strong 1<sup>st</sup> half year with growth but encountered fierce price competition in 2<sup>nd</sup> half.

Own-developed niche products for the Rx segment (prescribed medicine) continued a satisfactory development along side with a strong general assortment-wide growth within the Rx segment.

Orifarm Generics maintained its strong position within the segment for over-the-counter pharmaceuticals.

During 2017 Orifarm Generics decided to invest further in developing new products in order to achieve long-term growth and thereby additional society savings.

Orifarm Generics' results for 2017 are considered satisfactory and in line with expectations.

### Special Risks

#### *Operating conditions*

For Generic Pharmaceuticals, the company policy states that infringing on patent rights should be avoided. However, since patent holders have a significant commercial interest in defending market monopolies that exceed the protections granted by a given patent, disputes and litigation are difficult to avoid. Consequently, Orifarm is involved in pending legal proceedings and the outcome of these may affect the company's earnings.

#### *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.

## Management commentary

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

### **Culture and Employees**

It is Orifarm's objective to be a leading supplier of generic pharmaceuticals in the Nordic countries. We believe that our results and the competencies and commitment of our employees are intertwined. That is why we are constantly seeking to develop our employees' knowledge and competencies, which in turn bolster Orifarm's results and growth-oriented culture.

Orifarm is aware of its social responsibilities and accordingly, it is important for the company to have a wide variety of employees. Consequently, the company is stressing internal efforts to integrate employees of other ethnic backgrounds as well as disabled employees.

The level of internationalisation in Orifarm has increased significantly in recent years, and Orifarm has conducted international rotations of employees to ensure integration, knowledge sharing and cultural exchange.

### **Environment, Corporate Social Responsibility and Target Figures for Gender Composition of Management**

Descriptions of these subjects can be found in the Management's Commentary of Orifarm Group A/S Annual Report.

### **Development Activities**

The company has significant development activities covering both product and process development.

### **Outlook**

Orifarm Generics A/S expects results for 2018 to be in line with 2017.

### **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.

## Income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
<b>Gross profit</b>		<b>171.953</b>	<b>169.884</b>
Staff costs	1	(59.063)	(54.577)
Depreciation, amortisation and impairment losses	2	<u>(11.101)</u>	<u>(7.677)</u>
<b>Operating profit/loss</b>		<b>101.789</b>	<b>107.630</b>
Other financial income	3	1.389	2.581
Other financial expenses	4	<u>(4.327)</u>	<u>(3.251)</u>
<b>Profit/loss before tax</b>		<b>98.851</b>	<b>106.960</b>
Tax on profit/loss for the year	5	<u>(22.500)</u>	<u>(23.710)</u>
<b>Profit/loss for the year</b>	6	<u><b>76.351</b></u>	<u><b>83.250</b></u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Completed development projects		0	1.061
Acquired licences		28.965	33.827
Development projects in progress		5.355	0
<b>Intangible assets</b>	7	<u><b>34.320</b></u>	<u><b>34.888</b></u>
Plant and machinery		0	0
<b>Property, plant and equipment</b>	8	<u><b>0</b></u>	<u><b>0</b></u>
<b>Fixed assets</b>		<u><b>34.320</b></u>	<u><b>34.888</b></u>
Raw materials and consumables		5.820	6.995
Manufactured goods and goods for resale		144.713	116.115
Prepayments for goods		1.951	1.399
<b>Inventories</b>		<u><b>152.484</b></u>	<u><b>124.509</b></u>
Trade receivables		33.866	32.011
Receivables from group enterprises		32.648	19.107
Other receivables		1.969	3.629
Prepayments	9	219	1.011
<b>Receivables</b>		<u><b>68.702</b></u>	<u><b>55.758</b></u>
<b>Cash</b>		<u><b>4.182</b></u>	<u><b>25.451</b></u>
<b>Current assets</b>		<u><b>225.368</b></u>	<u><b>205.718</b></u>
<b>Assets</b>		<u><b>259.688</b></u>	<u><b>240.606</b></u>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital	10	1.000	1.000
Reserve for development expenditure		4.177	0
Retained earnings		<u>81.593</u>	<u>59.419</u>
<b>Equity</b>		<b><u>86.770</u></b>	<b><u>60.419</u></b>
Deferred tax	11	<u>6.854</u>	<u>6.727</u>
<b>Provisions</b>		<b><u>6.854</u></b>	<b><u>6.727</u></b>
Bank loans		26.008	21.876
Trade payables		34.883	34.143
Payables to group enterprises		54.591	69.801
Income tax payable		21.822	19.704
Other payables		<u>28.760</u>	<u>27.936</u>
<b>Current liabilities other than provisions</b>		<b><u>166.064</u></b>	<b><u>173.460</u></b>
<b>Liabilities other than provisions</b>		<b><u>166.064</u></b>	<b><u>173.460</u></b>
<b>Equity and liabilities</b>		<b><u>259.688</u></b>	<b><u>240.606</u></b>
Contingent liabilities	12		
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## Statement of changes in equity for 2017

	<b>Contributed capital DKK'000</b>	<b>Reserve for development expenditure DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed extraordinary dividend DKK'000</b>
Equity beginning of year	1.000	0	59.419	0
Extraordinary dividend paid	0	0	0	(50.000)
Profit/loss for the year	0	4.177	22.174	50.000
<b>Equity end of year</b>	<b>1.000</b>	<b>4.177</b>	<b>81.593</b>	<b>0</b>
				<b>Total DKK'000</b>
Equity beginning of year				60.419
Extraordinary dividend paid				(50.000)
Profit/loss for the year				76.351
<b>Equity end of year</b>				<b>86.770</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	50.654	48.264
Pension costs	7.780	5.655
Other social security costs	594	658
Other staff costs	35	0
	<b>59.063</b>	<b>54.577</b>
Average number of employees	<b>97</b>	<b>78</b>

Total amount for remuneration of management is 1.005 t.DKK in 2017 (828 t.DKK in 2016).

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	10.612	7.318
Profit/loss from sale of intangible assets and property, plant and equipment	489	359
	<b>11.101</b>	<b>7.677</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	400	2.008
Interest income	0	33
Other financial income	989	540
	<b>1.389</b>	<b>2.581</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	1.383	777
Other financial expenses	2.944	2.474
	<b>4.327</b>	<b>3.251</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>5. Tax on profit/loss for the year</b>		
Tax on current year taxable income	21.822	19.704
Change in deferred tax for the year	127	3.908
Adjustment concerning previous years	551	98
	<b>22.500</b>	<b>23.710</b>

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>6. Proposed distribution of profit/loss</b>		
Extraordinary dividend distributed in the financial year	50.000	119.008
Transferred to other statutory reserves	4.177	0
Retained earnings	22.174	(35.758)
	<b>76.351</b>	<b>83.250</b>

	<b>Completed develop- ment projects DKK'000</b>	<b>Acquired licences DKK'000</b>	<b>Develop- ment projects in progress DKK'000</b>
<b>7. Intangible assets</b>			
Cost beginning of year	3.364	44.420	0
Additions	0	5.177	5.355
Disposals	0	(2.194)	0
<b>Cost end of year</b>	<b>3.364</b>	<b>47.403</b>	<b>5.355</b>
Amortisation and impairment losses beginning of year	(2.303)	(10.593)	0
Amortisation for the year	(1.061)	(9.551)	0
Reversal regarding disposals	0	1.706	0
<b>Amortisation and impairment losses end of year</b>	<b>(3.364)</b>	<b>(18.438)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>0</b>	<b>28.965</b>	<b>5.355</b>

### Development projects in progress

Development projects consists of development of generic medicine. The development of the products are progressing as planned and are expected to be completed within 1-3 years.



## Notes

The Entity is continually scanning for and developing new generic medicine. It is the managements opinion, that newly developed generic medicine will contribute with positive contribution margin in the future, on equal terms with the currently product portfolio.

Management continuously evalutes the value of development projects in progress, and write-down projects which are unprofitable.

	<b>Plant and machinery DKK'000</b>
<b>8. Property, plant and equipment</b>	
Cost beginning of year	54
<b>Cost end of year</b>	<b>54</b>
Depreciation and impairment losses beginning of the year	(54)
<b>Depreciation and impairment losses end of the year</b>	<b>(54)</b>
<b>Carrying amount end of year</b>	<b>0</b>

### 9. Prepayments

Prepayments consist of expenses payed in advance.

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
<b>10. Contributed capital</b>			
Shares	1.000	1	1.000
	<b>1.000</b>		<b>1.000</b>

The shares have not been divided into classes. The share capital has increased with 200 t. DKK in 2016 due to a capital increase in connection with the merge with Alternova A/S.

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>11. Deferred tax</b>		
Intangible assets	6.825	6.529
Property, plant and equipment	(19)	(24)
Receivables	48	222
	<b>6.854</b>	<b>6.727</b>
<b>Changes during the year</b>		
Beginning of year	6.727	
Recognised in the income statement	127	
<b>End of year</b>	<b>6.854</b>	

### 12. Contingent liabilities

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 672 m.DKK at 31.12.2017.

The Entity has provided receivables from sales of goods and services, 33.866 t. DKK, as security for debt to the Group's banks and credit institutions.

The Entity is a party to litigation regarding alleged infringement of patent rights. Management believes that these legal proceedings will not lead to significant losses for the Entity.

The Group has normal trade obligations on returned goods, and no material losses are expected.

The Entity participates in a Danish joint taxation arrangement in which Habico Holding A/S serves as the 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 total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

### 13. Transactions with related parties

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

The Parent company Orifarm Generics Holding A/S, Odense, Central Business Registration No 27 34 72 23.

Other related parties in which Orifarm Generics A/S have had transactions with in 2017:

All transactions with related parties are conducted on arms length.

## Notes

### **14. Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Habico Holding A/S, Odense, Central Business Registration No 27 34 71 34.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Orifarm Generics Holding A/S, Odense, Central Business Registration No 27 34 72 23.

## 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 (big) enterprises.

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

### 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.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

#### 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.

## Accounting policies

### 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 comprises goods consumed in the financial year measured at cost, adjusted for inventory writedowns.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

### Staff costs

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

### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible asset 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.

### Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets 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, payables and transactions in foreign currencies, amortisation of financial liabilities 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 portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

The Entity is jointly taxed with the ultimate Parent company and all the ultimate Parent company's 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).

## Accounting policies

The jointly taxed companies are subject 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

#### Intellectual property rights etc

Intellectual property rights etc. comprises development costs, acquired licenses, files and application fees.

Development costs comprises costs, staff costs and depreciations, directly associated to development activities.

Development projects, which are clearly defined and identifiable, and where the technical viability, resources and a potential future market can be established with the intention to produce, market or utilise the projects, are recognised in the balance sheet as intangible assets, if the cost are measured reliable, and there is a certain security, that the future profit will cover the production-, marketing- and administrations costs as well as development costs. Additional development costs are recognised in the income statement, as the costs occurs.

Development projects, are measured at cost less accumulated amortisation and impairment.

When development projects are completed, the products are amortised straight-line over their expected useful lives calculated from the date when the product to which the development cost relate is introduced to the market. The amortisation period usually used is 5-10 years.

Acquired licenses, files and applications fees are measured at cost less accumulated amortisation and impairment.

Licenses, files and application fees regarding a specific product in relation to which a potential future market can be demonstrated and where the intention is to market the product in question are recognised as intangible assets. Other costs relating to applications are recognised as cost in the income statement as incurred.

Licenses, files and application fees regarding generic products are amortised straight-line over their expected useful lives calculated from the date when the product to which the files and application fees relate is introduced to the market. The amortisation period is 5 years.

Estimated useful lives and residual values are reassessed annually.

When licenses, files and application fees are subject to impairment, licenses, files and application fees are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Plant and machinery are measured at cost less accumulated depreciation and impairment losses.

## Accounting policies

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:

Plant and machinery	3-5 years
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Estimated useful lives and residual values are reassessed annually.

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

### 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 cash in hand and bank deposits.

### 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 carryforwards, 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.

## Accounting policies

### **Other financial liabilities**

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

### **Income tax receivable or payable**

Current tax payable or receivable 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 Generics A/S has not prepared any cash flow statement, given that there are cash flow statements in the consolidated financial statement.