

Orifarm Generics A/S

Energivej 15
5260 Odense S
CVR No. 25674030

Annual report 2021

The Annual General Meeting adopted the
annual report on 24.06.2022

Kim Jensen

Chairman of the General Meeting

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Entity details

Entity

Orifarm Generics A/S

Energivej 15

5260 Odense S

Business Registration No.: 25674030

Registered office: Odense

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Hans Bøgh-Sørensen, Chairman

Dennis Dencher

Birgitte Bøgh-Sørensen

Erik Sandberg

Executive Board

Karsten Haumann

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 Generics 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, 10.06.2022

Executive Board

Karsten Haumann

Board of Directors

Hans Bøgh-Sørensen
Chairman

Dennis Dencher

Birgitte Bøgh-Sørensen

Erik Sandberg

Independent auditor's report

To the shareholder of Orifarm Generics A/S

Opinion

We have audited the financial statements of Orifarm Generics 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, 10.06.2022

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 | 2020 | 2019 | 2018 | 2017 |
|--------------------------|-----------|---------|---------|---------|---------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Key figures | | | | | |
| Revenue | 1,757,348 | 688,426 | 545,016 | 504,442 | 468,663 |
| Gross profit/loss | 329,329 | 274,178 | 197,046 | 162,691 | 171,952 |
| Operating profit/loss | 180,648 | 185,611 | 134,228 | 92,584 | 101,788 |
| Net financials | 10,101 | 1,076 | (891) | (2,632) | (2,938) |
| Profit/loss for the year | 150,140 | 145,514 | 103,855 | 70,055 | 76,351 |
| Total assets | 1,172,126 | 455,784 | 330,196 | 295,018 | 259,524 |
| Equity | 527,257 | 201,194 | 145,680 | 116,825 | 86,770 |
| Ratios | | | | | |
| Gross margin (%) | 18.74 | 39.83 | 36.15 | 32.25 | 36.69 |
| Net margin (%) | 8.54 | 21.14 | 19.06 | 13.89 | 16.29 |
| Return on equity (%) | 41.22 | 83.90 | 79.13 | 68.82 | 103.75 |
| Equity ratio (%) | 44.98 | 44.14 | 44.12 | 39.60 | 33.43 |

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

Gross margin (%):

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

Net margin (%):

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

Return on equity (%):

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

Equity ratio (%):

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

Primary activities

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

As per 31 March 2021, Orifarm acquired a product portfolio from Takeda. The acquisition significantly increased the activity level and geographical footprint of Orifarm Healthcare.

Orifarm Generics A/S' product portfolio now includes both original and well-known brands as well as generic pharmaceuticals.

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.

Orifarm Generics A/S has established a broad range of generic preparations, including both prescription and over-the-counter products.

Development in activities and finances

Orifarm Generics A/S increased revenue by MDKK 1,069 to MDKK 1,757 (2020: MDKK 688). The operating profit decreased by MDKK 5 to MDKK 181 (2020: MDKK 186). COVID-19 has not significantly impacted the earnings in 2021.

The revenue grew through a dedicated focus on new market entries, organic growth in mature markets, growth through the Takeda acquisition and optimization of internal processes and procedures in the Healthcare segment.

With the Takeda acquisition, Orifarm Generics A/S strengthened its strong position within the segment for over-the-counter pharmaceuticals.

Furthermore Orifarm Generics A/S continued to invest in developing new products to achieve long-term growth.

Profit/loss for the year in relation to expected developments

Orifarm Generics A/S' results for 2021 are considered satisfactory and in line with the expectations as set out in the financial statements for 2020.

Outlook

For 2022, Orifarm Generics A/S expects revenue growth in the range of 10-20% and an operating income at 2021 level. No consequences from the conflict in Ukraine have been incorporated into these expectations.

Research and development activities

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

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 4 board members, the current distribution between the genders of 1/4 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.

Statutory report on data ethics policy

Orifarm has decided to publish its policy on data ethics through our CSR reporting. Our CSR reports are available at 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 | 1,757,348 | 688,426 |
| Other operating income | | 52,951 | 62,286 |
| Cost of sales | | (989,562) | (355,514) |
| Other external expenses | | (491,408) | (121,020) |
| Gross profit/loss | | 329,329 | 274,178 |
| Staff costs | 3 | (138,954) | (74,300) |
| Depreciation, amortisation and impairment losses | 4 | (9,727) | (14,267) |
| Operating profit/loss | | 180,648 | 185,611 |
| Other financial income | 5 | 21,820 | 6,640 |
| Other financial expenses | 6 | (11,719) | (5,564) |
| Profit/loss before tax | | 190,749 | 186,687 |
| Tax on profit/loss for the year | 7 | (40,609) | (41,173) |
| Profit/loss for the year | 8 | 150,140 | 145,514 |

Balance sheet at 31.12.2021

Assets

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|-------|------------------|-----------------|
| Completed development projects | 10 | 15,442 | 22,521 |
| Acquired licences | | 8,799 | 9,534 |
| Development projects in progress | 10 | 21,588 | 14,728 |
| Intangible assets | 9 | 45,829 | 46,783 |
| Fixed assets | | 45,829 | 46,783 |
| Raw materials and consumables | | 1,845 | 4,689 |
| Manufactured goods and goods for resale | | 432,267 | 223,492 |
| Prepayments for goods | | 0 | 3,874 |
| Inventories | | 434,112 | 232,055 |
| Trade receivables | | 150,513 | 32,199 |
| Receivables from group enterprises | | 403,457 | 138,696 |
| Other receivables | | 120,467 | 5,645 |
| Prepayments | 11 | 1,508 | 406 |
| Receivables | | 675,945 | 176,946 |
| Cash | | 16,240 | 0 |
| Current assets | | 1,126,297 | 409,001 |
| Assets | | 1,172,126 | 455,784 |

Equity and liabilities

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | 12 | 1,000 | 1,000 |
| Reserve for development expenditure | | 28,884 | 28,804 |
| Retained earnings | | 347,373 | 161,390 |
| Proposed dividend | | 150,000 | 10,000 |
| Equity | | 527,257 | 201,194 |
| Deferred tax | 13 | 10,204 | 10,373 |
| Provisions | | 10,204 | 10,373 |
| Other payables | | 0 | 7,349 |
| Non-current liabilities other than provisions | 14 | 0 | 7,349 |
| Current portion of non-current liabilities other than provisions | 14 | 0 | 150 |
| Bank loans | | 2 | 26,557 |
| Trade payables | | 298,449 | 96,376 |
| Payables to group enterprises | | 238,979 | 70,586 |
| Tax payable | | 20,784 | 16,319 |
| Other payables | | 76,451 | 26,880 |
| Current liabilities other than provisions | | 634,665 | 236,868 |
| Liabilities other than provisions | | 634,665 | 244,217 |
| Equity and liabilities | | 1,172,126 | 455,784 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 15 | | |
| Contingent liabilities | 16 | | |
| Assets charged and collateral | 17 | | |
| Related parties with controlling interest | 18 | | |
| Transactions with related parties | 19 | | |
| Group relations | 20 | | |

Statement of changes in equity for 2021

| | Contributed capital DKK'000 | Reserve for development expenditure DKK'000 | Retained earnings DKK'000 | Proposed dividend DKK'000 | Total DKK'000 |
|---------------------------|-----------------------------------|--|---------------------------------|---------------------------------|------------------|
| Equity beginning of year | 1,000 | 28,804 | 161,390 | 10,000 | 201,194 |
| Ordinary dividend paid | 0 | 0 | 0 | (10,000) | (10,000) |
| Group contributions etc | 0 | 0 | 185,923 | 0 | 185,923 |
| Transfer to reserves | 0 | 80 | (80) | 0 | 0 |
| Profit/loss for the year | 0 | 0 | 140 | 150,000 | 150,140 |
| Equity end of year | 1,000 | 28,884 | 347,373 | 150,000 | 527,257 |

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 Generics A/S is manufacturing and selling generic 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

| | 2021 | 2020 |
|---------------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| Wages and salaries | 119,575 | 63,399 |
| Pension costs | 18,173 | 10,257 |
| Other social security costs | 1,206 | 644 |
| | 138,954 | 74,300 |
| Average number of full-time employees | 181 | 117 |

Staff costs has been increased by MDKK 2,5 and average number of full-time employees by 24 employees due to Orifarm Generics A/S receiving shared services from other Group entities.

The Board of Directors does not receive remuneration.

4 Depreciation, amortisation and impairment losses

| | 2021 | 2020 |
|--|----------------|----------------|
| | DKK'000 | DKK'000 |
| Amortisation of intangible assets | 9,605 | 10,900 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 122 | 3,367 |
| | 9,727 | 14,267 |

5 Other financial income

| | 2021 | 2020 |
|---|----------------|----------------|
| | DKK'000 | DKK'000 |
| Financial income from group enterprises | 12,187 | 1,432 |
| Exchange rate adjustments | 9,633 | 5,208 |
| | 21,820 | 6,640 |

6 Other financial expenses

| | 2021 DKK'000 | 2020 DKK'000 |
|---|-----------------|-----------------|
| Financial expenses from group enterprises | 650 | 762 |
| Exchange rate adjustments | 9,129 | 3,989 |
| Other financial expenses | 1,940 | 813 |
| | 11,719 | 5,564 |

7 Tax on profit/loss for the year

| | 2021 DKK'000 | 2020 DKK'000 |
|--------------------------------------|-----------------|-----------------|
| Current tax | 41,622 | 41,319 |
| Change in deferred tax | (169) | (96) |
| Adjustment concerning previous years | (844) | (50) |
| | 40,609 | 41,173 |

8 Proposed distribution of profit and loss

| | 2021 DKK'000 | 2020 DKK'000 |
|--|-----------------|-----------------|
| Ordinary dividend for the financial year | 150,000 | 10,000 |
| Extraordinary dividend distributed in the financial year | 0 | 90,000 |
| Retained earnings | 140 | 45,514 |
| | 150,140 | 145,514 |

9 Intangible assets

| | Completed development projects DKK'000 | Acquired licences DKK'000 | Development projects in progress DKK'000 |
|---|---|---------------------------------|---|
| Cost beginning of year | 45,562 | 28,177 | 14,728 |
| Transfers | 44 | 2,759 | (2,803) |
| Additions | 0 | 1,992 | 10,231 |
| Disposals | (5,353) | (6,584) | (568) |
| Cost end of year | 40,253 | 26,344 | 21,588 |
| Amortisation and impairment losses beginning of year | (23,041) | (18,643) | 0 |
| Amortisation for the year | (5,562) | (4,043) | 0 |
| Reversal regarding disposals | 3,792 | 5,141 | 0 |
| Amortisation and impairment losses end of year | (24,811) | (17,545) | 0 |
| Carrying amount end of year | 15,442 | 8,799 | 21,588 |

10 Development projects

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.

Management assess the entity possess the resources and knowledge to complete and use the development projects.

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

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

11 Prepayments

Prepayments consist of expenses payed in advance.

12 Share capital

| | Number | Par value DKK'000 | Nominal value DKK'000 |
|-------|--------------|----------------------|-----------------------------|
| Share | 1,000 | 1 | 1,000 |
| | 1,000 | | 1,000 |

The shares have not been divided into classes.

13 Deferred tax

| | 2021 DKK'000 | 2020 DKK'000 |
|-------------------------------|-----------------|-----------------|
| Intangible assets | 10,082 | 10,292 |
| Property, plant and equipment | (6) | (8) |
| Receivables | 128 | 89 |
| Deferred tax | 10,204 | 10,373 |

| Changes during the year | 2021 DKK'000 | 2020 DKK'000 |
|------------------------------------|-----------------|-----------------|
| Beginning of year | 10,373 | 10,469 |
| Recognised in the income statement | (169) | (96) |
| End of year | 10,204 | 10,373 |

14 Non-current liabilities other than provisions

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

15 Unrecognised rental and lease commitments

| | 2021 DKK'000 | 2020 DKK'000 |
|--|-----------------|-----------------|
| Liabilities under rental or lease agreements until maturity in total | 3,018 | 1,140 |

16 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 litigation regarding alleged infringement of patents rights. Management believes that these legal proceedings will not lead to material losses for the Entity.

17 Assets charged and collateral

The entity 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 normal trade obligations on returned goods, and no significant losses are expected.

18 Related parties with controlling interest

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

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

- Orifarm Generics Holding A/S
- Orifarm Group A/S
- Habico A/S
- Habico Holding A/S
- HBS Capital ApS

19 Transactions with related parties

All transactions with related parties are conducted on arms length.

20 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.

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

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 comprises goods consumed in the financial year measured at cost, adjusted for ordinary 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.

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 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, 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, 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).

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. When recognising development projects as intangible assets, an amount equalling the cost incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc. 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 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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

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.

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 Generics A/S has not prepared any cash flow statement. Orifarm Generics A/S is included in the consolidated cash flow statement in Orifarm Group A/S.