

Orifarm Generics A/S

Energivej 15
5260 Odense S
CVR No. 25674030

Annual report 2023

The Annual General Meeting adopted the annual report on 05.06.2024

Matias Nørtoft Popp

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: 01.01.2023 - 31.12.2023

Board of Directors

Hans Bøgh-Sørensen, Chairman

Birgitte Bøgh-Sørensen

Erik Sandberg

Thomas Brandhof

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 05.06.2024

Executive Board

Karsten Haumann

Board of Directors

Hans Bøgh-Sørensen
Chairman

Birgitte Bøgh-Sørensen

Erik Sandberg

Thomas Brandhof

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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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, 05.06.2024

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

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	2,137,930	2,074,832	1,757,348	688,426	545,016
Gross profit/loss	344,529	261,488	329,329	274,178	197,046
Operating profit/loss	95,630	69,553	180,648	185,611	134,228
Net financials	(15,369)	(19)	10,101	1,076	(891)
Profit/loss for the year	62,928	54,462	150,140	145,514	103,855
Total assets	1,382,406	1,345,179	1,172,126	455,784	330,196
Investments in property, plant and equipment	0	152	0	0	0
Equity	494,647	431,719	527,257	201,194	145,680
Ratios					
Gross margin (%)	16.12	12.60	18.74	39.83	36.15
Net margin (%)	2.94	2.62	8.54	21.14	19.06
Return on equity (%)	13.59	11.36	41.22	83.90	79.13
Equity ratio (%)	35.78	32.09	44.98	44.14	44.12

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 Generics A/S is part of Orifarm Group, which is a dynamic international player in the healthcare business.

Orifarm Generics A/S is manufacturing and selling generics pharmaceuticals. As such the Entity only has one segment, which is sold within the two product platforms Specialty Rx and Consumer Healthcare.

Specialty Rx

Off-patent, small molecule medicine sold via pharmacy substitution and hospital tendering (nGx) or prescribed by physicians without substitution (pRx).

Consumer Healthcare

Products for health needs available without prescription; chosen by consumers; OTC (Over The Counter) regulated as pharmaceutical with an API (Active Product Ingredient), while VMS (Vitamin and Mineral Supplements) is regulated as food supplements (no API).

Development in activities and finances

Orifarm Generics A/S increased revenue by mDKK 63 to mDKK 2,138 (2022: mDKK 2,075). The operating profit increased by mDKK 26 to mDKK 96 (2022: mDKK 70).

The revenue grew through a dedicated focus on organic growth in mature markets and optimization of internal processes and procedures.

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' revenue for 2023 is as expected and announced in the Annual Report for 2022, while the operating profit is higher than expected despite sourcing/supply constraints, inflation and price competition.

Outlook

For 2024, Orifarm Generics A/S expects revenue growth in the range of 0-5% and an operating income at 2023 level.

Risk

Operating conditions

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

For the business areas Consumer Healthcare and Specialty Rx, Orifarm Group's policy states that infringing patent rights should be avoided. However, patent holders have a commercial interest in defending market monopolies and manufacturers of generic products have an interest in challenging the market at patent expiry. This makes disputes and litigation difficult to avoid. Following the acquisition of a range of pharmaceuticals from Takeda, including a portfolio of patents and trademarks, Orifarm shall take the necessary measures to protect these from 3rd party infringements.

Financial matters

Orifarm Generics A/S is exposed to fluctuations in foreign exchange rates and interest rate levels. These risks are mitigated in accordance with the Group's policy. Exchange rate risks are primarily related to the currencies SEK,

NOK, CZK, PLN, and GBP.

Orifarm Generics A/S' financial risks, including its cash management and extension of credits, are managed at a corporate level to ensure a balanced risk profile.

Knowledge resources

At the end of 2023, 289 (2022: 228) employees were primarily engaged in sales & marketing, regulatory affairs, quality and supply chain.

Environmental performance

Orifarm Generics A/S is a part of Orifarm Group. Reference is made to the Group's statutory statement on CSR for 2023, which is presented in our ESG Report 2023 at www.orifarm.com/publications.

Research and development activities

Orifarm Generics A/S operates across two business platforms, where Specialty Rx and Consumer Healthcare have specific development processes.

Statutory report on corporate social responsibility

Orifarm Generics A/S is a part of Orifarm Group. Reference is made to the Group's statutory statement on CSR for 2023, which is presented in our ESG Report 2023 at www.orifarm.com/publications.

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	4
Underrepresented gender (%)	25.00
Target figures (%)	25.00

In 2023, 25% (one member) of the members of Board of Directors elected at the Annual General Meeting are female and 75% (three members) are male. 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.

	2023
Other management levels	
Total number of members	11
Underrepresented gender (%)	27.00
Target figures (%)	35.00
Year of expected achievement of target figures	2027

In 2023, 27% of our Senior Management are female and 73% are male. Therefore, we also know it will take a focused effort to meet our 2027 target of having a minimum representation of 35% women at this management levels. Across all management levels within Orifarm Group, we have reached a share of 43% female and 57% male.

In the coming years, we will undertake other measures to promote diversity and inclusion. We will focus even more on inclusion as we know inclusion will enable diversity. Our initiatives will not only be anchored in our head

office. We will also make sure to roll-out our strategic plans, policies, and projects in our local offices.

The action plan toward meeting the target is integrated in the Senior Management succession planning and is an important topic of the sustainability focus for diversity and inclusion. Also, our policy for Gender Diversity is pointing to five measures of implementation: Recruitment and appointment, gender diversity as a secondary factor in recruitment, inclusion, development and support, reporting, and follow-up and evaluation.

For more information on the diversity policies, activities, and results for 2023, please refer to the ESG Report of Orifarm Group A/S, which can be found at www.orifarm.com/publications.

Statutory report on data ethics policy

Orifarm Generics A/S is a part of Orifarm Group. Orifarm Group has decided to publish its policy on data ethics through our ESG Report 2023 at www.orifarm.com/publications.

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 2023

	Notes	2023 DKK'000	2022 DKK '000
Revenue	1	2,137,930	2,074,832
Other operating income		6,387	28,000
Cost of sales		(1,314,334)	(1,174,522)
Other external expenses		(485,454)	(666,822)
Gross profit/loss		344,529	261,488
Staff costs	2	(229,007)	(181,415)
Depreciation, amortisation and impairment losses	3	(13,041)	(7,131)
Other operating expenses		(6,851)	(3,389)
Operating profit/loss		95,630	69,553
Other financial income	4	52,691	40,687
Other financial expenses	5	(68,060)	(40,706)
Profit/loss before tax		80,261	69,534
Tax on profit/loss for the year	6	(17,333)	(15,072)
Profit/loss for the year	7	62,928	54,462

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	9	9,065	9,819
Acquired licences		14,751	9,072
Development projects in progress	9	26,277	28,280
Intangible assets	8	50,093	47,171
Other fixtures and fittings, tools and equipment		122	152
Property, plant and equipment	10	122	152
Fixed assets		50,215	47,323
Raw materials and consumables		8,267	6,919
Manufactured goods and goods for resale		718,437	539,687
Prepayments for goods		4,037	0
Inventories		730,741	546,606
Trade receivables		265,556	254,332
Receivables from group enterprises		321,443	350,196
Other receivables		14,098	139,250
Prepayments	11	243	4,681
Receivables		601,340	748,459
Cash		110	2,791
Current assets		1,332,191	1,297,856
Assets		1,382,406	1,345,179

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	12	1,000	1,000
Reserve for development expenditure		24,703	29,718
Retained earnings		468,944	401,001
Equity		494,647	431,719
Deferred tax	13	10,852	10,430
Provisions		10,852	10,430
Bank loans		0	139,167
Trade payables		167,613	218,264
Payables to group enterprises		555,988	440,969
Tax payable		9,406	3,030
Other payables		143,900	101,600
Current liabilities other than provisions		876,907	903,030
Liabilities other than provisions		876,907	903,030
Equity and liabilities		1,382,406	1,345,179
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Group relations	18		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,000	29,718	401,001	431,719
Transfer to reserves	0	(5,015)	5,015	0
Profit/loss for the year	0	0	62,928	62,928
Equity end of year	1,000	24,703	468,944	494,647

Notes

1 Revenue

Orifarm Generics A/S is manufacturing and selling generic pharmaceuticals. As such the Entity only has one segment.

No geographical segment information is disclosed. 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.

2 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	199,374	157,582
Pension costs	26,078	22,266
Other social security costs	3,555	1,567
	229,007	181,415
Average number of full-time employees	289	228

Staff costs has been increased by mDKK 2.8 corresponding to an average number of full-time employees of 52 employees due to Orifarm Generics receiving shared services from other Group entities.

The Board of Directors does not receive remuneration. Pursuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board is not disclosed.

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK'000	DKK'000
Amortisation of intangible assets	9,660	7,131
Impairment losses on intangible assets	3,351	0
Depreciation of property, plant and equipment	30	0
	13,041	7,131

Profit/loss from sale of intangible assets and property, plant and equipment has been reclassified to other financial income/expenses. This applies to the comparative numbers as well.

4 Other financial income

	2023	2022
	DKK'000	DKK'000
Financial income from group enterprises	8,895	15,171
Exchange rate adjustments	43,796	25,516
	52,691	40,687

5 Other financial expenses

	2023	2022
	DKK'000	DKK'000
Financial expenses from group enterprises	30,483	3,560
Exchange rate adjustments	32,436	32,407
Other financial expenses	5,141	4,739
	68,060	40,706

6 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Current tax	17,072	15,030
Change in deferred tax	422	22
Adjustment concerning previous years	(161)	20
	17,333	15,072

7 Proposed distribution of profit and loss

	2023	2022
	DKK'000	DKK'000
Retained earnings	62,928	54,462
	62,928	54,462

8 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Development projects in progress DKK'000
Cost beginning of year	39,188	26,851	28,280
Transfers	6,394	0	(6,394)
Additions	2,289	8,779	4,865
Cost end of year	47,871	35,630	26,751
Amortisation and impairment losses beginning of year	(29,369)	(17,779)	0
Impairment losses for the year	(1,722)	(1,155)	(474)
Amortisation for the year	(7,715)	(1,945)	0
Amortisation and impairment losses end of year	(38,806)	(20,879)	(474)
Carrying amount end of year	9,065	14,751	26,277

9 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 Company possess the resources and knowledge to complete and use the development projects.

Management continuously evaluates the value of development projects in progress, projects which are unprofitable will be written down.

The Company 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 current product portfolio.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	152
Cost end of year	152
Depreciation for the year	(30)
Depreciation and impairment losses end of year	(30)
Carrying amount end of year	122

11 Prepayments

Prepayments consist of expenses paid 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

	2023	2022
	DKK'000	DKK'000
Intangible assets	10,801	10,378
Property, plant and equipment	4	4
Receivables	47	48
Deferred tax	10,852	10,430

	2023	2022
	DKK'000	DKK'000
Changes during the year		
Beginning of year	10,430	10,204
Recognised in the income statement	422	226
End of year	10,852	10,430

14 Unrecognised rental and lease commitments

	2023	2022
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	2,000	2,393

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

16 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 3,714 at 31.12.2023.

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

17 Related parties with controlling interest

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

- Orifarm Generics Holding A/S
- Orifarm Group A/S
- Habico A/S
- Habico Holding A/S
- HBS Capital ApS
- Hans Bøgh-Sørensen, Odense, ultimate beneficial owner

All transactions with related parties which are not according with market conditions are conducted on arms length. There have been no such transactions in the financial year.

18 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 normal 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 operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

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.

Property, plant and equipment

Plant and machinery 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:

	Useful life
Other fixtures and fittings, tools and equipment	3-10 years

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 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.

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.