



Orifarm Generics A/S

Energivej 15
5260 Odense S
CVR No. 25674030

Annual report 2020

The Annual General Meeting adopted the
annual report on 11.06.2021

Kim Jensen

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	10
Balance sheet at 31.12.2020	11
Statement of changes in equity for 2020	13
Notes	14
Accounting policies	19

Entity details

Entity

Orifarm Generics A/S

Energivej 15

5260 Odense S

CVR No.: 25674030

Registered office: Odense

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Hans Carl Bøgh-Sørensen, Chairman

Birgitte Bøgh-Sørensen

Erik Sandberg

Executive Board

Karsten Haumann, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

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

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

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

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

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

Odense, 11.06.2021

Executive Board

Karsten Haumann
Chief Executive Officer

Board of Directors

Hans Carl Bøgh-Sørensen
Chairman

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 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 11.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Nikolaj Thomsen

State Authorised Public Accountant
Identification No (MNE) mne33276

Jens Serup

State Authorised Public Accountant
Identification No (MNE) mne45825

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	688,426	545,016	504,442	468,663	443,735
Gross profit/loss	274,178	197,046	162,691	171,952	169,884
Operating profit/loss	185,611	134,228	92,584	101,788	107,630
Net financials	1,076	(891)	(2,632)	(2,938)	(670)
Profit/loss for the year	145,514	103,855	70,055	76,351	83,250
Total assets	455,784	330,196	295,018	259,524	240,606
Investments in property, plant and equipment	0	0	0	0	54
Equity	201,194	145,680	116,825	86,770	60,419
Ratios					
Gross margin (%)	39.83	36.15	32.25	36.69	38.29
Net margin (%)	21.14	19.06	13.89	16.29	18.76
Return on equity (%)	83.90	79.13	68.82	103.75	243.21
Equity ratio (%)	44.14	44.12	39.60	33.43	25.11

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

Gross margin (%):

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

Revenue

Net margin (%):

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

Revenue

Return on equity (%):

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

Average equity

Equity ratio (%):

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

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. 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 generics pharmaceuticals in the Nordics.

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.

Development in activities and finances

Orifarm Generics A/S increased revenue by MDKK 143 to MDKK 688 (2019: MDKK 545). The operating profit increased by MDK 52 to MDK 186 (2019: MDKK 134).

The development in revenue and earnings relates to increased market shares on products with profitable margins.

Orifarm Generics A/S maintained its strong position within the segment for over-the-counter pharmaceuticals through a strengthened focus on a few important categories.

Orifarm Generics A/S invested significantly in developing new products in order to achieve long-term growth.

Orifarm Generics A/S' annual result for 2020 amounts to MDKK 146 (2019: MDKK 104), which is considered satisfactory and better than expected as set out in the financial statements for 2019.

Outlook

For 2021, Orifarm Generics A/S expects revenue growth in the range of 10-15% and an operating income at 2020 level. No consequences from COVID-19 have been incorporated into these expectations.

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

Reference is made to note 1 of the annual report for events after the balance sheet date.

Particular 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, and since manufactures of generic products have an interest in challenging the market at patent expiry, disputes and litigation are difficult to avoid. Orifarm is from time to time involved in pending legal proceedings. 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. Exchange rate risks are primarily related to the currencies NOK and SEK.

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

Research and development activities

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

Statutory report on corporate social responsibility

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

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

Statutory report on the underrepresented gender

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

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

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

Income statement for 2020

		2020	2019
	Notes	DKK'000	DKK '000
Revenue	2	688,426	545,016
Other operating income		62,286	58,835
Cost of sales		(355,514)	(296,761)
Other external expenses		(121,020)	(110,044)
Gross profit/loss		274,178	197,046
Staff costs	3	(74,300)	(54,407)
Depreciation, amortisation and impairment losses	4	(14,267)	(8,411)
Operating profit/loss		185,611	134,228
Other financial income	5	6,643	2,516
Other financial expenses	6	(5,567)	(3,407)
Profit/loss before tax		186,687	133,337
Tax on profit/loss for the year	7	(41,173)	(29,482)
Profit/loss for the year	8	145,514	103,855

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	10	22,522	6,231
Acquired licences		9,534	17,585
Development projects in progress	10	14,728	23,936
Intangible assets	9	46,784	47,752
Fixed assets		46,784	47,752
Raw materials and consumables		4,689	2,456
Manufactured goods and goods for resale		223,492	159,394
Prepayments for goods		3,874	2,069
Inventories		232,055	163,919
Trade receivables		32,199	36,619
Receivables from group enterprises		138,696	61,697
Other receivables		5,644	19,753
Prepayments	11	406	456
Receivables		176,945	118,525
Current assets		409,000	282,444
Assets		455,784	330,196

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	12	1,000	1,000
Reserve for development expenditure		28,804	23,530
Retained earnings		161,390	121,150
Proposed dividend		10,000	0
Equity		201,194	145,680
Deferred tax	13	10,373	10,469
Provisions		10,373	10,469
Other payables		7,349	2,136
Non-current liabilities other than provisions	14	7,349	2,136
Current portion of non-current liabilities other than provisions	14	150	44
Bank loans		26,557	38,200
Trade payables		96,376	69,269
Payables to group enterprises		70,586	34,585
Tax payable		16,319	12,966
Other payables		26,880	16,847
Current liabilities other than provisions		236,868	171,911
Liabilities other than provisions		244,217	174,047
Equity and liabilities		455,784	330,196
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		
Group relations	19		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend DKK'000
Equity beginning of year	1,000	23,530	121,150	0	0
Extraordinary dividend paid	0	0	0	(90,000)	0
Transfer to reserves	0	5,274	(5,274)	0	0
Profit/loss for the year	0	0	45,514	90,000	10,000
Equity end of year	1,000	28,804	161,390	0	10,000

	Total DKK'000
Equity beginning of year	145,680
Extraordinary dividend paid	(90,000)
Transfer to reserves	0
Profit/loss for the year	145,514
Equity end of year	201,194

Notes

1 Events after the balance sheet date

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

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

In April 2020, Orifarm agreed to purchase a portfolio of approximately 110 select over-the-counter (OTC) and prescription pharmaceutical products sold in Europe from Takeda Pharmaceutical Company Limited ("Takeda"). Consequently, the acquisition will increase the level of business activity and future earnings in the subsidiaries of Orifarm Generics Holding A/S, including Orifarm Generics A/S.

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

	2020 DKK'000	2019 DKK'000
Wages and salaries	63,399	45,410
Pension costs	10,257	8,330
Other social security costs	644	667
	74,300	54,407
Average number of full-time employees	117	99

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

4 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	10,900	8,487
Profit/loss from sale of intangible assets and property, plant and equipment	3,367	(76)
	14,267	8,411

5 Other financial income

	2020	2019
	DKK'000	DKK'000
Financial income from group enterprises	1,432	900
Exchange rate adjustments	5,208	1,580
Other financial income	3	36
	6,643	2,516

6 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Financial expenses from group enterprises	762	568
Exchange rate adjustments	3,989	1,830
Other financial expenses	816	1,009
	5,567	3,407

7 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	41,319	27,916
Change in deferred tax	(96)	1,516
Adjustment concerning previous years	(50)	50
	41,173	29,482

8 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Ordinary dividend for the financial year	10,000	0
Extraordinary dividend distributed in the financial year	90,000	75,000
Retained earnings	45,514	28,855
	145,514	103,855

9 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Development projects in progress DKK'000
Cost beginning of year	20,872	34,558	23,936
Transfers	26,672	(5,501)	(21,171)
Additions	169	2,626	12,255
Disposals	(2,150)	(3,506)	(292)
Cost end of year	45,563	28,177	14,728
Amortisation and impairment losses beginning of year	(14,641)	(16,974)	0
Transfers	(2,742)	2,742	0
Amortisation for the year	(6,401)	(6,211)	0
Reversal regarding disposals	743	1,800	0
Amortisation and impairment losses end of year	(23,041)	(18,643)	0
Carrying amount end of year	22,522	9,534	14,728

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.

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.

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

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. The share capital increased with 200.000 DKK in 2016 due to a capital increase in connection with the merge with Alternova A/S.

13 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	10,292	10,380
Property, plant and equipment	(8)	(11)
Receivables	89	100
Deferred tax	10,373	10,469

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

14 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Other payables	150	44	7,349	6,899
	150	44	7,349	6,899

15 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	1,760	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 Group has provided guarantees under which the guarantors assume joint and several liability for group enterprises' net debt with bank and credit institution. The Group's total net debt in relation to this guarantee is booked at 1,609 m.DKK at 31.12.2020.

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

All transactions with related parties are conducted on arms length.

19 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 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, 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.

Dividend

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.