

## **Orifarm Generics A/S**

Energivej 15  
5260 Odense S  
CVR No. 25674030

### **Annual report 2022**

The Annual General Meeting adopted the  
annual report on 05.06.2023

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**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: 01.01.2022 - 31.12.2022

## Board of Directors

Hans Bøgh-Sørensen

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 05.06.2023

## Executive Board

**Karsten Haumann**

## Board of Directors

**Hans Bøgh-Sørensen**

**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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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, 05.06.2023

**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

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
<b>Key figures</b>					
Revenue	2,074,832	1,757,348	688,426	545,016	504,442
Gross profit/loss	261,488	329,329	274,178	197,046	162,691
Operating profit/loss	69,553	180,648	185,611	134,228	92,584
Net financials	(19)	10,101	1,076	(891)	(2,632)
Profit/loss for the year	54,462	150,140	145,514	103,855	70,055
Total assets	1,345,179	1,172,126	455,784	330,196	295,018
Investments in property, plant and equipment	152	0	0	0	0
Equity	431,719	527,257	201,194	145,680	116,825
<b>Ratios</b>					
Gross margin (%)	12.60	18.74	39.83	36.15	32.25
Net margin (%)	2.62	8.54	21.14	19.06	13.89
Return on equity (%)	11.36	41.22	83.90	79.13	68.82
Equity ratio (%)	32.09	44.98	44.14	44.12	39.60

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 Orifarm Group which is a dynamic international player in the healthcare business.

Orifarm Generics A/S is manufacturing and selling generics pharmaceuticals within Orifarm Healthcare portfolio.

Orifarm Healthcare portfolio is structured in four Strategic Business Areas and include strong brands within OTC, Consumer Healthcare and Specialty Pharma (Rx). In addition, a diverse portfolio of Niche Generics.

The Healthcare Portfolio operates across growing Health Areas such as Cough & Cold, Vitamins & Food Supplements, Immune Boost, Gastro, Allergy and Mood. Further, the portfolio supports many patients across the different stage of illness from prevention to alleviation of symptoms to treatment. High-quality medication at affordable prices and access to patients is of highest priority to Orifarm and the Healthcare Portfolio is available in pharmacies (physical outlets and online pharmacies), primary care and in some markets retail and drug stores.

### Development in activities and finances

Orifarm Generics A/S increased revenue by mDKK 317 to mDKK 2,075 (2021: mDKK 1,757). The operating profit decreased by mDKK 111 to mDKK 70 (2021: mDKK 181).

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

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 2022 is as expected and announced in the Annual Report for 2021, while the operating profit is lower than expected mainly due to sourcing/supply constraints, inflation and price competition.

### Outlook

For 2023, Orifarm Generics A/S expects revenue growth in the range of 0-5% and an operating income at 2022 level. No consequences from the conflict in Ukraine have been incorporated into these expectations.

### 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 area Orifarm Healthcare, Orifarm Group's policy states that infringing patent rights should be avoided. However, patent holders have a commercial interest in defending market monopolies and manufactures of generic products have an interest in challenging the market at patent expiry. This makes disputes and litigation difficult to avoid. Orifarm Group is from time to time involved in pending legal proceedings. The outcome of these may affect Orifarm Group's earnings. 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 2022, 228 (2021: 181) employees were primarily engaged in sales & marketing, regulatory affairs, quality and supply chain.

### **Environmental performance**

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

### **Research and development activities**

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

### **Statutory report on corporate social responsibility**

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

### **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 management. The policy can be found at [www.orifarm.com/reports](http://www.orifarm.com/reports).

### **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 CSR reporting. Reference is made to the Annual Report of Orifarm Group.

### **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 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue	1	2,074,832	1,757,348
Other operating income		28,000	52,951
Cost of sales		(1,174,522)	(989,562)
Other external expenses		(666,822)	(491,408)
<b>Gross profit/loss</b>		<b>261,488</b>	<b>329,329</b>
Staff costs	2	(181,415)	(138,954)
Depreciation, amortisation and impairment losses	3	(10,520)	(9,727)
<b>Operating profit/loss</b>		<b>69,553</b>	<b>180,648</b>
Other financial income	4	40,687	21,820
Other financial expenses	5	(40,706)	(11,719)
<b>Profit/loss before tax</b>		<b>69,534</b>	<b>190,749</b>
Tax on profit/loss for the year	6	(15,072)	(40,609)
<b>Profit/loss for the year</b>	7	<b>54,462</b>	<b>150,140</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	9	9,819	15,442
Acquired licences		9,072	8,799
Development projects in progress	9	28,280	21,588
<b>Intangible assets</b>	8	<b>47,171</b>	<b>45,829</b>
Other fixtures and fittings, tools and equipment		152	0
<b>Property, plant and equipment</b>	10	<b>152</b>	<b>0</b>
<b>Fixed assets</b>		<b>47,323</b>	<b>45,829</b>
Raw materials and consumables		6,919	1,845
Manufactured goods and goods for resale		539,687	432,267
<b>Inventories</b>		<b>546,606</b>	<b>434,112</b>
Trade receivables		254,332	150,513
Receivables from group enterprises		350,196	403,457
Other receivables		139,250	120,467
Prepayments	11	4,681	1,508
<b>Receivables</b>		<b>748,459</b>	<b>675,945</b>
<b>Cash</b>		<b>2,791</b>	<b>16,240</b>
<b>Current assets</b>		<b>1,297,856</b>	<b>1,126,297</b>
<b>Assets</b>		<b>1,345,179</b>	<b>1,172,126</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Contributed capital	12	1,000	1,000
Reserve for development expenditure		29,718	28,884
Retained earnings		401,001	347,373
Proposed dividend		0	150,000
<b>Equity</b>		<b>431,719</b>	<b>527,257</b>
Deferred tax	13	10,430	10,204
<b>Provisions</b>		<b>10,430</b>	<b>10,204</b>
Bank loans		139,167	2
Trade payables		218,264	298,449
Payables to group enterprises		440,969	238,979
Tax payable		3,030	20,784
Other payables		101,600	76,451
<b>Current liabilities other than provisions</b>		<b>903,030</b>	<b>634,665</b>
<b>Liabilities other than provisions</b>		<b>903,030</b>	<b>634,665</b>
<b>Equity and liabilities</b>		<b>1,345,179</b>	<b>1,172,126</b>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
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# Statement of changes in equity for 2022

	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	28,884	347,373	150,000	527,257
Ordinary dividend paid	0	0	0	(150,000)	(150,000)
Transfer to reserves	0	834	(834)	0	0
Profit/loss for the year	0	0	54,462	0	54,462
<b>Equity end of year</b>	<b>1,000</b>	<b>29,718</b>	<b>401,001</b>	<b>0</b>	<b>431,719</b>

# 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

	2022 DKK'000	2021 DKK'000
Wages and salaries	157,582	119,575
Pension costs	22,266	18,173
Other social security costs	1,567	1,206
	<b>181,415</b>	<b>138,954</b>
Average number of full-time employees	228	181

Staff costs for 2022 is increased by mDKK 7 and average number of full-time employees by 46 employees due to Orifarm Generics A/S 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

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	7,131	9,606
Profit/loss from sale of intangible assets and property, plant and equipment	3,389	121
	<b>10,520</b>	<b>9,727</b>

## 4 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	15,171	12,187
Exchange rate adjustments	25,516	9,633
	<b>40,687</b>	<b>21,820</b>

## 5 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	3,560	650
Exchange rate adjustments	32,407	9,129
Other financial expenses	4,739	1,940
	<b>40,706</b>	<b>11,719</b>

## 6 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	15,030	41,622
Change in deferred tax	22	(169)
Adjustment concerning previous years	20	(844)
	<b>15,072</b>	<b>40,609</b>

## 7 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Ordinary dividend for the financial year	0	150,000
Retained earnings	54,462	140
	<b>54,462</b>	<b>150,140</b>

## 8 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Development projects in progress DKK'000
Cost beginning of year	40,253	26,344	21,588
Additions	49	4,912	9,438
Disposals	(1,114)	(4,405)	(2,746)
<b>Cost end of year</b>	<b>39,188</b>	<b>26,851</b>	<b>28,280</b>
Amortisation and impairment losses beginning of year	(24,811)	(17,545)	0
Amortisation for the year	(5,134)	(1,997)	0
Reversal regarding disposals	576	1,763	0
<b>Amortisation and impairment losses end of year</b>	<b>(29,369)</b>	<b>(17,779)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>9,819</b>	<b>9,072</b>	<b>28,280</b>



## 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 entity 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 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.

## 10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Additions	152
<b>Cost end of year</b>	<b>152</b>
<b>Carrying amount end of year</b>	<b>152</b>

## 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
	<b>1,000</b>		<b>1,000</b>

The shares have not been divided into classes.

### 13 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	10,378	10,082
Property, plant and equipment	4	(6)
Receivables	48	128
<b>Deferred tax</b>	<b>10,430</b>	<b>10,204</b>

	2022 DKK'000	2021 DKK'000
<b>Changes during the year</b>		
Beginning of year	10,204	10,373
Recognised in the income statement	226	(169)
<b>End of year</b>	<b>10,430</b>	<b>10,204</b>

### 14 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Liabilities under rental or lease agreements until maturity in total	2,393	3,018

### 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 4,831 at 31.12.2022.

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 Carl Bøgh-Sørensen, Odense, ultimate beneficial owner

All transactions with related parties are conducted on arms length.

### 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 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.

### 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.

### 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.