

Orifarm A/S
Energivej 15
5260 Odense S
Business Registration No
26058708

Annual report 2018

The Annual General Meeting adopted the annual report on 31.05.2019

Chairman of the General Meeting

Name: Kim Jensen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	10
Balance sheet at 31.12.2018	11
Statement of changes in equity for 2018	13
Notes	14
Accounting policies	18

Entity details

Entity

Orifarm A/S
Energivej 15
5260 Odense S

Central Business Registration No (CVR): 26058708

Registered in: Odense

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

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

Executive Board

Thomas Brandhof, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Orifarm A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 13.05.2019

Executive Board

Thomas Brandhof
Chief Executive Officer

Board of Directors

Erik Sandberg
Chairman

Hans Carl Bøgh-Sørensen

Birgitte Bøgh-Sørensen

Independent auditor's report

To the shareholders of Orifarm A/S

Opinion

We have audited the financial statements of Orifarm A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Independent auditor's report

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

Odense, 13.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Lars Knage Nielsen

State Authorised Public Accountant

Identification No (MNE) mne10074

Allan Dydensborg Madsen

State Authorised Public Accountant

Identification No (MNE) mne34144

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	1.250.457	1.192.494	1.202.590	1.035.135	1.149.174
Gross profit/loss	36.221	34.473	58.027	52.200	48.732
Operating profit/loss	7.288	7.607	6.786	8.546	8.177
Net financials	(1.433)	(1.684)	(1.857)	(1.467)	(2.162)
Profit/loss for the year	4.295	4.424	3.640	5.442	4.431
Total assets	194.205	232.009	312.438	194.841	219.641
Equity	40.593	36.298	31.874	28.234	22.793
Ratios					
Gross margin (%)	2,9	2,9	4,8	5,0	4,2
Net margin (%)	0,3	0,4	0,3	0,5	0,4
Return on equity (%)	11,2	13,0	12,1	21,3	21,5
Equity ratio (%)	20,9	15,6	10,2	14,5	10,4

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

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

Orifarm A/S is selling Parallel Imported pharmaceuticals in Denmark. Pharmaceuticals are imported from EU/EEA Member States where original producers sell their preparations at prices that are lower than what they demand for the identical products in Denmark. In doing so, the company is depending on the principle of free movement of goods within the EU/EEA.

Orifarm A/S's activities have led to lower prices of pharmaceuticals and thus savings benefitting both patients and society.

Despite the principles of free movement of goods within the EU/EEA, and without regard for the fact that the efforts of Orifarm and its competitors have led to lower cost of pharmaceuticals, various barriers to the parallel import trade are still being tolerated by the EU; see section entitled "Obstacles to healthcare cost savings generated by the Parallel Import trade" below.

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

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

Development in activities and finances

Orifarm A/S's revenues increased by 4,9% to MDKK 1.250 (2017: MDKK 1.192) and the market share continued to be consolidated at around 50%.

Orifarm A/S's operating profit is unchanged at 0,6% (2017: 0,6%). Profitability increased despite fierce competition.

The company's results for 2018 are considered satisfactory and in line with the expectations.

Obstacles to healthcare cost savings generated by the Parallel Import trade

A series of measures undertaken by original producers and by some EU Member States hamper trade in pharmaceuticals and reduce Orifarm's ability to grow its parallel-import business:

Quota systems

A number of the world's biggest pharmaceutical manufacturers have introduced quota systems for selling pharmaceuticals in the EU. In some cases, pharmaceutical manufacturers have gone even further and stopped making deliveries to wholesalers who are re-exporting pharmaceuticals. This practise limits Orifarm's sourcing opportunities and consequently also the capacity to increase sales of the lower priced parallel pharmaceuticals. In Orifarm's view, quota systems are in breach of the EU Treaty because they let pharmaceutical manufacturers restrict competition within the EU.

Export ban

Several EU Member States have introduced or attempted to introduce bans on exports of pharmaceuticals to other member states or have hampered exports by imposing obligations onto exporters' notification as regards to regulatory authorities and approval regimens prior to export. Export bans and disproportionate export barriers violate the EU Treaty's provisions on the free movement of goods and may change Orifarm's

Management commentary

entire business model. We therefore strongly object to such measures. The European Commission is regularly informed about developments and in this context we are pleased to note that the Commission is currently investigating the extent of such export restrictions with the purpose of potential political intervention.

Dual pricing

In Spain, a number of multinational pharmaceutical manufacturers have established or maintained – supported by a legal framework initiated by the Government – a dual pricing system. Dual pricing forces pharmaceutical manufacturers sell their products at an artificially inflated price to Spanish pharmaceutical wholesalers. However, if the wholesalers can document that the products are intended for domestic sale – and not for re-export – then wholesalers will receive a discount bringing the price to the ‘normal’ Spanish price level. For parallel importers, the dual-pricing system, therefore, means that one of the EU’s fundamental principles – free movement of goods between union members states – is effectively overruled. In Orifarm’s opinion, dual-pricing violates the competition provisions set out in the EU Treaty.

Nonetheless, despite these trade restrictions, Orifarm has continued to provide its customers with stable deliveries of goods by cultivating new procurement countries and channels.

Culture and Employees

It is Orifarm’s objective to be a leading supplier of parallel-imported pharmaceuticals in Denmark. We believe that our results and the competencies, commitment and well-being of our employees are intertwined. That is why we are constantly seeking to maintain high motivation and engagement and develop our employees’ knowledge and competencies, which in turn bolster Orifarm’s results and growth-oriented culture.

In Orifarm we believe that diversity is very important to employees as well as to business. Consequently, the company is stressing internal efforts to constantly increase diversity across gender, age and culture and hence to e.g. onboard and integrate employees of diverse ethnic backgrounds. We see the potential of each employee and create opportunities for everyone to develop at work and contribute to our business, irrespective of their gender, age, ethnicity, disability or other personal characteristics.

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

Outlook

For 2019, Orifarm A/S expects revenue and operating income on level with 2018

Particular risks

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 which are intended to limit the consumption of pharmaceuticals.

It is Orifarm’s policy to avoid infringing on trademark rights, and Orifarm is not currently involved in any pending litigation of this kind.

Financial matters

The Company is exposed to fluctuations in foreign exchange rates and interest rate levels.

Orifarm’s financial risks, including its cash management and extension of credits, are managed centrally in Orifarm Group A/S. The aim is to maintain a low risk profile.

Management commentary

Research and development activities

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

Statutory report on corporate social responsibility

Orifarm 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 available at www.orifarm.com/responsibility.

Statutory report on the underrepresented gender

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

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Revenue		1.250.457	1.192.494
Other operating income		24.273	23.931
Cost of sales		(1.206.735)	(1.146.783)
Other external expenses		<u>(31.774)</u>	<u>(35.169)</u>
Gross profit/loss		36.221	34.473
Staff costs	2	(22.040)	(20.642)
Depreciation, amortisation and impairment losses	3	<u>(6.893)</u>	<u>(6.224)</u>
Operating profit/loss		7.288	7.607
Other financial income	4	838	586
Other financial expenses	5	<u>(2.271)</u>	<u>(2.270)</u>
Profit/loss before tax		5.855	5.923
Tax on profit/loss for the year	6	<u>(1.560)</u>	<u>(1.499)</u>
Profit/loss for the year	7	<u>4.295</u>	<u>4.424</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Acquired intangible assets		0	0
Acquired licences		<u>13.822</u>	<u>16.532</u>
Intangible assets	8	<u>13.822</u>	<u>16.532</u>
Fixed assets		<u>13.822</u>	<u>16.532</u>
Trade receivables		144.566	196.614
Receivables from group enterprises		12.603	467
Other receivables		<u>23.214</u>	<u>18.396</u>
Receivables		<u>180.383</u>	<u>215.477</u>
Current assets		<u>180.383</u>	<u>215.477</u>
Assets		<u>194.205</u>	<u>232.009</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital	9	5.100	5.100
Retained earnings		25.493	31.198
Proposed dividend		<u>10.000</u>	<u>0</u>
Equity		<u>40.593</u>	<u>36.298</u>
Deferred tax	10	<u>3.041</u>	<u>3.637</u>
Provisions		<u>3.041</u>	<u>3.637</u>
Bank loans		121.249	141.132
Trade payables		1.416	3.312
Payables to group enterprises		19.170	40.913
Income tax payable		2.156	1.453
Other payables		<u>6.580</u>	<u>5.264</u>
Current liabilities other than provisions		<u>150.571</u>	<u>192.074</u>
Liabilities other than provisions		<u>150.571</u>	<u>192.074</u>
Equity and liabilities		<u>194.205</u>	<u>232.009</u>
Events after the balance sheet date	1		
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		
Group relations	14		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	5.100	31.198	0	36.298
Profit/loss for the year	<u>0</u>	<u>(5.705)</u>	<u>10.000</u>	<u>4.295</u>
Equity end of year	<u>5.100</u>	<u>25.493</u>	<u>10.000</u>	<u>40.593</u>

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of the annual report.

	2018	2017
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	19.098	17.815
Pension costs	2.662	2.569
Other social security costs	280	258
	22.040	20.642
Average number of employees	45	42

Total amount for remuneration of management is 652 t.DKK in 2018 (469 t.DKK in 2017).

	2018	2017
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	6.893	6.309
Profit/loss from sale of intangible assets and property, plant and equipment	0	(85)
	6.893	6.224

	2018	2017
	DKK'000	DKK'000
4. Other financial income		
Financial income arising from group enterprises	831	576
Exchange rate adjustments	7	10
	838	586

	2018	2017
	DKK'000	DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	4	10
Exchange rate adjustments	21	44
Other financial expenses	2.246	2.216
	2.271	2.270

Notes

	2018	2017
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Current tax	2.156	1.453
Change in deferred tax	(596)	46
	1.560	1.499
	2018	2017
	DKK'000	DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	0
Retained earnings	(5.705)	4.424
	4.295	4.424
	Acquired intangible assets DKK'000	Acquired licences DKK'000
8. Intangible assets		
Cost beginning of year	2.640	53.169
Additions	0	4.183
Cost end of year	2.640	57.352
Amortisation and impairment losses beginning of year	(2.640)	(36.637)
Amortisation for the year	0	(6.893)
Amortisation and impairment losses end of year	(2.640)	(43.530)
Carrying amount end of year	0	13.822

Acquired licenses includes files and application fees.

	Number	Par value DKK'000	Nominal value DKK'000
9. Contributed capital			
Share	5.100	1	5.100
	5.100		5.100

The shares have not been divided into classes.

There has not been changes in contributed capital in the past five financial years.

Notes

	2018	2017
	DKK'000	DKK'000
10. Deferred tax		
Intangible assets	<u>3.041</u>	<u>3.637</u>
	<u>3.041</u>	<u>3.637</u>
Changes during the year		
Beginning of year	3.637	
Recognised in the income statement	<u>(596)</u>	
End of year	<u>3.041</u>	

11. Contingent liabilities

The Company is jointly taxed with all Danish subsidiaries, with Habico Holding A/S as the administration company. The Company therefore held liable under the Corporation Tax Act rules for income taxes, and if any obligations to withhold tax on interest, royalties and dividends for the jointly taxed companies.

The Company is a party to litigation regarding alleged infringement of trademark rights and other matters. Management believes that these legal proceedings will not lead to material losses for the Company.

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

12. Assets charged and collateral

The Group has provided guarantees under which the guarantors assume joint and several liability for group companies net debt with bank and credit institution. The Group's total net debt in relation to this guarantee is booked at 566 m.DKK at 31.12.2018.

The Company has provided receivables from sales of goods and services, 145 m.DKK, as security for debt to banks and credit institutions.

13. Related parties with controlling interest

Related parties with controlling interest in Orifarm A/S:

The parent company Orifarm PI A/S, Odense and the other companies in the Habico Holding Group.

All transactions with related parties are conducted on arms length.

Notes

14. Group relations

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

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Orifarm Group A/S, Odense, Central Business Registration No 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 determined consideration.

Referring to section 96 (1) in the Danish Financial Statement Act the entity has decided not to show revenue allocated on segments on accounts of competitive consideration. Reference is made to the information regarding segments for the Group in the consolidated financial statements for Orifarm Group A/S.

Accounting policies

Other operating income

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

Cost of sales

Cost of sales comprises direct costs incurred to generate revenue. The cost of sales is recognized raw materials, consumables and cost of production staff.

Other external expenses

Other external expenses comprise expenses for distribution, sale, advertising, administration, premises etc.

Staff costs

Staff costs comprise salaries and salaries, social security costs, 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 and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the ultimate Parent Company and all of 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 recognized in the company in which the interest deduction has been reduced.

Accounting policies

Balance sheet

Intellectual property rights etc

Intangible assets comprise application fees.

Application fees are measured at cost less depreciation accumulated and impairment losses.

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.

The depreciation period of the application fees regarding other products is 5 years.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

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.

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 carry-forwards, 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.

Other financial liabilities

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

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

Cash flow statement

Referring to section 86 (4) of the Danish Financial Statements Act, Orifarm A/S has not prepared any cash flow statement. Orifarm A/S is included in the consolidated cash flow statement in Orifarm Group A/S.