

Orifarm A/S

Energivej 15
5260 Odense S
CVR No. 26058708

Annual report 2022

The Annual General Meeting adopted the
annual report on 05.06.2023

Matias Nørtoft Popp

Chairman of the General Meeting

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Entity details

Entity

Orifarm A/S

Energivej 15

5260 Odense S

Business Registration No.: 26058708

Registered office: Odense

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Birgitte Bøgh-Sørensen

Hans Bøgh-Sørensen

Erik Sandberg

Executive Board

Thomas Brandhof

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 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

Thomas Brandhof

Board of Directors

Birgitte Bøgh-Sørensen

Hans Bøgh-Sørensen

Erik Sandberg

Independent auditor's report

To the shareholder of Orifarm A/S

Opinion

We have audited the financial statements of Orifarm 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
Key figures					
Revenue	1,404,798	1,493,622	1,180,912	1,200,155	1,250,457
Gross profit/loss	20,155	19,490	35,447	31,438	36,221
Operating profit/loss	14,047	14,096	10,634	8,961	7,288
Net financials	(830)	(3,076)	(1,801)	(1,874)	(1,433)
Profit/loss for the year	9,941	8,190	6,563	5,096	4,295
Total assets	421,634	195,390	195,124	175,251	194,205
Equity	57,382	47,441	42,252	35,689	40,593
Ratios					
Gross margin (%)	1.43	1.30	3.00	2.62	2.90
Net margin (%)	0.71	0.55	0.56	0.42	0.34
Return on equity (%)	18.97	18.26	16.84	13.36	11.17
Equity ratio (%)	13.61	24.28	21.65	20.36	20.90

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

Gross margin (%):

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

Net margin (%):

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

Return on equity (%):

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

Equity ratio (%):

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

Primary activities

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

Orifarm A/S is selling Parallel Imported pharmaceuticals in Denmark. Pharmaceuticals are bought in EU/EEA members with low prices and then re-packed, imported and sold in other EU/EEA markets with higher prices.

Orifarm Health Access is also active in Clinical Trials Supply and sales of Unlicensed pharmaceuticals.

Development in activities and finances

Orifarm A/S' revenue decreased by 6% to mDKK 1,405 (2021: mDKK 1,494) and the market share maintained at 43%.

Orifarm A/S' operating margin increase to 1.0% (2021: 0.9 %). Profitability slightly increased despite inflation and increased price competition throughout 2022.

Profit/loss for the year in relation to expected developments

Orifarm A/S' result for 2022 amounts to mDKK 10.0 (2021: mDKK 8.2), which is considered satisfactory and slightly better than expected as set out in the financial statement for 2021.

Outlook

For 2023, Orifarm A/S expects to maintain revenue and 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 Health Access, it is Orifarm Group's policy to avoid infringing trademark rights, and Orifarm Group is not currently involved in any major pending litigation of this kind.

Financial matters

Orifarm 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, 34 (2021: 40) employees were primarily engaged in sales & marketing and regulatory affairs.

Environmental performance

Orifarm Supply 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.

Statutory report on corporate social responsibility

Orifarm 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.

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 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.

Statutory report on data ethics policy

Orifarm 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	1,404,798	1,493,622
Other operating income		0	653
Cost of sales		(1,362,930)	(1,454,025)
Other external expenses		(21,713)	(20,760)
Gross profit/loss		20,155	19,490
Staff costs	2	(2,036)	(415)
Depreciation, amortisation and impairment losses	3	(4,072)	(4,979)
Operating profit/loss		14,047	14,096
Other financial income	4	1,002	14
Other financial expenses	5	(1,832)	(3,090)
Profit/loss before tax		13,217	11,020
Tax on profit/loss for the year	6	(3,276)	(2,830)
Profit/loss for the year	7	9,941	8,190

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired intangible assets		0	0
Acquired licences		8,816	9,721
Intangible assets	8	8,816	9,721
Fixed assets		8,816	9,721
Trade receivables		213,042	185,264
Receivables from group enterprises		199,637	250
Other receivables		139	97
Prepayments	9	0	58
Receivables		412,818	185,669
Current assets		412,818	185,669
Assets		421,634	195,390

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	10	5,100	5,100
Retained earnings		52,282	42,341
Equity		57,382	47,441
Deferred tax	11	1,939	2,138
Provisions		1,939	2,138
Trade payables		967	2,199
Payables to group enterprises		353,799	130,531
Tax payable		3,466	3,295
Other payables		4,081	9,786
Current liabilities other than provisions		362,313	145,811
Liabilities other than provisions		362,313	145,811
Equity and liabilities		421,634	195,390
Contingent liabilities	12		
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Statement of changes in equity for 2022

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5,100	42,341	47,441
Profit/loss for the year	0	9,941	9,941
Equity end of year	5,100	52,282	57,382

Notes

1 Revenue

Orifarm A/S is selling parallel imported pharmaceuticals. As such the Entity only has one segment. The geographical segment is sales to Denmark.

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	1,745	355
Pension costs	264	54
Other social security costs	27	6
	2,036	415
Average number of full-time employees	34	40

Staff costs for 2022 is reduced by mDKK 16.0 and average number of full-time employees by 33 employees due to Orifarm A/S providing shared services to 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	4,072	4,979
	4,072	4,979

4 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	104	0
Exchange rate adjustments	29	14
Other financial income	869	0
	1,002	14

5 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	1,106	3,063
Exchange rate adjustments	47	18
Other financial expenses	679	9
	1,832	3,090

6 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	3,466	3,295
Change in deferred tax	(199)	(458)
Adjustment concerning previous years	9	(7)
	3,276	2,830

7 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Retained earnings	9,941	8,190
	9,941	8,190

8 Intangible assets

	Acquired intangible assets DKK'000	Acquired licences DKK'000
Cost beginning of year	2,640	69,469
Additions	0	3,167
Cost end of year	2,640	72,636
Amortisation and impairment losses beginning of year	(2,640)	(59,748)
Amortisation for the year	0	(4,072)
Amortisation and impairment losses end of year	(2,640)	(63,820)
Carrying amount end of year	0	8,816

Acquired licenses includes files and application fees.

9 Prepayments

Prepayments consist of expenses paid in advance.

10 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
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.

11 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	1,939	2,138
Deferred tax	1,939	2,138

Changes during the year	2022 DKK'000	2021 DKK'000
Beginning of year	2,138	2,596
Recognised in the income statement	(199)	(458)
End of year	1,939	2,138

12 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where HBS Capital ApS serves as the 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 trademark rights and other matters. Management believes that these legal proceedings will not lead to material losses for the Entity.

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

13 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.

14 Related parties with controlling interest

Related parties with controlling interest in Orifarm A/S:

- Orifarm PI 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.

15 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 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.

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 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.

Balance sheet

Intellectual property rights etc

Intellectual property rights 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 writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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.

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 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.