

Orifarm Generics Holding A/S
Energivej 15
5260 Odense S

Central Business Registration no. 27 34 72 23

Annual report 2019

The Annual General Meeting adopted the annual report on 19/06 2020

Chairman of the General Meeting:

Kim Jensen



Orifarm Generics Holding A/S

Table of contents

	Page
Company details	3
Statement by management	4
Independent auditor's report	5
Management's commentary	8
Income statement for 2019	12
Balance sheet at 31.12.2019	13
Statement of changes in equity for 2019	15
Notes	16
Accounting policies	24

Orifarm Generics Holding A/S

Company details

Company

Orifarm Generics Holding A/S
Energivej 15
5260 Odense S
Central Business Registration No: 27 34 72 23
Registered in: Odense

Board of Directors

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

Group Executive Board

Ulrik Kronborg Markussen, Chief Executive Officer

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Orifarm Generics Holding A/S

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 Generics Holding A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31.12.2019 and of their financial performance for the financial year 01.01.2019 - 31.12.2019.

We also find that the Management commentary provides a fair statement of developments in the activities and financial situation of the Group and the Parent, financial results for the period, the general financial position of the Group and the Parent, and a description of conditions referred to therein.

We recommend the Annual Report to be approved at the Annual General Meeting.

Odense, 19. June 2020

Executive Board

Ulrik Kronborg Markussen
Chief Executive Officer

Board of Directors

Hans Carl Bøgh-Sørensen
Chairman

Erik Sandberg

Birgitte Bøgh-Sørensen

Independent auditor's report

To the shareholders of Orifarm Generics Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Orifarm Generics Holding A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

Orifarm Generics Holding A/S

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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Orifarm Generics Holding A/S

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 consolidated financial statements and the parent 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, 19. June 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Nikolaj Thomsen

State-Authorised
Public Accountant
MNE Number mne 33276

Jens Rene Serup

State-Authorised
Public Accountant
MNE Number mne45 825

Orifarm Generics Holding A/S

Management's Commentary

Financial highlights of the Group

<i>(mio. t.EUR)</i>	2019	2018	2017	2016	2015
Key figures					
Revenue	82,9	77,2	76,8	79,3	54,2
Gross profit	33,7	28,2	28,5	29,6	12,3
Operating income	13,8	8,7	12,7	14,3	1,9
Net financials	-0,8	-1,1	-1,2	-1,4	-0,6
Profit for the year	9,7	5,5	8,5	9,0	0,7
Investments in property, plant and equipment	3,3	2,1	2,6	1,3	-
Equity	40,6	35,9	38,5	35,0	26,0
Balance sheet total	108,0	101,7	92,2	91,0	79,0
Ratios					
Gross margin (%)	40,7	36,5	37,1	37,3	22,7
Operating margin (%)	16,6	7,1	11,1	11,4	1,3
Equity ratio (%)	37,6	35,3	41,7	38,4	33,0
Return on equity (%)	25,4	14,8	23,2	29,6	2,7

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

Orifarm Generics Holding A/S

Management's Commentary

Primary activities

Orifarm Generics Holding A/S is part of the Orifarm Group, which is an ambitious operator in the European market for pharmaceuticals, and 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.

The Company's principal activity is to own companies engaged in the sale and production of generic pharmaceutical products. In addition, the company owns files for approval of the sale of generic pharmaceutical products.

Company presentation

Generic pharmaceuticals can be produced and marketed once the original manufacturer's patent expires and its exclusive rights lapse. Generic competition normally lowers prices on medicine significantly which benefits patients and society at large.

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 Generics Holding's reversed the negative trends in earnings from 2019. Revenue increased to MEUR 83 (2018: MEUR 77). Operating income increased by MEUR 5 to MEUR 14 (2018: MEUR 9).

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

Newly launched niche products for the Rx segment (prescribed medicine) contributed a positive development alongside an assortment-wide growth within the Rx segment.

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

Revenues in Denmark, Finland and Norway increased significantly. In Sweden, the revenue was close to status quo but succeeded in gaining additional marked shares.

Orifarm Generics Holding invested significantly in developing new products in order to achieve long-term growth

Orifarm Generics Holding's results for 2019 are considered satisfactory and better than expected as set out in the financial statements for 2018.

Orifarm Generics Holding A/S

Management's Commentary

Outlook

For 2020, Orifarm Generics Holding A/S expects revenue growth in the range of 10-15% and an operating income at 2019 level. No consequences from COVID-19 have been incorporated into these expectations.

The outbreak of COVID-19 in 2020 has impacted our business positively, and has led to increased uncertainty regarding our supply chain and our future ability to deliver to customers.

Reference is made to note 19 of the annual report for events after the balance sheet date.

Particular risks

Operating conditions

For Generic Pharmaceuticals, the company policy states that infringing on patent rights should be avoided. However, since patent holders have a significant commercial interest in defending market monopolies that exceed the protections granted by a given patent, and since manufactures of generic products have an interest in challenging the market at patent expiry, disputes and litigation are difficult to avoid. Orifarm is from time to time involved in pending legal proceedings. The outcome of these may affect the company's earnings.

Financial matters

The company is exposed to fluctuations in foreign exchange rates and interest rate levels. The risks are mitigated through hedge, in accordance with the company's policy. Exchange rate risks are primarily related to the currencies NOK and SEK.

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

Culture and Employees

It is Orifarm's objective to be a leading supplier of generic pharmaceuticals in the Nordic countries. 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 and the level of internationalization in Orifarm has increased significantly in recent years.

Orifarm is working strategically with digitalizing and are developing and introducing new tools and ways to solve tasks faster and smarter. The goal is not to reduce the number of employees, but to fulfill the full potential of the employees and the business of Orifarm. Through education and training the employees are getting new digital skills, and as a result, tasks are easier solved across borders and some of the bottlenecks are avoided.

Orifarm Generics Holding A/S

Management's Commentary

A large number of student assistants are part-time employed at Orifarm. Orifarm wants to support the educational institutions, and to give the students the opportunity to combine theory with practice in a modern company. The students are shown a lot of responsibility to solve tasks that develops their competencies. In return, Orifarm gets the newest insights and new inspiration.

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 2019 progress report is available at <http://www.orifarm.com/responsibility/>.

Target Figures for Gender Composition of Management

Orifarm has decided to publish diversity statements through our CSR reporting. Our CSR reports are available at <http://www.orifarm.com/responsibility/>.

Development Activities

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

Orifarm Generics Holding A/S

Income statement

(1.000 EUR)

Parent company			Group	
2018	2019		2019	2018
0	0	Revenue	82.939	77.198
856	1.694	Other operating income	11.761	8.261
0	0	Cost of sales	-37.304	-36.084
-10	-10	Other external expenses	-23.653	-21.194
846	1.684	Gross profit	33.743	28.181
0	0	Staff costs	-14.527	-14.884
846	1.684	Income before depreciation	19.216	13.297
-982	-1.781	Depreciation, amort. and impairm. losses	-5.465	-4.596
-136	-97	Operating income	13.751	8.701
6.146	10.113	Income from investments in group entities		
93	43	Financial income	413	486
-746	-515	Financial expenses	-1.238	-1.592
5.357	9.544	Profit before tax	12.926	7.595
147	152	Tax	-3.230	-2.091
5.504	9.696	Profit for the year	9.696	5.504

Orifarm Generics Holding A/S

Balance sheet

(1.000 EUR)

Parent company			Group	
2018	2019		2019	2018
0	0	Goodwill	36.501	37.542
799	1.422	Files and application fees	7.763	7.135
2.021	1.851	Development projects in progress	5.055	4.370
2.466	2.002	Development projects completed	2.836	4.020
5.286	5.275	Intangible assets	52.155	53.067
			7	
0	0	Property	2.530	1.971
0	0	Plant and machinery	3.106	1.932
0	0	Other fixtures and fittings, tools and equipment	426	441
0	0	Prepayments for Plant and equipment	604	2.046
0	0	Tangible fixed assets	6.666	6.390
			8	
57.614	60.333	Investments in group entities	0	0
100	100	Receivables from group entities	0	0
57.714	60.433	Financial assets	0	0
63.000	65.708	Fixed assets	58.821	59.457
0	0	Raw materials and consumables	2.639	2.280
0	0	Work in progress	551	474
0	0	Manufactured goods and goods for resale	20.786	18.468
0	0	Prepayments for goods	520	338
0	0	Inventories	24.496	21.560
0	0	Trade Receivables	12.595	11.804
4.372	3.123	Receivables from group entities	8.316	7.517
0	0	Other receivables	2.645	1.098
0	0	Prepayments	190	181
0	0	Deferred tax assets	0	50
344	78	Income taxes	958	0
4.716	3.201	Receivables	24.704	20.650
0	0	Cash	0	3
4.716	3.201	Current assets	49.200	42.213
67.716	68.909	Total assets	108.021	101.670

Orifarm Generics Holding A/S

Balance sheet

(1.000 EUR)

Parent company			Group	
2018	2019		2019	2018
175	175	Share capital	175	175
1.206	1.215	Reserve for development expenditure		
34.542	39.209	Retained earnings	40.424	35.748
35.923	40.599	Total equity	40.599	35.923
1.164	1.116	Deferred tax liabilities	2.576	2.199
1.164	1.116	Provisions	2.576	2.199
0	0	Mortgage debt	291	336
7.373	8.539	Bank debt	8.539	7.373
0	0	Other debt	523	0
7.373	8.539	Long-term liabilities	9.353	7.709
4.302	0	Short-term portion of long-term liabilities	46	4.348
0	0	Bank debt	9.595	8.746
86	56	Trade payables	10.188	5.221
18.768	18.246	Payables to group entities	28.716	28.638
0	0	Income taxes	1.748	1.560
100	353	Other debt	5.200	7.326
23.256	18.655	Short-term liabilities	55.493	55.839
30.629	27.194	Liabilities	64.846	63.548
67.716	68.909	Total equity, provisions and liabilities	108.021	101.670
		Assets charged and collateral	14	
		Other Notes	15-19	

Orifarm Generics Holding A/S

Statement of changes in equity

(1.000 EUR)

	Group			
	Share capital	Retained earnings	Dividend	Total
Equity at 01.01.2019	175	35.748	0	35.923
Exchange rate adjustments	0	-20	0	-20
Distributed dividend in the year	0	0	-5.000	-5.000
Profit for the year	0	4.696	5.000	9.696
Equity at 31.12.2019	175	40.424	0	40.599

	Parent company				
	Share capital	Reserve for development expenditure	Retained earnings	Dividend	Total
Equity at 01.01.2019	175	1.206	34.542	0	35.923
Exchange rate adjustments	0	0	-20	0	-20
Distributed dividend in the year	0	0	0	-5.000	-5.000
Transfers to reserves	0	9	-9	0	0
Profit for the year	0	0	4.696	5.000	9.696
Equity at 31.12.2019	175	1.215	39.209	0	40.599

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

Parent company			Group	
2018	2019		2019	2018
		1. Staff costs		
0	0	Wages and salaries	12.639	13.083
0	0	Pension costs	1.556	1.514
0	0	Other social security costs	332	287
0	0		14.527	14.884
		Average number of employees	204	203
		Total amount for remuneration of management 410t. EUR in 2019 (303 t.EUR in 2018)		
		2. Depreciation, amort. and impairm. losses		
728	747	Amortisation of intangible assets	3.589	3.509
0	0	Property, plant and equipment	654	529
254	1.034	Sale of intangible assets and property etc.	1.222	558
982	1.781		5.465	4.596
		3. Financial income		
91	31	Financial income, group entities	165	110
2	12	Other financial income	248	376
93	43		413	486
		4. Financial expenses		
303	280	Financial expenses, group entities	164	414
443	235	Other financial expenses	1.074	1.178
746	515		1.238	1.592
		5. Tax		
0	0	Current tax	2.840	1.599
197	-48	Change in deferred tax	414	479
-344	-78	Refund in joint taxation arrangement	0	0
0	-26	Adjustments concerning previous years	-24	13
-147	-152		3.230	2.091
		6. Distribution of profit		
	5.000	Dividends	5.000	
	4.696	Retained earnings	4.696	
	9.696		9.696	

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

7. Intangible assets	Group				Total
	Goodwill	Files and applications	Development projects in progress	Development projects completed	
Cost at 01.01.2019	41.135	14.981	4.370	7.170	67.656
Transfer	0	1.157	-494	-1.346	-683
Additions	0	1.659	1.687	634	3.980
Exchange rate adjustments	-13	-13	-1	-3	-30
Disposals	0	-1.235	-507	-532	-2.274
Cost at 31.12.2019	41.122	16.549	5.055	5.923	68.649
Amortization 01.01.2019	3.593	7.846	0	3.150	14.589
Transfer	0	-83	0	-600	-683
Amortization for the year	1.028	1.909	0	652	3.589
Exchange rate adjustments	0	-6	0	-2	-8
Reversal relating to disposals	0	-880	0	-113	-993
Amortization 31.12.2019	4.621	8.786	0	3.087	16.494
Carrying amount 31.12.2019	36.501	7.763	5.055	2.836	52.155
Carrying amount 31.12.2018	37.542	7.135	4.370	4.020	53.067

Development projects

Development projects consists of development of generic medicine. The development of the products are progressing as planned and are expected to be completed within 1-3 years.

The Entity is continually scanning for and developing new generic medicine. It is the managements opinion, that newly developed generic medicine will contribute with positive contribution margin in the future, on equal terms with the currently product portfolio.

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

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

7. Intangible assets (continued)	Parent company			Total
	Files and applications	Development projects in progress	Development projects completed	
Cost at 01.01.2019	4.171	2.021	3.243	9.435
Additions	957	241	368	1.566
Exchange rate adjustments	5	0	-1	4
Disposals	-190	-411	-481	-1.082
Cost at 31.12.2019	4.943	1.851	3.129	9.923
Amortization 01.01.2019	3.372	0	777	4.149
Amortization for the year	333	0	413	746
Exchange rate adjustments	2	0	0	2
Reversal relating to disposals	-186	0	-63	-249
Amortization 31.12.2019	3.521	0	1.127	4.648
Carrying amount 31.12.2019	1.422	1.851	2.002	5.275
Carrying amount 31.12.2018	799	2.021	2.466	5.286

8. Tangible fixed assets	Group				Total
	Land and Buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for Plant and equipment	
Cost at 01.01.2019	2.471	2.140	1.266	2.046	7.923
Transfers	1.773	3.313	145	0	5.231
Additions	775	1.485	115	886	3.261
Exchange rate adjustments	0	-1	0	0	-1
Disposals	0	-638	-18	-2.328	-2.984
Cost at 31.12.2019	5.019	6.299	1.508	604	13.430
Depreciation 01.01.2018	500	208	825	0	1.533
Transfers	1.775	3.312	145	0	5.232
Depreciation for the year	213	311	130	0	654
Exchange rate adjustments	1	0	0	0	1
Reversal relating to disposals	0	-638	-18	0	-656
Depreciation 31.12.2019	2.489	3.193	1.082	0	6.764
Carrying amount 31.12.2019	2.530	3.106	426	604	6.666
Carrying amount 31.12.2018	1.971	1.932	441	2.046	6.390

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

	Parent company	
	Investments in group entities	Receivables from group enterprises
9. Financial asset investment		
Cost at 01.01.2019	65.157	100
Exchange rate adjustments	-19	0
Capital increase	2.677	0
Disposals	-135	0
Cost at 31.12.2019	67.680	100
Net revaluation at 01.01.2019	-7.543	0
Net share of profit/loss for the year	11.316	0
Amortization goodwill	-1.518	0
Impairment goodwill	44	0
Adjustment of internal profit on inventory, net	406	0
Disposals/Dividend	-10.046	0
Exchange rate adjustments	-6	0
Net revaluation 31.12.2019	-7.347	0
Carrying amount 31.12.2019	60.333	100
Carrying amount 31.12.2018	57.614	100

Unamortised share of group goodwill amounts to 39.101 t. EUR as on 31.12.2019

Investments in group enterprises:	Country	Corporate form	Share
Orifarm Generics A/S	Denmark	A/S	100%
Orifarm Generics AB	Sweden	AB	100%
Orifarm Generics AS	Norway	AS	100%
Orifarm Generics OY	Finland	OY	100%
Viminco A/S	Denmark	A/S	100%

10. Prepayments

Prepayments consist of expenses paid in advance.

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

Parent company			Group	
2018	2019		2019	2018
11. Deferred tax				
Deferred tax is incumbent on the following financial statement items:				
1.164	1.160	Intangible assets	2.348	2.042
0	0	Tangible fixed assets	225	88
0	0	Inventories	21	0
0	0	Other receivables	26	0
0	0	Tax loss carryforwards	0	19
0	-44	Other provisions	-44	0
1.164	1.116		2.576	2.149
Net value is recognised in the balance sheet as follows:				
0	0	Deferred tax assets	0	-50
1.164	1.116	Deferred tax liabilities	2.576	2.199
1.164	1.116		2.576	2.149
Development Deferred tax:				
967	1.164	Net value in balance sheet - primo year	2.149	1.670
197	-48	Effect in P&L during the year	414	479
1.164	1.116	Net value in balance sheet - ultimo year	2.563	2.149

12. Share capital

The share capital consists of 1.300 shares
Nominal value 175. t.EUR

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

	Group			
	Due for payment within 1 year	Due for payment after 1 year	Amortized debt in total	Nominal debt in total
13. Long-term debt				
Mortgage debt	46	291	337	337
Bank debt	0	8.539	8.539	8.539
Other debt	0	523	523	523
Long-term debt 31.12.2019	46	9.353	9.399	9.399
Long term debt 31.12.2018	4.348	7.709	12.057	12.057
Due for payment after 5 years:				
Mortgage debt		104		
Bank debt		0		
Other debt		0		
		<u>104</u>		
	Parent company			
	Due for payment within 1 year	Due for payment after 1 year	Amortized debt in total	Nominal debt in total
Bank debt	0	8.539	8.539	8.539
Long-term debt 31.12.2019	0	8.539	8.539	8.539
Long term debt 31.12.2018	4.302	7.373	11.675	11.675
Due for payment after 5 years:				
Bank debt		0		
		<u>0</u>		

Notes

(1.000 EUR)

14. Assets charged and collateral

Group:

The Group companies has provided receivables from sales of goods and services, MEUR 12.6 as security for debt to the Groups banks and credit institutions.

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

Parent:

The entity has provided guarantees under which the guarantors assume joint and several liability for group companies net debt with bank and credit institution. Total net debt in relation to this guarantee is booked at MEUR 105.5 at 31. December 2019.

15. Contingent liabilities

Group:

The parent company and the Danish Group companies are jointly taxed with all Danish subsidiaries, with HBS Capital ApS as the administration company. The parent Company and the danish group companies are 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 Group is a party to litigation regarding alleged infringement of patents rights. Management believes that these legal proceedings will not lead to material losses for the Group.

Parent Company:

As security for the debt to banks, the entity has pledged unlisted shares in subsidiaries with a total book value per. 31. December 2019 of MEUR 21.9.

Orifarm Generics Holding A/S

Notes

(1.000 EUR)

16. Related parties with controlling interest

Related parties with controlling interest in Orifarm Generics Holding A/S:

- Orifarm Group A/S, Central Business Registration No 27 34 72 82, Odense, Parent company
- Hans Carl Bøgh-Sørensen, Odense, ultimate beneficial owner

All transactions with related parties are carried out on arms length.

17. Ownership

The company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Orifarm Group A/S, Energivej 15, 5260 Odense S.

18. Consolidation

Name and registered office of the Parent preparing consolidated financial statement for the ultimate group: HBS Capital Aps, Platanvej 5, 5230 Odense M, Denmark (Central Business Registration No 41 00 08 80).

Name and registered office of the Parent preparing consolidated financial statement for the smallest group: Orifarm Group A/S, Energivej 15, 5260 Odense S, Denmark (Central Business Registration No 27 34 72 82).

19. 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.

In April 2020, Orifarm Generics Holding A/S signed an agreement with the Japanese pharmaceutical company, Takeda covering the acquisition of the rights for approximately 110 pharmaceuticals as well as 2 manufacturing sites in Denmark and Poland. The acquisition has a value of up to 615 MEUR and is by far the largest in Orifarm's history. The acquisition is expected to close in the beginning of 2021 subject to the satisfaction of customary closing conditions, receipt of required regulatory clearances and, where applicable, compliance with local works council requirements.

The outbreak of COVID-19 at the beginning of 2020 is not expected to have a material impact on the Group's financial position, as the Group's supply chain is intact and pharmaceuticals are highly demanded and essential also during the COVID-19 outbreak.

Accounting policies

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 for these financial statements are consistent with those applied last year. The annual report is presented in EUR.

Income statement items are translated at the average rate for the year. Balance sheet items are translated at closing rate. The exchange rate adjustment from the average for the year, respectively, previous year's closing rate are posted directly to equity.

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 Group, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group 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 Group, and the value of the liabilities 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.

The consolidated financial statements

The consolidated financial statements include Orifarm Generics Holding A/S (parent company) and companies (group enterprises) controlled by the parent. The parent company is considered to have control when it directly or indirectly owns more than 50% of the voting rights or in other ways actually exercises controlling influence.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements for Orifarm Group A/S and its subsidiaries. The consolidated financial statements are prepared by aggregation of uniform accounting items. On consolidation, elimination of intercompany revenue and expenses, and dividends as well as gains and losses on transactions between consolidated companies. The accounts used for consolidation are prepared in accordance with the groups accounting policies.

In the consolidated financial statement accounts of the subsidiaries are recognized 100%. Investments in subsidiaries are offset at the pro rata share of such subsidiaries net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Business combinations

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

On recognition of foreign subsidiaries which are independent units, all amounts are translated at the year-end rate. Differences in the exchange rate which arise when translating the foreign company's equity at the beginning of the year using the exchange rates at balance sheet date are recognised directly in equity.

Derivatives

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are classified directly on equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

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.

Other operating income

Other operating income comprises income of a secondary nature to the Group's primary activities.

Cost of sales

Cost of sales includes the consumption of commodities and freight costs that are incurred to generate the calculated revenue.

Other operating external expenses

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

Referring to the 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 statement for Orifarm Group A/S.

Staff costs

Staff costs comprise wages and salaries, social security costs, pension contributions, etc. for the Groups staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible asset comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and the impairment testing as well as gains and losses from the sale of the intangible assets.

Accounting policies

Income from investments in Group entities

Income from investments in group entities comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Financial income and expenses

These items comprise interest income and interest expenses, realised as well as unrealised capital gains and losses on liabilities and transactions in foreign currencies.

Income taxes

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/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid 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 is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the balance sheet date when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable values, either as a set-off against deferred tax liabilities or as net tax assets.

The Parent is jointly taxed with the ultimate Parent company and all the ultimate Parent companies Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies 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

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition.

Goodwill is amortised straight-line over its estimated useful life which is fixed on the basis of the experience gained by Management for each business area.

The maximum amortization period of goodwill is 40 years.

The determination of the lifetime is decided based on an evaluation of a combined company with Know How, skills and a efficient organization, which is expected to provide development of the business in a long time to come, and because the lifetime of the medicinal products normally are very long.

When goodwill is subject to impairment, goodwill is written down to the lower of recoverable amount and carrying amount.

Accounting policies

Files and application fees

Files and application fees are measured at cost less accumulated amortisation and impairment losses.

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.

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 5-12 years.

Estimated useful lives and residual values are reassessed annually.

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

Development projects in progress

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.

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.

Property, Plant and equipment

Properties, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. Interest expenses are not included in cost.

The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value amounts to 40% of the acquisition price for properties. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Property:	10-50 years
Plant and machinery:	5-20 years
Other fixtures and fittings:	3-5 years

Estimated useful lives and residual values are reassessed annually.

When property, plant and equipment are subject to impairment, PPE are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement.

Accounting policies

Investments in group entities

Investments in group entities are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the entities' equity plus or minus unamortised goodwill or negative goodwill on consolidation and plus or minus unrealised intra-group profits and losses.

The Parent's share of the entities' profits or losses after elimination of unrealised intra-group profits and losses and plus or minus amortisation of positive, or negative, goodwill on consolidation is recognised in the income statement.

Group entities with negative equity are measured at zero value, and any receivables from these entities are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant entity.

Net revaluation of investments in group entities is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for 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 receivables.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Bank debt

Bank debt comprises debt to banks.

Accounting policies

Mortgage debt

At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. The mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortized cost, usually equaling nominal value of the liability.

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.

Cash flow statement

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

Segment information

Information should be provided for business segments. No information is given in respect of geographical markets as the risk to which the markets are subject is found to be quite similar.

Financial highlights

Financial highlights are calculated as follows:

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin:	$\frac{\text{Operating income} \times 100}{\text{Revenue}}$
Equity ratio:	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
Return on equity:	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

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Hans Carl Bøgh-Sørensen

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