Orifarm Group A/S

Energivej 15
5260 Odense S

Central Business Registration no. 27 34 72 82

Annual report 2019

The Annual General Meeting adopted the annual report on 16/3 2020

Chairman of the General Meeting:

Kim Jensen

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Company details

Company
Orifarm Group A/S
Energivej 15
5260 Odense S
Central Business Registration No: 27 34 72 82
Registered in: Odense

Board of Directors
Niels Harald de Coninck-Smith, Chairman
Hans Carl Bøgh-Sørensen, Vice chairman
Ole Michael Friis, Vice chairman
Claudio Albrecht
Lars Monrad-Gylling
Bettina Britt Hansen, employee elected representative
Gitte Alhed Poulsen, employee elected representative
Jeanette Jæger Wallentin, employee elected representative

Group Executive Board
Erik Sandberg, Chief Executive Officer
Jacob Lucassen, EVP and CFO

Company auditors
Deloitte Statsautoriseret Revisionspartnerselskab

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 Group 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 and cash flow´s 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, 16. March 2020

Executive Board

Erik Sandberg Chief Executive Officer	Jacob Lucassen EVP and CFO

Board of Directors

Niels Harald de Coninck-Smith Chairman	Hans Carl Bøgh-Sørensen Vice Chairman	Ole Michael Friis Vice Chairman
Claudio Albrecht	Lars Monrad-Gylling	
Bettina Britt Hansen	Gitte Alhed Poulsen	Jeanette Jæger Wallentin

Independent auditor's report

To the shareholders of Orifarm Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Orifarm Group 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, and the consolidated cash flow statement. 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.

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 state-ments, 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.

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.

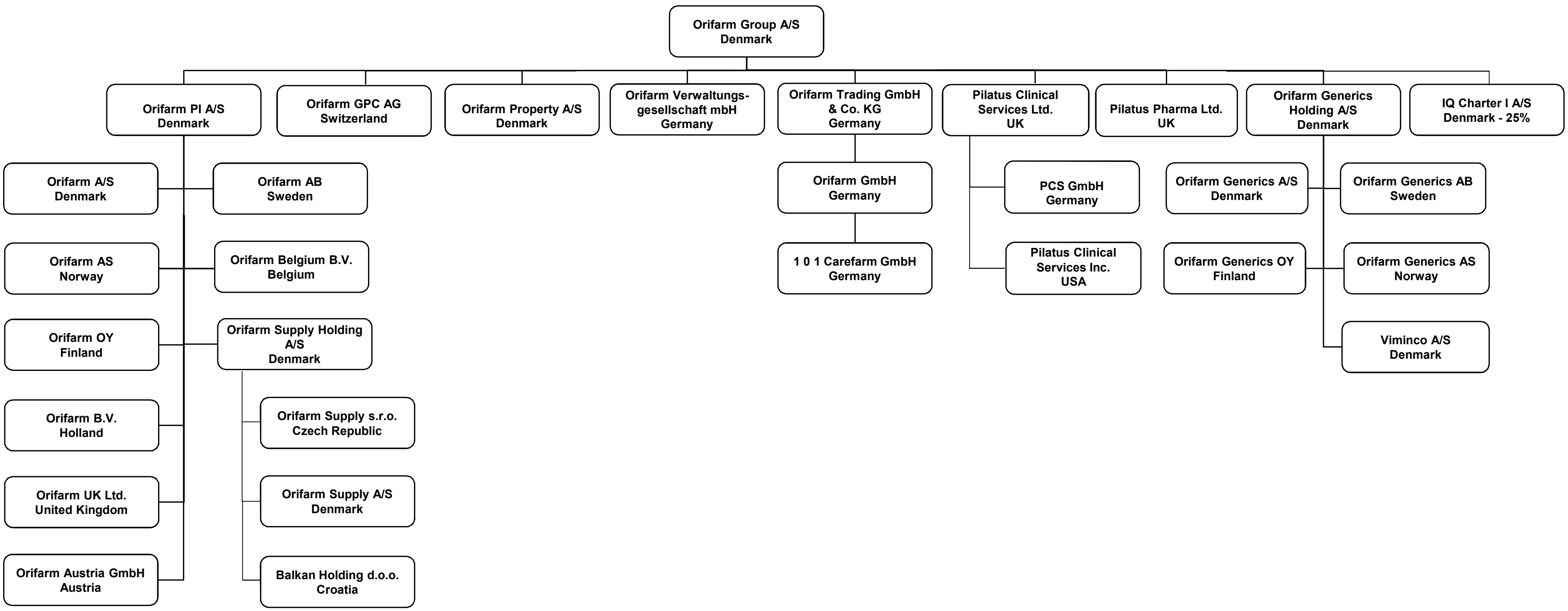
Odense, 16. March 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Nikolaj Thomsen	**Jens Rene Serup**
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE Number mne33 276	MNE Number mne45 825

Group structure



* If no other % is mentioned the owner ship is 100%

Management´s Commentary

Financial highlights of the Group

(mio. EUR)	**2019**	**2018**	**2017**	**2016**	**2015**
Key figures					
Revenue	981,6	832,9	796,9	725,8	759,1
Gross profit	150,7	131,0	120,4	108,7	96,9
Operating income	47,4	38,1	33,8	24,5	20,2
Net financials	-2,0	-3,2	-5,1	-8,1	-8,7
Profit for the year	34,7	26,5	21,9	10,2	9,1
Investments in Tangible fixed assets	7,9	4,2	4,1	3,0	2,8
Inventories	189,4	140,4	151,4	148,6	119,2
Trade receivables	113,2	101,4	111,7	95,4	95,0
Equity	167,9	136,0	117,0	98,5	90,3
Balance sheet total	423,8	344,3	360,6	347,2	319,0
Cash flows from operating activities	15,1	36,1	25,5	-14,3	39,7
Cash flows from investing activities	-35,4	-10,9	-8,7	-7,8	-66,1
Ratios					
Gross margin (%)	15,4	15,7	15,1	15,0	12,8
Operating margin (%)	4,8	4,6	4,2	3,4	2,7
Equity ratio (%)	39,6	39,5	32,4	28,4	28,3
Return on equity (%)	22,8	20,9	20,3	10,8	12,1

Management´s Commentary

Once again, 2019 was a record breaking year in Orifarm Groups's history. Both revenue and earnings grew and ended above the former record breaking year of 2018. 2019 was the 7th successive year with increasing earnings.

The two main business units, Orifarm Parallel Import and Orifarm Generics, showed excellent development and both contributed to the very strong result. The acquisition of the UK based company Pilatus added new business areas to Orifarm Group and is part of the strategy for future growth of Orifarm.

- Orifarm Group's **revenue increased by 17.7% to MEUR 982** (2018: MEUR 833)
- Operating income excl. non-recurring items increased by MEUR 7.8 to MEUR 48.1 (2018: MEUR 40.3).
- **Earnings before tax increased by 30% to MEUR 45.4** (2018: MEUR 34.9)
- Orifarm Parallel Import's revenue totalled MEUR 899 (2018: MEUR 755).
- Orifarm Generics' revenue totalled MEUR 83 (2018: MEUR 77).

The entry into force of the Falsified Medicines Directive (FMD) in February 2019, was from the beginning successfully implemented in Orifarm Group's entities. The acquisition of Pilatus Comparator Solutions, based in London, added the business areas Unlicensed Medicine and Comparator Sourcing to Orifarm Group, and added new attractive markets and growth potential to Orifarm as well. With an office in New Jersey it also marked Orifarm's entry into North America.

To secure future growth in 2020 Orifarm Group will focus on mainly 3 areas: Secure a high number of product launches within Orifarm Parallel Import, launch new products from a strong pipeline within Orifarm Generics and expand the new business areas of Unlicensed Medicine and Comparator Sourcing. In addition, Orifarm Group is also looking into acquisitions with synergies to the existing business areas.

Company Presentation

Orifarm Group 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.

Orifarm Group consists of two main business areas: Orifarm Parallel Import and Orifarm Generics.

Common to both business areas is healthcare business model innovation. This is expressed in Orifarm Group's mission statement which is "*Challenging the pharmaceutical market".*

Orifarm Group'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 Group delivers solutions, that meet its stakeholder's needs. Orifarm Group's operating activities are guided by our values which are Flexibility, Ambition, Responsibility and Customer Centricity.

Orifarm Parallel Import

Orifarm Parallel Import was established in 1994 in response to significant price differentials for identical pharmaceuticals across EU Member States. Pharmaceuticals are imported from EU/EEA

Management´s Commentary

Member States where original pharmaceutical producers sell their preparations at prices, that are lower than what they demand for the identical products in e.g. the Nordic countries or Germany. In doing so, Orifarm Group is depending on the principle of free movement of goods within the EU/EEA.

Orifarm Parallel Import's activities have led to lower prices of pharmaceuticals and thus savings benefitting both patients and society at large in the markets in which it operates.

Despite the principles of free movement of goods within the EU/EEA, and without regard for the fact that the efforts of Orifarm Parallel Import and its competitors have led to lower costs 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.

Orifarm Generics

Orifarm Group entered the generic pharmaceuticals market in the Nordic countries in 2001. Generic pharmaceuticals can be produced and marketed once the original manufacturer's patent expires and thereby its exclusive rights lapse. Generic competition normally lowers prices on pharmaceuticals significantly which benefits patients and society at large.

Orifarm Generics has established a broad range of generic preparations, including both prescription and over-the-counter products.

Review of Financial Performance in 2019

Orifarm Group's result for 2019 is better than expected and announced in the Annual Report for 2018**.**

Overall, Orifarm Group achieved new record breaking levels in key areas like:

- Highest revenue ever in company history
- Highest number of units sold ever in company history
- Highest level of earnings ever in company history

Orifarm Group's revenue increased 17.7% to MEUR 982 (2018: MEUR 833) through dedicated focus on new market entries, organic growth in mature markets, and optimization of internal processes and procedures in both Parallel Import and Generics.

Number of units of pharmaceuticals sold increased by 2.7% to 26.2 million units (2018: 25.5 million units).

Orifarm Group's gross margin decreased by 0.3 percentage points to 15.4% (2018: 15.7%).

Orifarm Group's operating margin increased to 4.8% (2018: 4.6%) and amounted to MEUR 47.4 (2018: MEUR 38.1). Orifarm Group's operating income excl. non-recurring items increased by MEUR 7.8 to MEUR 48.1 (2018: MEUR 40.3). Non-recurring items are mainly driven by acquisitions and costs related thereto.

Management´s Commentary

2019 Performance Highlights – Orifarm Parallel Import

- Despite challenging market conditions, Orifarm Parallel Import achieved strong growth in revenues contributing to a significant improvement in net result
- Orifarm Parallel Import's revenues increased by 19.0% to MEUR 899 (2018: MEUR 755)
- The German market was the main driver of the significant growth in revenue. Despite fierce competition, Orifarm strengthened its market shares.
- Orifarm Parallel Import strengthened its leading position as Europe's largest parallel importer of pharmaceuticals
- Orifarm Parallel Import kept record high number of product launches, despite huge administrative delays from EMA (European Medicines Agency) caused by EMA's relocation from London to Amsterdam
- In both Finland, Austria, and the United Kingdom, Orifarm Parallel Import managed to increase the revenues
- In Sweden, Orifarm continued to be challenged by the weak currency and both revenue and earnings decreased
- The acquisition of Pilatus added new business areas and synergies to the existing parallel import business

2019 Performance Highlights – Orifarm Generics

- Orifarm Generics has reversed the negative trend in earnings from 2018 and increased both revenue and earnings.
- Orifarm Generics' revenues totalled MEUR 83 (2018: MEUR 77)
- In both Finland and Norway, Orifarm Generics increased revenues significantly
- In Sweden, the revenues was close to status quo but succeeded in gaining additional market shares

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 Group'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

Management´s Commentary

further and stopped deliveries to wholesalers who are re-exporting pharmaceuticals. This practise limits Orifarm Group's sourcing opportunities and consequently also the capacity to increase sales of the lower priced parallel imported pharmaceuticals. In Orifarm Group's view, quota systems are in breach of the EU Treaty because they let pharmaceutical manufacturers restrict competition within the EU.

Export bans
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 notification obligations to exporters for authorities' approval 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 Group's entire business model. We therefore strongly object to such measures. The European Commission is regularly informed about developments and in this context we 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 to 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, the 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 Group's opinion, dual pricing violates the competition provisions set out in the EU Treaty.

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

Special 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 in the sales countries which are intended to limit the consumption of pharmaceuticals.

For the business area Parallel Import, 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.

For the business area Orifarm Generics, Orifarm Group policy states that infringing 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 Group is from time to time involved in pending legal proceedings. The outcome of these may affect Orifarm Group's earnings.

Management´s Commentary

Financial matters
Orifarm Group is exposed to fluctuations in foreign exchange rates and interest rate levels. These risks are mitigated through hedge in accordance with the Group's policy. Exchange rate risks are primarily related to the currencies SEK, CZK, and GBP.

A 1 percentage point change in the interest rate level affects the Group's earnings net by approx. MEUR 1.3.

Orifarm Group'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 Group's objective to be leading supplier of parallel-imported pharmaceuticals in the Nordic countries, Germany, Austria, Holland, UK, and Belgium, and 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, engagement, and develop our employees' knowledge and competencies, which in turn strengthen Orifarm Group's results and growth-oriented culture.

In Orifarm Group 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 Group has increased significantly in recent years.

Orifarm Group 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.

A large number of student assistants are part-time employed at Orifarm Group. Orifarm Group 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 Group gets the newest insights and new inspiration.

Target Figures for Gender Distribution of Management

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

Management´s Commentary

Corporate Social Responsibility

Orifarm Group joined the UN Global Compact in 2018, and we are consequently incorporating the Ten Principles into our strategies, policies and procedures. Our 2019 progress report is available at https://www.orifarm.com/responsibility/

Development Activities

Orifarm Group's two main business areas have significant development activities covering both product and process development.

Events since the End of the Fiscal Year

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

Outlook

For 2020, Orifarm Group expects minor revenue growth in the range of 1-5% and an operating income at 2019 level.

The spread of COVID-19 throughout the world can potentially have an influence on the business for Orifarm Group in 2020. Currently the impact is unknown and therefore this has not been included when setting the expectations for activity and earnings in 2020 and so far the impact can be positive as well as negative.

Ongoing negotiations on Brexit will not materially impact Orifarm Group. Consequences of final exit conditions will be subject for potential mitigating plans with effect for 2021.

As Pilatus will be further integrated, its business contribution will increase.

Income statement
(1.000 EUR)

Parent company 2018	Parent company 2019		Note	Group 2019	Group 2018
10.016	13.878	Revenue	1	981.554	832.917
750	401	Other operating income		755	1.187
-620	-388	Cost of sales		-831.582	-703.063
10.146	**13.891**	**Gross profit**		**150.727**	**131.041**
-5.251	-6.218	Other external expenses		-32.736	-32.001
-6.654	-10.576	Staff costs	2	-59.073	-51.049
-1.759	**-2.903**	**Income before depreciation**		**58.918**	**47.991**
-1.493	-1.788	Depreciation, amort. and impairm. losses	3	-11.509	-9.890
-3.252	**-4.691**	**Operating income**		**47.409**	**38.102**
29.651	39.403	Income from investments in group entities	4		
-268	-469	Income from investments in associated entities	5	755	721
841	1.582	Financial income	6	4.541	2.954
-701	-1.707	Financial expenses	7	-7.300	-6.874
26.271	**34.118**	**Profit before tax**		**45.405**	**34.903**
183	619	Tax	8	-10.668	-8.449
26.454	**34.737**	**Profit for the year**	9	**34.737**	**26.454**

Balance sheet

(1.000 EUR)

Parent company 2018	Parent company 2019		Note	Group 2019	Group 2018
0	0	Goodwill		57.195	45.233
0	0	Files and application fees		13.177	13.169
1.979	2.951	Other intangible assets		3.011	1.988
0	0	Development projects in progress		5.055	4.370
0	0	Development projects completed		3.871	4.019
1.979	**2.951**	**Intangible assets**	10	**82.309**	**68.779**
0	0	Property		20.223	18.550
1.429	1.501	Plant and equipment		8.525	7.138
1.429	**1.501**	**Tangible fixed assets**	11	**28.748**	**25.688**
115.207	150.181	Investments in group entities	12		
201	0	Investments in associated entities	13	1.833	1.540
19.650	19.644	Receivables from group entities	12		
293	549	Receivables from associated entities	13	549	293
135.351	**170.374**	**Financial assets**		**2.382**	**1.833**
138.759	**174.826**	**Fixed assets**		**113.439**	**96.300**
7.832	**17.480**	**Inventories**	14	**189.351**	**140.409**
8	16	Trade Receivables		113.210	101.446
48.861	77.659	Receivables from group entities		0	0
667	427	Other receivables		3.233	2.276
1.013	733	Prepayments	15	1.448	1.835
0	0	Deferred tax assets	16	1.615	1.757
551	969	Income taxes		1.428	293
51.100	**79.804**	**Receivables**		**120.934**	**107.607**
7	**7**	**Cash**		**89**	**23**
58.939	**97.291**	**Current assets**		**310.374**	**248.039**
197.698	**272.117**	**Total assets**		**423.813**	**344.339**

Balance sheet

(1.000 EUR)

Parent company 2018	Parent company 2019		Note	Group 2019	Group 2018
281	281	Share capital	17	281	281
48.969	64.544	Reserve for net revaluation of equity holdings			
76.669	49.105	Retained earnings		113.649	125.638
10.044	54.000	Dividend		54.000	10.044
135.963	**167.930**	**Total equity**		**167.930**	**135.963**
331	531	Deferred tax liabilities	16	6.586	5.692
331	**531**	**Provisions**		**6.586**	**5.692**
0	0	Mortgage debt		3.929	4.517
0	0	Payables to group entities		0	5.203
12.428	14.439	Bank debt		22.881	19.964
12.428	**14.439**	**Long-term liabilities**	18	**26.810**	**29.684**
7.102	0	Short-term portion of long-term liabilities	18	524	11.930
24.385	65.648	Bank debt		123.294	90.053
457	349	Trade payables		39.386	27.746
14.503	15.943	Payables to group entities		0	0
0	0	Income taxes		1.825	6.388
2.529	7.277	Other debt		57.458	36.883
48.976	**89.217**	**Short-term liabilities**		**222.487**	**173.000**
61.404	**103.656**	**Liabilities**		**249.297**	**202.684**
197.698	**272.117**	**Total equity, provisions and liabilities**		**423.813**	**344.339**

Assets charged and collateral	19
Other Notes	20-28

Statement of changes in equity
(1.000 EUR)

	Group			
	Share capital	Retained earnings	Dividend	Total
Equity at 01.01.2019	281	125.638	10.044	135.963
Adjustment of hedging instruments	0	12	0	12
Exchange rate adjustments	0	-95	0	-95
Capital increase	0	16.333	0	16.333
Distributed dividend in the year	0	0	-19.020	-19.020
Profit for the year	0	-28.239	62.976	34.737
Equity at 31.12.2019	**281**	**113.649**	**54.000**	**167.930**

	Parent company				
	Share capital	Net revaluation, equity method	Retained earnings	Dividend	Total
Equity at 01.01.2019	281	48.969	76.669	10.044	135.963
Adjustment of hedging instruments	0	12	0	0	12
Exchange rate adjustments	0	-88	-7	0	-95
Capital increase	0	0	16.333	0	16.333
Distributed dividend in the year	0	0	0	-19.020	-19.020
Profit for the year	0	15.651	-43.890	62.976	34.737
Equity at 31.12.2019	**281**	**64.544**	**49.105**	**54.000**	**167.930**

Cash flow statement
(1.000 EUR)

		Group	
	Note	**2019**	**2018**
Operating income		47.409	38.102
Depreciation and impairment losses		11.509	9.890
Exchange rate and hedging adjustments on equity		-83	-820
Working capital changes	21	-25.350	424
		33.485	**47.596**
Interests, net		-2.759	-3.920
Income taxes paid		-15.594	-7.559
Cash flows from operating activities		**15.132**	**36.117**
Acquisition of intangible assets, property, plant and equipment		-37.890	-14.535
Sale of property, plant and equipment		2.698	3.040
Change in deposits, fixed asset investments		-256	645
Cash flows from investing activities		**-35.448**	**-10.850**
Cash flows from operating and investing activities		**-20.316**	**25.267**
Change in long-term liabilities other than provisions, net		-14.280	-14.213
Dividend revceived from associated		731	295
Capital increase		16.333	0
Dividend paid		-19.020	-6.716
Cash flow from financing activities		**-16.236**	**-20.634**
Increase/decrease in cash and cash equivalents		**-36.552**	**4.633**
Cash and equivalents 01.01.2019		-90.030	-94.663
Adjustment according to acquisition		3.377	0
Cash and equivalents 31.12.2019	22	**-123.205**	**-90.030**

Notes
(1.000 EUR)

Parent company 2018	Parent company 2019		Group 2019	Group 2018
		1. Revenue		
		Activity information		
		Parallelimport	898.615	755.719
		Generics	82.939	77.198
		Total	**981.554**	**832.917**
		2. Staff costs		
5.849	9.494	Wages and salaries	48.053	41.740
699	945	Pension costs	3.828	3.545
106	137	Other social security costs	7.192	5.764
6.654	**10.576**		**59.073**	**51.049**
		Here of:		
989	500	Fee to Group Executive Board	2.901	3.439
80	95	Fee to Board of Directors	103	121
1.069	**595**		**3.004**	**3.560**
57	**65**	Average number of employees	**1.111**	**1.036**
		3. Depreciation, amort. and impairm. losses		
0	0	Goodwill	1.933	1.555
0	0	Files and applications	5.398	4.721
971	1.110	Other intangible assets	1.125	940
0	0	Development projects completed	832	705
0	0	Buildings	663	633
522	678	Operating equip. and leasehold improvements	1.558	1.336
1.493	**1.788**		**11.509**	**9.890**
		4. Income from investments in group entities		
29.377	40.126	Share of profit/loss after tax		
598	-46	Adjustment, internal profit on inventory		
-324	-677	Amortization of goodwill		
29.651	**39.403**			
		5. Income from investments in associated entities		
-268	-469	Share of profit/loss after tax	755	721
-268	**-469**		**755**	**721**
		6. Financial income		
725	1.423	Financial income, group entities	1.423	725
116	159	Other financial income	3.118	2.229
841	**1.582**		**4.541**	**2.954**

Notes

(1.000 EUR)

Parent company			Group	
2018	**2019**		**2019**	**2018**
		7. Financial expenses		
0	499	Financial expenses, group entities	1.447	1.244
701	1.208	Other financial expenses	5.853	5.630
701	**1.707**		**7.300**	**6.874**
		8. Tax		
-737	-1.309	Current tax	9.803	7.384
-3	200	Change in deffered tax	1.033	1.278
512	524	Foreign tax regarding activity in group companies	0	0
45	-34	Adjustments concerning previous years	-168	-213
-183	**-619**		**10.668**	**8.449**
		9. Distribution of profit		
	8.976	Extraordinary dividend	8.976	
	54.000	Proposed dividends	54.000	
	15.651	Reserve for net revaluation of equity holdings	0	
	-43.890	Retained earnings	-28.239	
	34.737		**34.737**	

Notes
(1.000 EUR)

10. Intangible assets	Goodwill	Files and applica-tions	Other intangible assets	Develop-ment projects in progress	Develop-ment projects completed	Total
			Group			
Cost at 01.01.2019	58.932	36.844	13.629	4.370	7.169	120.944
Transfer	0	0	0	-493	493	0
Additions	13.909	4.533	2.146	1.687	634	22.909
Exchange rate adjustments	-16	-62	-4	-2	-2	-86
Disposals	0	-1.200	0	-507	-566	-2.273
Cost at 31.12.2019	**72.825**	**40.115**	**15.771**	**5.055**	**7.728**	**141.494**
Amortization 01.01.2019	13.699	23.675	11.641	0	3.150	52.165
Amortization for the year	1.933	5.398	1.125	0	832	9.288
Exchange rate adjustments	-2	-40	-6	0	-1	-49
Reversal relating to disposals	0	-2.095	0	0	-124	-2.219
Amortization 31.12.2019	**15.630**	**26.938**	**12.760**	**0**	**3.857**	**59.185**
Carrying amount 31.12.2019	**57.195**	**13.177**	**3.011**	**5.055**	**3.871**	**82.309**
Carrying amount 31.12.2018	45.233	13.169	1.988	4.370	4.019	68.779

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 continuosly evalutes the value of development projects in progress, and write-down projects which are unprofitable.

Notes
(1.000 EUR)

10. Intangible assets (continued)	Parent company Other intangible assets	Total
Cost at 01.01.2019	13.207	13.207
Additions	2.082	2.082
Exchange rate adjustments	-4	-4
Cost at 31.12.2019	**15.285**	**15.285**
Amortization 01.01.2019	11.228	11.228
Amortization for the year	1.110	1.110
Exchange rate adjustments	-4	-4
Amortization 31.12.2019	**12.334**	**12.334**
Carrying amount 31.12.2019	**2.951**	**2.951**
Carrying amount 31.12.2018	1.979	1.979

	Group			
11. Tangible fixed assets	**Buildings**	**Leasehold improve-ments**	**Operating equipment**	**Total**
Cost at 01.01.2019	23.306	919	14.397	38.622
Additions	2.629	0	5.264	7.893
Exchange rate adjustments	35	-1	38	72
Disposals	-315	0	-3.810	-4.125
Cost at 31.12.2019	**25.655**	**918**	**15.889**	**42.462**
Depreciation 01.01.2019	4.756	919	7.259	12.934
Depreciation for the year	663	0	1.558	2.221
Exchange rate adjustments	13	-1	28	40
Reversal relating to disposals	0	0	-1.481	-1.481
Depreciation 31.12.2019	**5.432**	**918**	**7.364**	**13.714**
Carrying amount 31.12.2019	**20.223**	**0**	**8.525**	**28.748**
Carrying amount 31.12.2018	18.550	0	7.138	25.688

Notes
(1.000 EUR)

	Parent company	
11. Tangible fixed assets (continued)	**Operating equipment**	**Total**
Cost at 01.01.2019	4.133	4.133
Additions	750	750
Exchange rate adjustments	-1	-1
Disposals	0	0
Cost at 31.12.2019	**4.882**	**4.882**
Depreciation 01.01.2019	2.704	2.704
Depreciation for the year	678	678
Exchange rate adjustments	-1	-1
Reversal relating to disposals	0	0
Depreciation 31.12.2019	**3.381**	**3.381**
Carrying amount 31.12.2019	**1.501**	**1.501**
Carrying amount 31.12.2018	1.429	1.429

	Parent company	
	Investments in group entities	**Receivables, group entities**
12. Financial asset investment		
Cost at 01.01.2019	66.238	19.720
Additions	19.399	0
Cost at 31.12.2019	**85.637**	**19.720**
Net revaluation at 01.01.2019	48.969	-70
Net share of profit/loss for the year	40.126	0
Amortization goodwill	-677	0
Adjustment of internal profit on inventory, net	-46	0
Dividend	-23.752	0
Adjustment of hedging on equity	12	0
Exchange rate adjustments	-88	-6
Net revaluation 31.12.2019	**64.544**	**-76**
Carrying amount 31.12.2019	**150.181**	**19.644**
Carrying amount 31.12.2018	115.207	19.650

Notes
(1.000 EUR)

12. Financial asset investment (continued)

Unamortised share of group goodwill on consolidation amounts 13.823t.EUR.

Investments in group enterprises:	Country	Share
Orifarm PI A/S	Denmark	100%
Orifarm Generics Holding A/S	Denmark	100%
Orifarm Property A/S	Denmark	100%
Orifarm Verwaltungsgesellschaft mbH	Germany	100%
Orifarm Trading GmbH & Co. KG	Germany	100%
Pilatus Pharma Limited	United Kingdom	100%
Pilatus Clinical Services Ltd.	United Kingdom	100%
Orifarm GPC AG	Switzerland	100%

See Group structure page 8

	Group	
	Investments associated entities	**Receivables associated entities**
13. Investments in associated entities etc.		
Cost at 01.01.2019	922	293
Transfer	28	0
Additions	0	524
Cost at 31.12.2019	**950**	**817**
Value adjustment 01.01.2019	618	0
Transfer	-28	0
Value adjustment for the year	0	-268
Disposals/Dividend	-730	0
Profit for the year	1.023	0
Value adjustment 31.12.2019	**883**	**-268**
Carrying amount 31.12.2019	**1.833**	**549**
Carrying amount 31.12.2018	1.540	293

Details on investments which can harm the business has not been shown in accordance to section 97a(4) of the Danish Financial Statement Act

	Parent company	
	Investments associated entities	**Receivables associated entities**
Cost at 01.01.2019	469	293
Additions	0	524
Cost at 31.12.2019	**469**	**817**
Value adjustment 01.01.2019	-268	0
Value adjustment for the year	-201	-268
Value adjustment 31.12.2019	**-469**	**-268**
Carrying amount 31.12.2019	**0**	**549**
Carrying amount 31.12.2018	201	293

Investments in associated companies (parent):	Country	Share
IQ Charter I A/S	Denmark	25%

Notes
(1.000 EUR)

		14. Inventories		
0	0	Raw materials and consumables	79.547	58.246
7.832	9.112	Manufactured goods and goods for resale	92.087	81.565
0	0	Prepayments of goods	9.349	598
0	8.368	Other assets held for sale	8.368	0
7.832	**17.480**		**189.351**	**140.409**

15. Prepayments

Consists of prepayments on costs concerning subsequent financial year.

Parent company			Group	
2018	**2019**		**2019**	**2018**
		16. Deferred tax		
		Deferred tax is incumbent on the following financial statement items:		
435	649	Intangible assets	2.682	1.948
-104	-118	Tangible fixed assets	2.135	1.806
0	0	Inventories	254	254
0	0	Tax loss carryforwards	-100	-73
331	**531**		**4.971**	**3.935**
		Net value is recognised in the balance sheet as follows:		
0	0	Deferred tax assets	-1.615	-1.757
331	531	Deferred tax liabilities	6.586	5.692
331	**531**		**4.971**	**3.935**
		Development Deferred tax:		
334	331	Net value in balance sheet - 01.01.2019	3.935	2.723
-3	200	Effect in P&L during the year	1.033	1.278
0	0	Effect on Equity during the year	3	-66
331	**531**	Net value in balance sheet - 31.12.2019	**4.971**	**3.935**

17. Share capital

The share capital consists of 2.100 shares at EUR 134.

The shares have not been divided into classes.

268	268	The shares 01.01.2015
13	13	100 Capital increase 07.07.2015
281	**281**	**Share capital 31.12.2019**

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
18. Long-term debt				
Mortgage debt	524	3.929	4.453	4.453
Bank debt	0	22.881	22.881	22.881
Long-term debt 31.12.2019	**524**	**26.810**	**27.334**	**27.334**
Long term debt 31.12.2018	11.930	29.684	41.614	41.614
Due for payment after 5 years:				
Mortgage debt		1.497		
		1.497		

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	14.439	14.439	14.439
Long-term debt 31.12.2019	**0**	**14.439**	**14.439**	**14.439**
Long term debt 31.12.2018	7.102	12.428	19.530	19.530
Due for payment after 5 years:				
Bank debt		0		
		0		

Notes
(1.000 EUR)

Parent company 2018	Parent company 2019		Group 2019	Group 2018
		19. Assets charged and collateral		
		Mortgage deeds and letter of indemnity have been issued as security for credit institutions with a nominal amount of	**18.371**	**18.373**
		The actual liability on the balance sheet date amounts to	**4.453**	**5.043**
0	**0**	Carrying amount of plegded properties	**16.007**	**15.978**
		Certain operating equipment have been financed by means of operationel leases.		
1.223	**1.346**	Total operationel lease obligation until contracts expire	**3.370**	**1.943**
		Leasehold liabilities	**6.924**	**4.384**

Group:

The Group companies has provided receivables from sales of goods and services, MEUR 69.4 and inventories MEUR 25.0, as security for debt to the Group's banks and credit institutions.

The Group companies are a party to litigation regarding alleged infringements of trademark and patent rights. 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.

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.

20. 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.

Parent Company:

In addition, there are also security for the debt to banks and credit institutions, pledged unlisted shares in certain companies with a total book value per. 31. December 2019 of MEUR 49.3.

	Group 2019	Group 2018
21. Working capital changes		
Change in inventories (- = increase)	-48.942	10.996
Change in receivables (- = increase)	-12.334	8.666
Change in trade payables etc. (- = decrease)	32.215	-19.238
Adjustment according to acquistion	3.711	0
	-25.350	**424**
22. Cash and cash equivalents		
Cash	89	23
Short-term bank debt	-123.294	-90.053
	-123.205	**-90.030**

Notes
(1.000 EUR)

23. Related parties with controlling interest
Related parties with controlling interest in Orifarm Group A/S:

- Habico A/S, Central Business Registration No 75 12 85 17, Odense, Parent company
- Hans Carl Bøgh-Sørensen, Odense, ultimate beneficial owner

Other related parties Orifarm Group A/S has had transactions with in 2019:

The companies Board of Directors and Executive Board.

Fees etc. are separately disclosed in note 2, Staff costs.

All other transactions with related parties are eliminated in the overlying consolidated statements.

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

24. 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:
Habico A/S, Energivej 15, 5260 Odense S.

25. Consolidation

Name and registered office of the Parent preparing consolidated financial statement for the ultimative group:
HBS Capital Aps, Platanvej 5, 5230 Odense M, Denmark (Central Business Registration No 40 00 08 80).

Name and registered office of the Parent preparing consolidated financial statement for the closest group:
Habico A/S, Energivej 15, 5260 Odense S, Denmark (Central Business Registration No 75 12 85 17).

	Group	
	2019	**2018**
26. Fees to auditors appointed at the Company's general meeting		
Fees are recognized under Other external expenses with:		
Fees for statutory audit	188	203
Fees for assurance engagements	10	12
Fees for tax advice	238	328
Fees for other services	293	86
	729	**629**

27. Exchange rate risk and financial instruments

As part of the hedge of recognized and unrecognized transactions, the Group uses hedging instruments in the form of forward exchange contracts. Hedge of recognized transactions primarily comprise receivables and payables. As at 31.12.2019 unrealized net losses on derivative financial instruments for currency hedging on Group level in total amounts TEUR 403. The amount is in the balance sheet included under other debt.

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

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 Group A/S (parent company) and companies (group enterprises) controlled by the parent, see the group overview page 8. 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. Companies in which the Group directly or indirectly owns between 20% and 50% of the voting rights and exercises significant influence, but no controlling influence, are considered as associated companies. See the group overview page 8.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements for Orifarm Group A/S and it's subsidiaries. The consolidated financial statements are prepared by ag-gregation 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%. Minority interests' proportionate share of net profit and net assets are presented as separate items in the income statement and balance sheet.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up entities are recognised in the consolidated income statement up to the time of their divestment or windingup.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities acquired are recognised under intangible assets, and they are amortised systematically in the income statement based on an individual assessment of their useful lives, however, no more than 40 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet as a separate item under deferred income, and they are recognised in the income statement as such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated expenses for divestment or winding-up.

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 of the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of he hedged asset or the hedged liability.

Accounting policies

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.

For derivative financial instruments that do not qualify as hedging instruments, changes in fair market value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign group enterprises or associates are classified directly as equity.

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.

Staff costs

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

Income from investments in Group entities and associated entities

Income from investments in group entities and associated 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 recog-nised 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. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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.

Accounting policies

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 all Danish subsidiaries and parent companies. 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 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 amortization period of goodwill is 10-40 years.

The determination of the lifetime is decided based on an evaulation 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.

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.

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

Accounting policies

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,ressources and a potential future market kan 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 aministrations 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.

Other intangible assets

Cost of development and implementation of major IT systems as well as other intangible assets is measured at cost with deduction of accumulated amortisation and impairment losses. The period of amortisation is usually 3-7 years.

When other intangible assets are subject to impairment, other intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, Leasehold improvements and Plant and equipment

Properties, leasehold improvements and operating 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. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Property:	10-50 years
Leasehold improvements:	5-10 years
Operating equipment:	3-10 years

Estimated useful lives and residual values are reassessed annually.

When property, plant and equipment are subject to impariment, 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.

Investments in group entities and associated entities

Investments in group entities and associated 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 and associated 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.

Accounting policies

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

The purchase method is applied in the acquisition of investments in group and associated entities; see above description under consolidated financial statements.

Details on investments which can harm the business has not been shown in accordance to section 97a(4) of the Danish Financial Statement Act

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, consu-mables 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 write-downs 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.

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.

Operating lease commitments
Lease payments on operating leases are recognised on an ongoing basis in the income statement over the term of the lease.

Accounting policies

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as acquisition, development, im-provement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Parent's share capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

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