Orifarm Group A/S

Energivej 15
5260 Odense S
CVR No. 27347282

Annual report 2021

The Annual General Meeting adopted the annual report on 24.06.2022

Kim Jensen
Chairman of the General Meeting

Contents

Entity details

Entity

Orifarm Group A/S
Energivej 15
5260 Odense S

Business Registration No.: 27347282
Registered office: Odense
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Hans Bøgh-Sørensen, Chairman
Ole Michael Friis, Vice Chairman
Heidi Wase Skovhus
Anders Hagh
Claudio Albrecht
Jeffrey Martin Rope
Bettina Britt Juel Hansen, Employee Elected Representative
Gitte Alhed Poulsen, Employee Elected Representative
Jeanette Jæger Wallentin, Employee Elected Representative

Executive Board

Erik Sandberg, Chief Executive Officer
Jacob Lucassen, Chief Financial Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen 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 Group A/S for the financial year 01.01.2021 - 31.12.2021.

The annual report is presented 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 8 April 2022

Executive Board

Erik Sandberg
Chief Executive Officer

Jacob Lucassen
Chief Financial Officer

Board of Directors

Hans Bøgh-Sørensen
Chairman

Ole Michael Friis
Vice Chairman

Heidi Wase Skovhus

Anders Hagh

Claudio Albrecht

Jeffrey Martin Rope

Bettina Britt Juel Hansen
Employee Elected Representative

Gitte Alhed Poulsen
Employee Elected Representative

Jeanette Jæger Wallentin
Employee Elected Representative

Independent auditor's report

To the shareholder 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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

Auditor's responsibilities for the audit of the 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

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.

Copenhagen, 8 April 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification No (MNE) mne33276

Jens Serup
State Authorised Public Accountant
Identification No (MNE) mne45825

Management commentary

Financial highlights

	2021 EUR mio	2020 EUR mio	2019 EUR mio	2018 EUR mio	2017 EUR mio
Key figures					
Revenue	1,417.1	1,115.5	981.6	832.9	796.9
Gross profit/loss	183.6	120.4	116.5	96.7	85.3
Non-recurring costs	(24.6)	(14.2)	(0.7)	(1.1)	0
Operating profit/loss	55.5	39.9	47.4	38.1	33.8
Net financials	(18.2)	(2.7)	(2.0)	(3.2)	(5.1)
Profit/loss for the year	28.7	25.5	34.7	26.5	21.9
Balance sheet total	1,120.1	494.0	423.8	344.3	360.6
Inventories	259.7	210.6	189.4	140.4	151.4
Investments in property, plant and equipment	78.5	19.6	7.9	4.2	4.1
Trade receivables	193.7	134.8	113.2	101.4	111.7
Equity	169.5	149.0	167.9	136.0	117.0
Equity excl. minority interests	169.5	149.0	167.9	130.6	117.0
Cash flows from operating activities	39.5	4.3	15.1	36.1	25.5
Cash flows from investing activities	(498.7)	(30.5)	(35.4)	(10.9)	(8.7)
Cash flows from financing activities	462.0	26.1	17.0	(20.6)	(17.7)
Ratios					
Gross margin (%)	13.0	10.8	11.9	11.6	10.7
Operating margin (%)	3.9	3.6	4.8	4.5	4.2
Return on equity (%)	18.0	16.1	22.8	20.9	20.3
Equity ratio (%)	15.1	30.2	39.6	39.5	32.4

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Operating margin (%):
Operating profit/loss* 100
Revenue

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

Orifarm Group is an ambitious operator in the European market for pharmaceuticals, and our ambition is to make affordable healthcare available. In other words: We offer consumers and societies more healthcare for their money.

Orifarm Group consists of two main business areas: Orifarm Health Access (former Orifarm Trade) and Orifarm Healthcare.

Orifarm Health Access

Pharmaceuticals are imported from EU/EEA Member States where original pharmaceutical producers sell their preparations at lower prices than in e.g. the Nordic countries or Germany. This makes it possible to offer original pharmaceuticals at a lower price in other EU countries.

Orifarm Healthcare

As per 31 March 2021, Orifarm acquired a product portfolio from Takeda. The acquisition significantly increased the activity level and geographical footprint of Orifarm Healthcare.

Orifarm Healthcare´s product portfolio now includes both original and well-known brands as well as generic pharmaceuticals.

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.

Development in activities and finances

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 excluding non-recurring items

These new levels have been reached despite sourcing/supply chain constraints and increased price competition throughout 2021. Especially under these circumstances, management is very pleased with the result being the sixth consecutive year where both top-line and profit grew through a dedicated focus on new market entries, organic growth in mature markets, growth through the Takeda acquisition, and optimization of internal processes and procedures in both Health Access and Healthcare.

The operating profit includes non-recurring cost of MEUR 24.6 driven by acquisition and integration costs related thereto.

Particular risks

Operating conditions

To a significant extent, consolidated earnings depend on legislative measures that affect the pricing of pharmaceuticals in both the purchase and the sales countries. Earnings are also affected by measures in the sales countries which are intended to limit the consumption of pharmaceuticals.

For the business area Orifarm Health Access, it is Orifarm Group 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 Healthcare, Orifarm Group policy states that infringing patent rights should be avoided. However, patent holders have a commercial interest in defending market monopolies and manufactures of generic products have an interest in challenging the market at patent expiry. This makes disputes and litigation difficult to avoid. Orifarm Group is from time to time involved in pending legal proceedings. The outcome of these may affect Orifarm Group's earnings. Following the acquisition of certain assets from Takeda, including a portfolio of patents and trademarks, Orifarm shall take the necessary measures to protect these from 3rd party infringements.

Financial matters

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

A 1 percentage point change in the interest rate level affects the Group's earnings net by approx. MEUR 6.3.

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

Profit/loss for the year in relation to expected developments

Orifarm Group's revenue for 2021 is better than expected and announced in the Annual Report for 2020, while the operating profit (excluding non-recurring items) is lower than expected mainly due to sourcing/supply chain constraints and price competition.

Outlook

For 2022, Orifarm Group expects revenue growth in the range of 5-10% and an operating profit growth in the range of 10-20%, primarily due to full year effect of the acquired product portfolio from Takeda. COVID-19 has not significantly impacted the earnings in 2021. When setting the expectations for activity and earnings for 2022, collected knowledge and experience since March 2020 and until now have been considered.

Research and development activities

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

Statutory report on corporate social responsibility

Business Model

Orifarm Group A/S is an ambitious operator in the European market for pharmaceuticals, where the ambition is to supply high quality pharmaceuticals at a lower price. Orifarm Group A/S consists of two main business areas: Orifarm Health Access and Orifarm Healthcare. For a more detailed description of the business model of Orifarm Group A/S please refer to www.orifarm.com/CSR2021.

CSR Policies

Orifarm Group A/S supports the 10 principles of the UN Global Compact. In 2018, Orifarm Group A/S joined the UN Global Compact, and has incorporated the principles into the strategies, policies, and procedures, covering human rights, environment and climate protection, social and employee matters, and anti-corruption. The CSR Report of Orifarm Group A/S outlining the policies, activities and results for 2021 can be found at www.orifarm.com/CSR2021.

CSR risk evaluation and mitigation

The principal CSR risks in the Group in terms of human rights, environment and climate protection, social and employee matters, and anti-corruption are related to the activities in Orifarm Group A/S. The risk evaluation and mitigation procedures are described in the Orifarm CSR Report presented at www.orifarm.com/CSR2021.

Statutory report on the underrepresented gender

Orifarm Group has decided to publish diversity statements through our CSR reporting. Our CSR reports are available at www.orifarm.com/CSR2021.

Statutory report on data ethics policy

Orifarm Group has decided to publish its policy on data ethics through our CSR reporting. Our CSR reports are available at www.orifarm.com/CSR2021.

Events after the balance sheet date

From the reporting date until today, no events have occurred which could change the assessments made in the Annual Report. At the current stage in time, the conflict in Ukraine is not expected to have any significant effect on the Group results.

Consolidated income statement for 2021

	Notes	2021 EUR'000	2020 EUR'000
Revenue	2	1,417,121	1,115,487
Other operating income		8,077	350
Cost of sales		(1,146,239)	(946,396)
Other external expenses	3	(95,356)	(49,011)
Gross profit/loss		**183,603**	**120,430**
Staff costs	4	(91,546)	(67,971)
Depreciation, amortisation and impairment losses	5	(36,515)	(12,555)
Operating profit/loss		**55,542**	**39,904**
Income from investments in associates		229	236
Other financial income		7,173	6,190
Other financial expenses	6	(25,399)	(9,136)
Profit/loss before tax		**37,545**	**37,194**
Tax on profit/loss for the year	7	(8,855)	(11,676)
Profit/loss for the year	8	**28,690**	**25,518**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 EUR'000	2020 EUR'000
Completed development projects	10	19,172	5,566
Acquired intangible assets		3,215	4,735
Acquired rights		429,778	13,429
Goodwill		83,965	55,577
Development projects in progress	10	5,199	9,054
Intangible assets	9	**541,329**	**88,361**
Land and buildings		59,348	29,739
Plant and machinery		49,256	11,486
Leasehold improvements		1,153	0
Property, plant and equipment	11	**109,757**	**41,225**
Investments in associates		1,024	1,778
Receivables from associates		0	0
Financial assets	12	**1,024**	**1,778**
Fixed assets		**652,110**	**131,364**
Raw materials and consumables		115,799	123,437
Manufactured goods and goods for resale		141,174	83,966
Prepayments for goods		2,683	3,158
Inventories		**259,656**	**210,561**
Trade receivables		193,730	134,750
Deferred tax	13	1,435	1,506
Other receivables		5,777	2,772
Tax receivable		228	6,514
Prepayments	14	4,421	6,500
Receivables		**205,591**	**152,042**

Cash	**2,787**	**23**
Current assets	**468,034**	**362,626**
Assets	**1,120,144**	**493,990**

Equity and liabilities

	Notes	2021 EUR'000	2020 EUR'000
Contributed capital	15	282	282
Reserve for fair value adjustments of hedging instruments		0	606
Retained earnings		164,245	143,075
Proposed dividend for the financial year		5,000	5,000
Equity		**169,527**	**148,963**
Deferred tax	13	53,151	9,003
Other provisions	16	15,000	0
Provisions		**68,151**	**9,003**
Mortgage debt		13,023	10,437
Bank loans		550,240	22,974
Other payables		65,002	3,346
Non-current liabilities other than provisions	17	**628,265**	**36,757**
Current portion of non-current liabilities other than provisions	17	7,680	664
Bank loans		57,474	185,323
Trade payables		116,398	42,906
Payables to group enterprises		1,141	92
Tax payable		886	6,486
Other payables		70,622	63,796
Current liabilities other than provisions		**254,201**	**299,267**
Liabilities other than provisions		**882,466**	**336,024**
Equity and liabilities		**1,120,144**	**493,990**

Uncertainty relating to recognition and measurement	1
Financial instruments	19
Unrecognised rental and lease commitments	20
Contingent liabilities	21
Assets charged and collateral	22
Transactions with related parties	23
Group relations	24
Subsidiaries	25

Consolidated statement of changes in equity for 2021

	Contributed capital EUR'000	Reserve for fair value adjustments of hedging instruments EUR'000	Retained earnings EUR'000	Proposed dividend for the financial year EUR'000	Total EUR'000
Equity beginning of year	282	606	143,075	5,000	148,963
Ordinary dividend paid	0	0	0	(5,000)	(5,000)
Extraordinary dividend paid	0	0	(5,000)	0	(5,000)
Exchange rate adjustments	0	0	1,653	0	1,653
Other entries on equity	0	0	221	0	221
Dissolution of reserves	0	(606)	606	0	0
Profit/loss for the year	0	0	23,690	5,000	28,690
Equity end of year	**282**	**0**	**164,245**	**5,000**	**169,527**

Consolidated cash flow statement for 2021

	Notes	2021 EUR'000	2020 EUR'000
Operating profit/loss		55,542	39,904
Amortisation, depreciation and impairment losses		36,515	12,555
Working capital changes	18	(27,633)	(36,352)
Exchange rate and hedging adjustments on equity		1,871	607
Cash flow from ordinary operating activities		**66,295**	**16,714**
Financial income received		7,173	6,190
Financial expenses paid		(25,399)	(9,136)
Taxes refunded/(paid)		(8,573)	(9,428)
Cash flows from operating activities		**39,496**	**4,340**
Acquisition etc. of intangible assets		(16,782)	(15,895)
Acquisition etc. of property, plant and equipment		(19,432)	(19,577)
Sale of property, plant and equipment		2,841	4,414
Acquisition of enterprises		(465,367)	0
Change in deposits, fixed asset investments		0	550
Cash flows from investing activities		**(498,740)**	**(30,508)**
Free cash flows generated from operations and investments before financing		**(459,244)**	**(26,168)**
Repayments of loans etc.		(127,849)	0
Dividend paid		(10,000)	(54,000)
Cash capital increase		0	7,821
Dividend received from associates		1,332	1,205
Proceeds of loans etc.		598,525	71,076
Cash flows from financing activities		**462,008**	**26,102**

Increase/decrease in cash and cash equivalents	**2,764**	**(66)**
Cash and cash equivalents beginning of year	23	89
Cash and cash equivalents end of year	**2,787**	**23**
Cash and cash equivalents at year-end are composed of:		
Cash	2,787	23
Cash and cash equivalents end of year	**2,787**	**23**

Notes to consolidated financial statements

1 Uncertainty relating to recognition and measurement

Due to the nature of the operations, estimates related to measurement of useful lives of intangible assets are subject to some degree of uncertainty as estimates have to be made many years into the future.

2 Revenue

	2021 EUR'000	2020 EUR'000
Health access	1,150,420	1,015,165
Healthcare	265,361	99,856
Other revenue	1,340	466
Total revenue by activity	**1,417,121**	**1,115,487**

No geographical segment information is specified in the annual report. The information has been omitted, as the information may give rise to significant damage to the company, cf. Section 96 (1) of the Danish Financial Statements Act.

3 Fees to the auditor appointed by the Annual General Meeting

	2021 EUR'000	2020 EUR'000
Statutory audit services	361	195
Other assurance engagements	3	21
Tax services	682	460
Other services	678	811
	1,724	**1,487**

4 Staff costs

	2021 EUR'000	2020 EUR'000
Wages and salaries	75,629	55,580
Pension costs	6,410	4,760
Other social security costs	9,507	7,631
	91,546	**67,971**

Average number of full-time employees	**1,955**	**1,177**

	Remuneration of management 2021 EUR'000	Remuneration of management 2020 EUR'000
Executive Board	1,898	2,517
Board of Directors	153	125
	2,051	**2,642**

Special incentive programmes
In addition, Group Executive Board participates in a Long Term Incentive Plan with share options (warrants) awarded in 2020. The warrants entitle the Group Executive Board to subscribe for shares for a total nominal value of EUR 25.8 thousand and should be exercised in 2025. The exercise price is in the range of EUR 106-187 thousand.

5 Depreciation, amortisation and impairment losses

	2021 EUR'000	2020 EUR'000
Amortisation of intangible assets	26,898	9,757
Depreciation on property, plant and equipment	7,248	2,798
Impairment losses on property, plant and equipment	1,184	0
Profit/loss from sale of intangible assets and property, plant and equipment	1,185	0
	36,515	**12,555**

6 Other financial expenses

	2021 EUR'000	2020 EUR'000
Financial expenses from group enterprises	0	188
Other financial expenses	25,399	8,948
	25,399	**9,136**

7 Tax on profit/loss for the year

	2021 EUR'000	2020 EUR'000
Current tax	6,368	8,526
Change in deferred tax	3,377	2,505
Adjustment concerning previous years	(890)	645
	8,855	**11,676**

8 Proposed distribution of profit/loss

	2021 EUR'000	2020 EUR'000
Ordinary dividend for the financial year	5,000	5,000
Extraordinary dividend distributed in the financial year	5,000	0
Retained earnings	18,690	20,518
	28,690	**25,518**

9 Intangible assets

	Completed development projects EUR'000	Acquired intangible assets EUR'000	Acquired rights EUR'000	Goodwill EUR'000	Development projects in progress EUR'000
Cost beginning of year	10,822	18,609	44,076	73,180	9,054
Addition through business combinations etc	0	0	433,736	31,249	0
Exchange rate adjustments	0	8	215	105	3
Transfers	16,471	(465)	0	0	(16,006)
Additions	892	0	3,742	0	12,148
Disposals	(2,510)	(21)	(2,046)	0	0
Cost end of year	**25,675**	**18,131**	**479,723**	**104,534**	**5,199**
Amortisation and impairment losses beginning of year	(5,256)	(13,874)	(30,647)	(17,603)	0
Exchange rate adjustments	1	(4)	(45)	(18)	0
Transfers	(19)	19	0	0	0
Amortisation for the year	(2,681)	(1,078)	(20,191)	(2,948)	0
Reversal regarding disposals	1,452	21	938	0	0
Amortisation and impairment losses end of year	**(6,503)**	**(14,916)**	**(49,945)**	**(20,569)**	**0**
Carrying amount end of year	**19,172**	**3,215**	**429,778**	**83,965**	**5,199**

10 Development projects

Development projects consists of development of generic medicine and projects within software development.

Generic medicine:

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

The Group 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.

Projects within software development:
Projects within software development comprises mainly internally developed software for the purpose of supporting business operations.

Projects within software development are capitalised based on the costs incurred.

General:
Management assess the Group possess the resources and knowledge to complete and use the development projects.

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

11 Property, plant and equipment

	Land and buildings EUR'000	**Plant and machinery EUR'000**	**Leasehold improvements EUR'000**
Cost beginning of year	35,794	20,421	920
Addition through business combinations etc	20,167	37,519	1,414
Exchange rate adjustments	185	295	2
Additions	10,650	8,782	0
Disposals	(234)	(2,214)	(437)
Cost end of year	**66,562**	**64,803**	**1,899**
Depreciation and impairment losses beginning of year	(6,055)	(8,935)	(920)
Exchange rate adjustments	(83)	(107)	(2)
Impairment losses for the year	0	(1,184)	0
Depreciation for the year	(1,109)	(5,878)	(261)
Reversal regarding disposals	33	557	437
Depreciation and impairment losses end of year	**(7,214)**	**(15,547)**	**(746)**
Carrying amount end of year	**59,348**	**49,256**	**1,153**

12 Financial assets

	Investments in associates EUR'000	Receivables from associates EUR'000
Cost beginning of year	950	1,175
Additions	807	161
Disposals	0	(807)
Cost end of year	**1,757**	**529**
Revaluations beginning of year	828	0
Amortisation of goodwill	(43)	0
Share of profit/loss for the year	393	0
Adjustment of intra-group profits	228	0
Dividend	(1,332)	0
Impairment losses for the year	(807)	0
Revaluations end of year	**(733)**	**0**
Impairment losses beginning of year	0	(1,175)
Impairment losses for the year	0	646
Impairment losses end of year	**0**	**(529)**
Carrying amount end of year	**1,024**	**0**

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

Associates	**Registered in**	**Ownership %**
IQ Charter I A/S	Denmark	25.00

13 Deferred tax

	2021 EUR'000	2020 EUR'000
Intangible assets	(50,971)	(4,352)
Property, plant and equipment	(2,677)	(2,446)
Inventories	2,349	(264)
Provisions	(601)	0
Liabilities other than provisions	184	0
Tax losses carried forward	0	(435)
Deferred tax	**(51,716)**	**(7,497)**

Changes during the year	2021 EUR'000	2020 EUR'000
Beginning of year	(7,497)	(4,971)
Recognised in the income statement	(2,290)	(2,505)
Recognised directly in equity	(62)	(21)
Additions through business combinations etc.	(41,867)	0
End of year	**(51,716)**	**(7,497)**

Deferred tax has been recognised in the balance sheet as follows	2021 EUR'000	2020 EUR'000
Deferred tax assets	1,435	1,506
Deferred tax liabilities	(53,151)	(9,003)
	(51,716)	**(7,497)**

Deferred tax is tax losses recognised due its expected use within the Group, the rolling forecast confirms this expectation.

14 Prepayments

Consists of prepayments on costs concerning subsequent financial year, such as ensurance, rent etc.

15 Contributed capital

	Number	Par value EUR'000	Nominal value EUR'000
Share capital	2,100	0.134	282
	2,100		**282**

The shares have not been divided into classes.

In 2020, the Company issued a series of warrants, which in 2025 entitle the warrant holders to subscribe for shares in the Company at a total nominal value of EUR 25.8 thousand. The exercise price varies for the series and is within the range EUR 106-187 thousand.

16 Other provisions

Other provisions comprise anticipated costs related to earn-out payment.

17 Non-current liabilities other than provisions

	Due within 12 months 2021 EUR'000	Due within 12 months 2020 EUR'000	Due after more than 12 months 2021 EUR'000	Outstanding after 5 years 2021 EUR'000
Mortgage debt	0	596	13,023	12,122
Bank loans	7,680	0	550,240	0
Other payables	0	68	65,002	0
	7,680	**664**	**628,265**	**12,122**

18 Changes in working capital

	2021 EUR'000	2020 EUR'000
Increase/decrease in inventories	(49,095)	(21,210)
Increase/decrease in receivables	(59,906)	(26,131)
Increase/decrease in trade payables etc.	81,368	10,989
	(27,633)	**(36,352)**

19 Derivative financial instruments

As part of the Group's risk management, the Group uses hedging instruments in the form of forward exchange contracts. Hedge of recognized transactions primarily comprise receivables and payables. As of 31.12.2021, the Group has no derivative financial instruments.

20 Unrecognised rental and lease commitments

	2021 EUR'000	2020 EUR'000
Total liabilities under rental or lease agreements until maturity	**13,847**	**3,283**

21 Contingent liabilities

The Group companies are from time to time 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.

22 Assets charged and collateral

The Group companies has provided inventories EUR 25.0 million, as security for debt to the Group's banks and credit institutions. In addition, there is also security for the debt to banks and credit institutions, pledged unlisted shares in certain companies with a total book value per. 31. December 2021 of EUR 510.4 million.

Mortgage deeds and letter of indemnity have been issued as security for credit institutions with a nominal amount of EUR 38.1 million. The actual liability on the balance sheet date amounts to EUR 13,0 million and the carrying amount of plegded properties amounts to EUR 37.1 million.

23 Transactions with related parties

Related parties with controlling interest in Orifarm Group A/S:
- Habico A/S, Cetral Business Registration No 75 12 85 17, Odense, Parent company
- Hans Bøgh-Sørensen, Odense, ultimative beneficial owner

All transactions with related parties are carried out on arm's length.

24 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
HBS Capital ApS, Energivej 15, 5260 Odense S, Denmark (Central Business Registration No 41 00 08 80).

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
HBS Capital ApS, Energivej 15, 5260 Odense S, Denmark (Central Business Registration No 27 34 71 34).

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 Subsidiaries

	Registered in	Corporate form	Ownership %
Orifarm PI A/S	Denmark	A/S	100.00
Orifarm A/S	Denmark	A/S	100.00
Orifarm OY	Finland	OY	100.00
Orifarm AB	Sweden	AB	100.00
Orifarm AS	Norway	AS	100.00
Orifarm B.V.	Holland	B.V.	100.00
Orifarm Austria GmbH	Austria	GmbH	100.00
Orifarm UK Ltd.	United Kingdom	Ltd.	100.00
Orifarm Belgium BV	Belgium	BV	100.00
Aaragon Pharma GmbH	Germany	GmbH	100.00
Orifarm Supply Holding A/S	Denmark	A/S	100.00
Orifarm Supply A/S	Denmark	A/S	100.00
Orifarm Supply s.r.o.	Czech Republic	s.r.o.	100.00
+ Orifarm s.r.o	Czech Republic	s.r.o.	100.00
1 0 1 Carefarm s.r.o.	Czech Republic	s.r.o.	100.00
Aaragon Pharma s.r.o.	Czech Republic	s.r.o.	100.00
Balkan Holding d.o.o.	Croatia	d.o.o.	100.00
Zicoleaf Holding S.R.L.	Romania	S.R.L.	100.00
Orifarm GPC AG	Switzerland	AG	100.00
Orifarm Verwaltungsgesellschaft GmbH	Germany	GmbH	100.00
Orifarm Trading GmbH & Co. KG	Germany	GmbH	100.00
Orifarm GmbH	Germany	GmbH	100.00
1 0 1 Carefarm GmbH	Germany	GmbH	100.00
Orifarm Norway AS	Norway	AS	100.00
Orifarm Manufacturing Hobro A/S	Denmark	A/S	100.00
Orifarm Manufacturing Poland Sp. z.o.o.	Poland	Sp. z.o.o.	100.00
Orifarm Property A/S	Denmark	A/S	100.00

	Registered in	Corporate form	Ownership %
Pilatus Clinical Services Ltd.	United Kingdom	Ltd.	100.00
Pilatus Clinical Services Inc.	USA	Inc.	100.00
PCS GmbH	Germany	GmbH	100.00
Pilatus Pharma Ltd.	United Kingdom	Ltd.	100.00
Orifarm Generics Holding A/S	Denmark	A/S	100.00
Orifarm Generics A/S	Denmark	A/S	100.00
Orifarm Healthcare OY	Finland	OY	100.00
Orifarm Generics AB	Sweden	AB	100.00
Orifarm Healthcare AS	Norway	AS	100.00
Orifarm Healthcare GmbH	Austria	GmbH	100.00
Orifarm Healthcare BV	Belgium	BV	100.00
Orifarm Healthcare Sp. z.o.o.	Poland	Sp. z.o.o.	100.00
Orifarm Healthcare OÜ	Estonia	OÜ	100.00
Viminco A/S	Denmark	A/S	100.00

Parent income statement for 2021

	Notes	2021 EUR'000	2020 EUR'000
Revenue		1,361	8,627
Other operating income		20,177	10,990
Cost of sales		(1,358)	(10,953)
Other external expenses		(23,776)	(20,436)
Gross profit/loss		**(3,596)**	**(11,772)**
Staff costs	1	(18,554)	(12,450)
Depreciation, amortisation and impairment losses	2	(3,664)	(1,887)
Operating profit/loss		**(25,814)**	**(26,109)**
Income from investments in group enterprises		61,463	49,692
Income from investments in associates		(161)	(907)
Other financial income from group enterprises		3,921	0
Other financial income	3	201	3,268
Other financial expenses	4	(19,047)	(3,609)
Profit/loss before tax		**20,563**	**22,335**
Tax on profit/loss for the year	5	8,127	3,183
Profit/loss for the year	6	**28,690**	**25,518**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 EUR'000	2020 EUR'000
Completed development projects	8	15,750	0
Acquired intangible assets		2,566	4,646
Development projects in progress	8	0	5,396
Intangible assets	7	**18,316**	**10,042**
Other fixtures and fittings, tools and equipment		4,888	2,859
Property, plant and equipment	9	**4,888**	**2,859**
Investments in group enterprises		734,165	173,654
Receivables from group enterprises		19,650	19,724
Investments in associates		0	0
Receivables from associates		0	0
Financial assets	10	**753,815**	**193,378**
Fixed assets		**777,019**	**206,279**
Manufactured goods and goods for resale		8,235	8,122
Prepayments for goods		2,683	2,336
Inventories		**10,918**	**10,458**
Trade receivables		316	46
Receivables from group enterprises		54,280	127,575
Other receivables		635	803
Tax receivable		9,581	5,554
Prepayments	11	2,731	2,384
Receivables		**67,543**	**136,362**
Cash		**22**	**7**
Current assets		**78,483**	**146,827**
Assets		**855,502**	**353,106**

Equity and liabilities

	Notes	2021 EUR'000	2020 EUR'000
Contributed capital		282	282
Reserve for net revaluation according to equity method		142,437	88,017
Reserve for development costs		12,285	4,209
Retained earnings		9,523	51,455
Proposed dividend for the financial year		5,000	5,000
Equity		**169,527**	**148,963**
Deferred tax	12	4,387	2,601
Other provisions	13	6,020	0
Provisions		**10,407**	**2,601**
Bank loans		540,830	14,303
Other payables		26,085	653
Non-current liabilities other than provisions	14	**566,915**	**14,956**
Current portion of non-current liabilities other than provisions	14	3,612	13
Bank loans		68,735	164,438
Trade payables		14,264	2,957
Payables to group enterprises		14,063	12,276
Payables to associates		53	0
Other payables		7,926	6,902
Current liabilities other than provisions		**108,653**	**186,586**
Liabilities other than provisions		**675,568**	**201,542**
Equity and liabilities		**855,502**	**353,106**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		

Parent statement of changes in equity for 2021

	Contributed capital EUR'000	Reserve for net revaluation according to the equity method EUR'000	Reserve for development costs EUR'000	Retained earnings EUR'000	Proposed dividend for the year EUR'000
Equity beginning of year	282	88,017	4,209	51,455	5,000
Ordinary dividend paid	0	0	0	0	(5,000)
Extraordinary dividend paid	0	0	0	(5,000)	0
Exchange rate adjustments	0	1,697	0	(44)	0
Other entries on equity	0	221	0	0	0
Dividends from group enterprises	0	(5,110)	0	5,110	0
Transfer to reserves	0	0	8,076	(8,076)	0
Profit/loss for the year	0	57,612	0	(33,922)	5,000
Equity end of year	**282**	**142,437**	**12,285**	**9,523**	**5,000**

	Total EUR'000
Equity beginning of year	148,963
Ordinary dividend paid	(5,000)
Extraordinary dividend paid	(5,000)
Exchange rate adjustments	1,653
Other entries on equity	221
Dividends from group enterprises	0
Transfer to reserves	0
Profit/loss for the year	28,690
Equity end of year	**169,527**

Notes to parent financial statements

1 Staff costs

	2021 EUR'000	2020 EUR'000
Wages and salaries	16,629	10,830
Pension costs	1,891	1,470
Other social security costs	34	150
	18,554	**12,450**

Average number of full-time employees	**125**	**83**

	Remuneration of Manage-ment 2021 EUR'000	Remuneration of Manage-ment 2020 EUR'000
Executive Board	1,646	424
Board of Directors	145	117
	1,791	**541**

Staff costs has been increased by EUR 1,318 thousand and average number of full-time employees by 12 employees due to Orifarm Group A/S receiving shared services from FTE's employed in subsiduaries and to reflect the correct staff costs in the entities.

2 Depreciation, amortisation and impairment losses

	2021 EUR'000	2020 EUR'000
Amortisation of intangible assets	2,525	1,046
Depreciation on property, plant and equipment	1,139	841
	3,664	**1,887**

3 Other financial income

	2021 EUR'000	2020 EUR'000
Financial income from group enterprises	0	2,276
Other interest income	201	992
	201	**3,268**

4 Other financial expenses

	2021 EUR'000	2020 EUR'000
Financial expenses from group enterprises	1,386	890
Other interest expenses	17,661	2,719
	19,047	**3,609**

5 Tax on profit/loss for the year

	2021 EUR'000	2020 EUR'000
Current tax	(9,173)	(5,250)
Change in deferred tax	1,784	2,070
Adjustment concerning previous years	(738)	(3)
	(8,127)	**(3,183)**

6 Proposed distribution of profit and loss

	2021 EUR'000	2020 EUR'000
Ordinary dividend for the financial year	5,000	5,000
Extraordinary dividend distributed in the financial year	5,000	0
Retained earnings	18,690	20,518
	28,690	**25,518**

7 Intangible assets

	Completed development projects EUR'000	Acquired intangible assets EUR'000	Development projects in progress EUR'000
Cost beginning of year	0	18,049	5,396
Transfers	17,238	(3,410)	(15,097)
Additions	0	2,278	9,701
Cost end of year	**17,238**	**16,917**	**0**
Amortisation and impairment losses beginning of year	0	(13,403)	0
Transfers	(20)	109	0
Amortisation for the year	(1,468)	(1,057)	0
Amortisation and impairment losses end of year	**(1,488)**	**(14,351)**	**0**
Carrying amount end of year	**15,750**	**2,566**	**0**

8 Development projects
Development projects consists of development of projects within software development.

Projects within software development comprises mainly internally developed software for the purpose of supporting business operations.

Projects within software development are capitalised based on the costs incurred.

Management assess the Group possess the resources and knowledge to complete and use the development projects.

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

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment EUR'000
Cost beginning of year	7,018
Transfers	1,269
Additions	1,988
Cost end of year	**10,275**
Depreciation and impairment losses beginning of year	(4,159)
Transfers	(89)
Impairment losses for the year	(20)
Depreciation for the year	(1,119)
Depreciation and impairment losses end of year	**(5,387)**
Carrying amount end of year	**4,888**

10 Financial assets

	Investments in group enterprises EUR'000	Receivables from group enterprises EUR'000	Investments in associates EUR'000	Receivables from associates EUR'000
Cost beginning of year	85,637	19,720	469	1,175
Additions	502,238	0	805	161
Disposals	0	0	0	(805)
Cost end of year	**587,875**	**19,720**	**1,274**	**531**
Revaluations beginning of year	88,017	4	0	0
Exchange rate adjustments	1,697	(74)	0	0
Adjustments on equity	221	0	0	0
Amortisation of goodwill	(10,287)	0	0	0
Share of profit/loss for the year	71,872	0	0	0
Adjustment of intra-group profits	(122)	0	0	0
Dividend	(5,110)	0	0	0
Revaluations end of year	**146,288**	**(70)**	**0**	**0**
Impairment losses beginning of year	0	0	(469)	(1,175)
Impairment losses for the year	0	0	(805)	(161)
Reversal regarding disposals	0	0	0	805
Impairment losses end of year	**0**	**0**	**(1,274)**	**(531)**
Carrying amount end of year	**734,163**	**19,650**	**0**	**0**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11 Prepayments

Consists of prepayments on costs concerning subsequent financial year.

12 Deferred tax

	2021 EUR'000	2020 EUR'000
Intangible assets	4,029	2,209
Property, plant and equipment	(59)	(105)
Provisions	601	497
Liabilities other than provisions	(184)	0
Deferred tax	**4,387**	**2,601**

Changes during the year	2021 EUR'000	2020 EUR'000
Beginning of year	2,601	531
Recognised in the income statement	1,784	2,070
Exchange rate adjustments	2	0
End of year	**4,387**	**2,601**

13 Other provisions

Other provisions comprise anticipated costs related to earn-out payment.

14 Non-current liabilities other than provisions

	Due within 12 months 2021 EUR'000	Due within 12 months 2020 EUR'000	Due after more than 12 months 2021 EUR'000
Bank loans	3,612	0	540,830
Other payables	0	13	26,085
	3,612	**13**	**566,915**

15 Unrecognised rental and lease commitments

	2021 EUR'000	2020 EUR'000
Total liabilities under rental or lease agreements until maturity	**2,155**	**2,113**

16 Contingent liabilities

The Entity and the Danish group companies participates in a Danish joint taxation arrangement in which HBS Capital ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

17 Assets charged and collateral

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 amounts to EUR 620.1 million at 31 December 2021.

18 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 Bøgh-Sørensen, Odense, ultimate beneficial owner

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

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year. The annual report is presented in EUR.

Reclassifications of items of the income statements and balance sheet have been made in the comparison year which have not affected profit.

The gross profit/loss key figure is corrected in the comparison figures due to other external expenses has been included in the gross profit/loss key figure.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation

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 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%. Minority interests' proportionate share of net profit and net assets are presented as separate items in the income statement and balance sheet.

Business combinations

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

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. 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.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in the reserve for fair value adjustments of hedging instruments in 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 external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

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

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

Other financial income from group enterprises
Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

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

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

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.

Development project
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.

Acquired rights
Acquired rights comprise files and application fees, intellectual property rights etc.

Acquired rights are measured at cost less accumulated amortisation. Acquired rights are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement. The amortisation period is 5-30 years.

Acquired rights are written down to the lower of recoverable amount and carrying amount.

Acquired intangible assets
Acguired intangible assets comprise of IT systems and other intangible assets etc.

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

Property, plant and equipment
Land and buildings, plant and machinery, and 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.

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:

Buildings	10-50 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 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.

Investments in group enterprises
Investments in group enterprises are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' 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 enterprises' 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 enterprises and associated enterprises with negative equity are measured at zero value, and any receivables from these enterprises 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 enterprise.

Net revaluation of investments in group and associated enterprises 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 enterprises; see above description under consolidated financial statements.

Investments in associates
Investments in associated enterprises are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' 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 enterprises' 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 enterprises and associated enterprises with negative equity are measured at zero value, and any receivables from these enterprises 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 enterprise.

Net revaluation of investments in group and associated enterprises 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 enterprises; 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

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.
Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on machinery, factory buildings and equipment used in the manufacturing process, and 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.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset. Deferred tax 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.

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

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions
Other provisions comprise anticipated costs of related to earn-out payment of acqusitions of investments and activity.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable 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.

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

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

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, improvement 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.