Orifarm Group A/S

Energivej 15
5260 Odense S

Central Business Registration no. 27 34 72 82

Annual report 2020

The Annual General Meeting adopted the annual report on / 2021

Chairman of the General Meeting:

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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
Hans Carl Bøgh-Sørensen, Chairman
Ole Michael Friis, Vice Chairman
Anders Hagh
Claudio Albrecht
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, Executive Vice President and Chief Financial Officer

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of their financial performance and cash flow´s for the financial year 01.01.2020 - 31.12.2020.

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, 18 March 2021

Executive Board

Erik Sandberg Chief Executive Officer	Jacob Lucassen Executive Vice President and Chief Financial Officer

Board of Directors

Hans Carl Bøgh-Sørensen Chairman	Ole Michael Friis Vice Chairman	Anders Hagh
Claudio Albrecht		
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 01.01.2020 - 31.12.2020, 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 31.12.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 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.

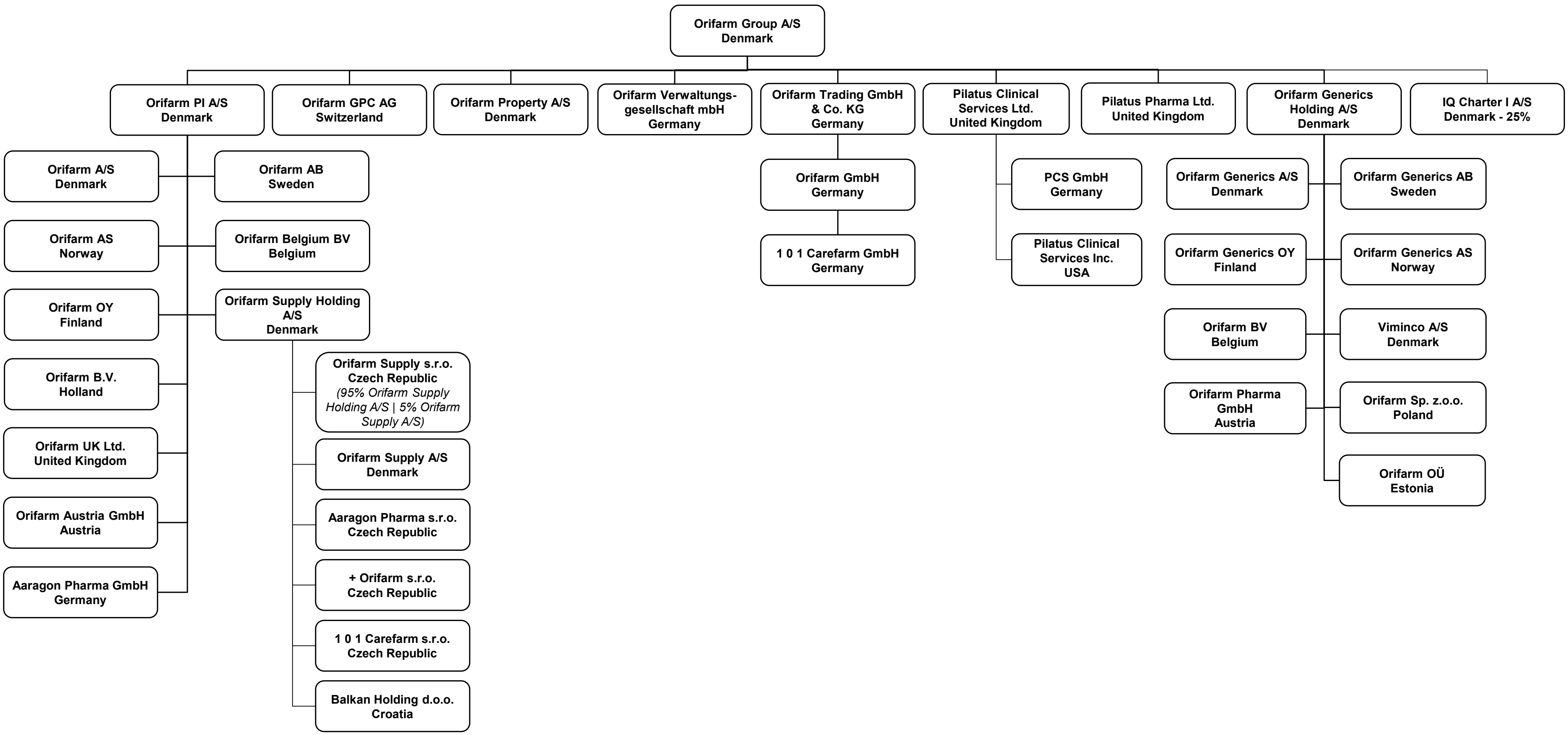
Odense, 18 March 2021

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)	**2020**	**2019**	**2018**	**2017**	**2016**
Key figures					
Revenue	1.115,5	981,6	832,9	796,9	725,8
Gross profit	169,4	150,7	131,0	120,4	108,7
Non-recurring costs	-14,2	-0,7	-1,1	0,0	-7,7
Operating profit	39,9	47,4	38,1	33,8	24,5
Net financials	-2,7	-2,0	-3,2	-5,1	-8,1
Profit for the year	25,5	34,7	26,5	21,9	10,2
Investments in Tangible fixed assets	19,6	7,9	4,2	4,1	3,0
Inventories	210,6	189,4	140,4	151,4	148,6
Trade receivables	134,8	113,2	101,4	111,7	95,4
Equity	149,0	167,9	136,0	117,0	98,5
Balance sheet total	494,0	423,8	344,3	360,6	347,2
Cash flows from operating activities	4,3	15,1	36,1	25,5	-14,3
Cash flows from investing activities	-30,5	-35,4	-10,9	-8,7	-7,8
Ratios					
Gross margin (%)	15,2	15,4	15,7	15,1	15,0
Operating margin (%)	3,6	4,8	4,6	4,2	3,4
Equity ratio (%)	30,2	39,6	39,5	32,4	28,4
Return on equity (%)	16,1	22,8	20,9	20,3	10,8

Management´s Commentary

Company Presentation

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 Parallel Import and Orifarm Generics.

Orifarm Parallel Import
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 Generics
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 2020

Orifarm Group's result for 2020 is better than expected and announced in the Annual Report for 2019**.**

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.

Management is very pleased with the result being the fifth consecutive year where both top-line and profit grew through a dedicated focus on new market entries, organic growth in mature markets, and optimization of internal processes and procedures in both Parallel Import and Generics.

The operating profit includes non-recurring cost of MEUR 14.2 driven by acquisitions and integration costs related thereto.

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 Orifarm 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.

Management´s Commentary

For the business area Orifarm Generics, 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.

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 1.8.

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.

Corporate Social Responsibility

In 2018, Orifarm Group joined UN Global Compact committing to 10 principles within human rights, labor rights, environment and anti-corruption. Our Communication on Progress Report is available at https://www.orifarm.com/responsibility/

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/

Development Activities

Orifarm Group’s two main business areas have 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.

In April 2020, Orifarm Group agreed to purchase a portfolio of select over-the-counter (OTC) and prescription pharmaceutical products sold in Europe from Takeda Pharmaceutical Company Limited (“Takeda”) for a purchase price of up to MEUR 615. Orifarm has acquired the rights for approximately 110 pharmaceuticals as well as 2 production sites.

The transaction is expected to close by the end of Takeda’s Fiscal Year 2020 (ending March 2021) subject to the satisfaction of customary closing conditions, receipt of required regulatory clearances, and, where applicable, compliance with local works council requirements.

Management´s Commentary

Outlook

For 2021, assuming acceptance of the Takeda acquisition from the Danish Competition and Consumer Authority during March 2021, Orifarm Group expects revenue growth in the range of 10-15% and an operating profit growth in the range of 60-70%.

COVID-19 has not significantly impacted the earnings in 2020. When setting the expectations for activity and earnings for 2021, collected knowledge and experience since March 2020 and until now has been considered.

Income statement for 2020

(1.000 EUR)

Parent				Group	
2019	**2020**		**Note**	**2020**	**2019**
13.878	8.627	Revenue	1	1.115.487	981.554
401	10.990	Other operating income		350	755
-388	-10.953	Cost of sales		-946.396	-831.582
13.891	**8.664**	**Gross profit**		**169.441**	**150.727**
-6.218	-20.436	Other external expenses	2	-49.011	-32.736
-10.576	-12.450	Staff costs	3	-67.971	-59.073
-1.788	-1.887	Depreciation, amortisation and impairment losses	4	-12.555	-11.509
-4.691	**-26.109**	**Operating profit**		**39.904**	**47.409**
39.403	49.692	Income from investments in group enterprises	5		
-469	-907	Income from investments in associates	6	236	755
1.582	3.268	Other financial income	7	6.190	4.541
-1.707	-3.609	Other financial expenses	8	-9.136	-7.300
34.118	**22.335**	**Profit before tax**		**37.194**	**45.405**
619	3.183	Tax on profit for the year	9	-11.676	-10.668
34.737	**25.518**	**Profit for the year**	10	**25.518**	**34.737**

Balance sheet at 31.12.2020

(1.000 EUR)

Parent				Group	
2019	**2020**		**Note**	**2020**	**2019**
0	0	Development projects completed		5.566	3.871
0	0	Acquired licenses		13.429	13.177
2.951	4.646	Acquired intangible assets		4.735	3.011
0	0	Goodwill		55.577	57.195
0	5.396	Development projects in progress		9.054	5.055
2.951	**10.042**	**Intangible assets**	11	**88.361**	**82.309**
0	0	Land and buildings		29.739	20.223
0	0	Leasehold improvements		0	0
1.501	2.859	Plant and machinery		11.486	8.525
1.501	**2.859**	**Property plant and equipment**	12	**41.225**	**28.748**
150.181	173.654	Investments in group enterprises	13		
19.644	19.724	Receivables from group enterprises	13		
0	0	Investments in associates	14	1.778	1.833
549	0	Receivables from associates	14	0	549
170.374	**193.378**	**Fixed asset investments**		**1.778**	**2.382**
174.826	**206.279**	**Fixed assets**		**131.364**	**113.439**
17.480	**10.458**	**Inventories**	15	**210.561**	**189.351**
16	46	Trade Receivables		134.750	113.210
77.659	127.575	Receivables from group enterprises		0	0
0	0	Deferred tax	16	1.506	1.615
427	803	Other receivables		2.772	3.233
969	5.554	Tax receivable		6.514	1.428
733	2.384	Prepayments	17	6.500	1.448
79.804	**136.362**	**Receivables**		**152.042**	**120.934**
7	**7**	**Cash**		**23**	**89**
97.291	**146.827**	**Current assets**		**362.626**	**310.374**
272.117	**353.106**	**Assets**		**493.990**	**423.813**

Balance sheet at 31.12.2020

(1.000 EUR)

Parent				Group	
2019	2020		Note	2020	2019
281	282	Contributed capital	18	282	281
		Reserve for fair value adjustments		606	0
0	4.209	Reserve for development costs			
64.544	88.017	Reserve for net revaluation according to equity method			
49.105	51.455	Retained earnings		143.075	113.649
54.000	5.000	Dividend		5.000	54.000
167.930	**148.963**	**Equity**		**148.963**	**167.930**
531	2.601	Deferred tax	17	9.003	6.586
531	**2.601**	**Provisions**		**9.003**	**6.586**
0	0	Mortgage debt		10.437	3.929
14.439	14.303	Bank debt		22.974	22.881
191	653	Other debt		3.346	1.019
14.630	**14.956**	**Non-current liabilities other than provisions**	19	**36.757**	**27.829**
4	13	Current portion of non-current liabilities other than provisions	19	664	545
65.648	164.438	Bank loans		185.323	123.294
349	2.957	Trade payables		42.906	39.386
15.943	12.276	Payables to group enterprises		92	0
0	0	Tax payable		6.486	1.825
7.082	6.902	Other payables		63.796	56.418
89.026	**186.586**	**Current liabilities other than provisions**		**299.267**	**221.468**
103.656	**201.542**	**Liabilities other than provisions**		**336.024**	**249.297**
272.117	**353.106**	**Equity and liabilities**		**493.990**	**423.813**
		Assets charged and collateral	20		
		Other Notes	21-29		

Statement of changes in equity of 2020
(1.000 EUR)

Group

	Contributed capital	Reserve for fair value adjustments	Retained earnings	Proposed dividend	Total
Equity at 01.01.2020	281	0	113.649	54.000	167.930
Adjustment of hedging instruments	0	95	0	0	95
Exchange rate adjustments	1	511	0	0	512
Other entries on equity	0	0	1.087	0	1.087
Capital increase	0	0	7.821	0	7.821
Distributed dividend in the year	0	0	0	-54.000	-54.000
Profit for the year	0	0	20.518	5.000	25.518
Equity at 31.12.2020	**282**	**606**	**143.075**	**5.000**	**148.963**

Parent

	Contributed capital	Reserve for development costs	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend	Total
Equity at 01.01.2020	281	0	64.544	49.105	54.000	167.930
Adjustment of hedging instruments	0	0	95	0	0	95
Exchange rate adjustments	1	0	570	-59	0	512
Other entries on equity	0	0	0	1.087	0	1.087
Capital increase	0	0	0	7.821	0	7.821
Distributed dividend in the year	0	0	0	0	-54.000	-54.000
Profit for the year	0	4.209	22.808	-6.499	5.000	25.518
Equity at 31.12.2020	**282**	**4.209**	**88.017**	**51.455**	**5.000**	**148.963**

Cash flow statement for 2020

(1.000 EUR)

		Group	
	Note	2020	2019
Operating profit		39.904	47.409
Depreciation, amortisation and impairment losses		12.555	11.509
Exchange rate and hedging adjustments on equity		607	-83
Working capital changes	22	-36.352	-25.350
		16.714	**33.485**
Other financials, net		-2.946	-2.759
Income taxes paid		-9.428	-15.594
Cash flows from operating activities		**4.340**	**15.132**
Acquisition of intangible assets, property, plant and equipment		-35.472	-37.890
Sale of property, plant and equipment		4.414	2.698
Change in deposits, fixed asset investments		550	-256
Cash flows from investing activities		**-30.508**	**-35.448**
Cash flows from operating and investing activities		**-26.168**	**-20.316**
Change in Non-current liabilities other than provisions, net		9.047	-14.280
Change in short term bank loans, net		62.029	33.241
Dividend revceived from associates		1.205	731
Capital increase		7.821	16.333
Dividend paid		-54.000	-19.020
Cash flow from financing activities		**26.102**	**17.005**
Increase/decrease in cash and cash equivalents		**-66**	**-3.311**
Cash and equivalents 01.01.2020		89	23
Adjustment according to acquisition		0	3.377
Cash and equivalents 31.12.2020	23	**23**	**89**

Notes

(1.000 EUR)

Parent			Group	
2019	**2020**		**2020**	**2019**
		1. Revenue		
		Activity information		
		Parallelimport	1.015.631	898.615
		Generics	99.856	82.939
		Total	**1.115.487**	**981.554**
		2. Other external expenses		
		Other external expenses	34.763	32.036
		Non-recurring items driven by acquisitions	14.248	700
			49.011	**32.736**
		3. Staff costs		
9.494	10.830	Wages and salaries	55.580	48.053
945	1.470	Pension costs	4.760	3.828
137	150	Other social security costs	7.631	7.192
10.576	**12.450**		**67.971**	**59.073**
		Here of:		
500	424	Fee to Group Executive Board	2.517	2.901
95	117	Fee to Board of Directors	125	103
595	**541**		**2.642**	**3.004**
65	**83**	Average number of employees	**1.177**	**1.111**

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 17.2 thousand and should be exercised in 2025. The exercise price is in the range of EUR 142-187 thousand.

Parent			Group	
2019	**2020**		**2020**	**2019**
		4. Depreciation, amortisation and impairment losses		
0	0	Goodwill	2.110	1.933
0	0	Files and applications	5.096	5.398
1.110	1.046	Other intangible assets	1.055	1.125
0	0	Development projects completed	1.496	832
0	0	Buildings	711	663
678	841	Operating equip. and leasehold improvements	2.087	1.558
1.788	**1.887**		**12.555**	**11.509**
		5. Income from investments in group enterprises		
40.126	50.395	Share of profit/loss after tax		
-46	22	Adjustment, internal profit on inventory		
-677	-725	Amortization of goodwill		
39.403	**49.692**			
		6. Income from investments in associates		
-469	-907	Share of profit/loss after tax	236	755
-469	**-907**		**236**	**755**

Notes
(1.000 EUR)

Parent			Group	
2019	**2020**		**2020**	**2019**
		7. Other financial income		
1.423	2.276	Financial income, group entities	0	1.423
159	992	Other financial income	6.190	3.118
1.582	**3.268**		**6.190**	**4.541**
		8. Other financial expenses		
499	890	Financial expenses, group entities	188	1.447
1.208	2.719	Other financial expenses	8.948	5.853
1.707	**3.609**		**9.136**	**7.300**
		9. Tax on profit for the year		
-1.309	-5.250	Current tax	8.526	9.803
200	2.070	Change in deffered tax	2.505	1.033
524	0	Foreign tax regarding activity in group companies	0	0
-34	-3	Adjustments concerning previous years	645	-168
-619	**-3.183**		**11.676**	**10.668**
		10. Distribution of profit		
	5.000	Proposed dividends	5.000	
	4.209	Reserve for development costs		
	22.808	Reserve for net revaluation of equity holdings		
	-6.499	Retained earnings	20.518	
	25.518		**25.518**	

Notes
(1.000 EUR)

11. Intangible assets	Group Develop-ment projects completed	Acquired licenses	Acquired intangible assets	Goodwill	Develop-ment projects in progress	Total
Cost at 01.01.2020	7.728	40.115	15.771	72.825	5.055	141.494
Transfer	3.130	0	0	0	-3.130	0
Additions	262	4.799	2.813	450	7.571	15.895
Exchange rate adjustments	31	114	25	133	22	325
Disposals	-329	-952	0	-228	-464	-1.973
Cost at 31.12.2020	**10.822**	**44.076**	**18.609**	**73.180**	**9.054**	**155.741**
Amortization 01.01.2020	3.857	26.938	12.760	15.630	0	59.185
Amortization for the year	1.496	5.096	1.055	2.110	0	9.757
Exchange rate adjustments	18	137	59	43	0	257
Reversal relating to disposals	-115	-1.524	0	-180	0	-1.819
Amortization 31.12.2020	**5.256**	**30.647**	**13.874**	**17.603**	**0**	**67.380**
Carrying amount 31.12.2020	**5.566**	**13.429**	**4.735**	**55.577**	**9.054**	**88.361**
Carrying amount 31.12.2019	3.871	13.177	3.011	57.195	5.055	82.309

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)

11. Intangible assets (continued)	Parent Development projects in progress	 Acquired intangible assets	 Total
Cost at 01.01.2020	0	15.285	15.285
Additions	5.385	2.702	8.087
Exchange rate adjustments	11	62	73
Cost at 31.12.2020	**5.396**	**18.049**	**23.445**
Amortization 01.01.2020	0	12.334	12.334
Amortization for the year	0	1.046	1.046
Exchange rate adjustments	0	23	23
Amortization 31.12.2020	**0**	**13.403**	**13.403**
Carrying amount 31.12.2020	**5.396**	**4.646**	**10.042**
Carrying amount 31.12.2019	0	2.951	2.951

12. Property plant and equipment	Group Land and buildings	 Leasehold improve-ments	 Plant and machinery	 Total
Cost at 01.01.2020	25.655	918	15.889	42.462
Additions	10.156	0	9.421	19.577
Exchange rate adjustments	-8	2	-77	-83
Disposals	-9	0	-4.812	-4.821
Cost at 31.12.2020	**35.794**	**920**	**20.421**	**57.135**
Depreciation 01.01.2020	5.432	918	7.364	13.714
Depreciation for the year	711	0	2.087	2.798
Exchange rate adjustments	-18	2	-25	-41
Reversal relating to disposals	-70	0	-491	-561
Depreciation 31.12.2020	**6.055**	**920**	**8.935**	**15.910**
Carrying amount 31.12.2020	**29.739**	**0**	**11.486**	**41.225**
Carrying amount 31.12.2019	20.223	0	8.525	28.748

Notes
(1.000 EUR)

12. Property plant and equipment (continued)	Parent Plant and machinery	Total
Cost at 01.01.2020	4.882	4.882
Additions	2.295	2.295
Exchange rate adjustments	19	19
Disposals	-178	-178
Cost at 31.12.2020	**7.018**	**7.018**
Depreciation 01.01.2020	3.381	3.381
Depreciation for the year	841	841
Exchange rate adjustments	14	14
Reversal relating to disposals	-77	-77
Depreciation 31.12.2020	**4.159**	**4.159**
Carrying amount 31.12.2020	**2.859**	**2.859**
Carrying amount 31.12.2019	1.501	1.501

13. Financial asset investment	Parent Investments in group enterprises	Receivables from group enterprises
Cost at 01.01.2020	85.637	19.720
Additions	0	0
Cost at 31.12.2020	**85.637**	**19.720**
Net revaluation at 01.01.2020	64.544	-76
Net share of profit/loss for the year	50.395	0
Amortization goodwill	-725	0
Adjustment of internal profit on inventory, net	22	0
Dividend	-26.884	0
Adjustment of hedging on equity	95	0
Exchange rate adjustments	570	80
Net revaluation 31.12.2020	**88.017**	**4**
Carrying amount 31.12.2020	**173.654**	**19.724**
Carrying amount 31.12.2019	150.181	19.644

Notes

(1.000 EUR)

13. Financial asset investment (continued)

Unamortised share of group goodwill on consolidation amounts 13.105t.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 in associates	**Receivables from associates**
14. Investments in associates		
Cost at 01.01.2020	950	817
Additions	0	358
Cost at 31.12.2020	**950**	**1.175**
Value adjustment 01.01.2020	883	-268
Transfer	0	0
Value adjustment for the year	7	-907
Disposals/Dividend	-1.205	0
Profit for the year	1.143	0
Value adjustment 31.12.2020	**828**	**-1.175**
Carrying amount 31.12.2020	**1.778**	**0**
Carrying amount 31.12.2019	1.833	549

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	
	Investments in associates	**Receivables from associates**
Cost at 01.01.2020	469	817
Additions	0	358
Cost at 31.12.2020	**469**	**1.175**
Value adjustment 01.01.2020	-469	-268
Value adjustment for the year	0	-907
Value adjustment 31.12.2020	**-469**	**-1.175**
Carrying amount 31.12.2020	**0**	**0**
Carrying amount 31.12.2019	0	549

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

Notes
(1.000 EUR)

Parent 2019	Parent 2020		Group 2020	Group 2019
		15. Inventories		
0	0	Raw materials and consumables	123.437	79.547
9.112	10.458	Manufactured goods and goods for resale	86.302	92.087
0	0	Prepayments of goods	822	9.349
8.368	0	Other assets held for sale	0	8.368
17.480	**10.458**		**210.561**	**189.351**
		16. Deferred tax		
		Deferred tax is incumbent on the following financial statement items:		
649	2.209	Intangible assets	4.352	2.682
-118	-105	Tangible fixed assets	2.446	2.135
0	0	Inventories	264	254
0	497	Other provisions	0	0
0	0	Tax loss carryforwards	435	-100
531	**2.601**		**7.497**	**4.971**
		Net value is recognised in the balance sheet as follows:		
0	0	Deferred tax assets	-1.506	-1.615
531	2.601	Deferred tax liabilities	9.003	6.586
531	**2.601**		**7.497**	**4.971**
		Development Deferred tax:		
331	531	Net value in balance sheet - 01.01.2020	4.971	3.935
200	2.070	Effect in P&L during the year	2.505	1.033
0	0	Effect on Equity during the year	21	3
531	**2.601**	Net value in balance sheet - 31.12.2020	**7.497**	**4.971**

17. Prepayments

Consists of prepayments on costs concerning subsequent financial year.

18. Share capital

The share capital consists of 2.100 shares at EUR 134.

The shares have not been divided into classes.

Parent 2019	Parent 2020	
281	282	The shares 01.01.2016
281	**282**	**Share capital 31.12.2020**

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.

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**
19. Non-current liabilities other than provisions				
Mortgage debt	596	10.437	11.033	11.033
Bank loans	0	22.974	22.974	22.974
Other debt	68	3.346	3.414	3.414
Non-current liabilities other than provisions 31.12.2020	**664**	**36.757**	**37.421**	**37.421**
Non-current liabilities other than provisions 31.12.2019	545	27.829	28.374	28.374
Due for payment after 5 years:				
Mortgage debt		8.084		
Other debt		3.141		
		11.225		

Parent

	Due for payment within 1 year	**Due for payment after 1 year**	**Amortized debt in total**	**Nominal debt in total**
Bank loans	0	14.303	14.303	14.303
Other debt	13	653	666	666
Non-current liabilities other than provisions 31.12.2020	**13**	**14.956**	**14.969**	**14.969**
Non-current liabilities other than provisions 31.12.2019	4	14.630	14.634	14.634
Due for payment after 5 years:				
Other debt		613		
		613		

Notes
(1.000 EUR)

Parent			Group	
2019	2020		2020	2019
		20. Assets charged and collateral		
		Mortgage deeds and letter of indemnity have been issued as security for credit institutions with a nominal amount of	**28.208**	**18.371**
		The actual liability on the balance sheet date amounts to	**10.992**	**11.033**
		Carrying amount of plegded properties	**27.532**	**16.007**
		Certain operating equipment have been financed by means of operationel leases.		
1.346	**2.113**	Total operationel lease obligation until contracts expire	**3.283**	**3.370**
		Leasehold liabilities	**9.837**	**6.924**

Group:

The Group companies has provided 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 216.3 at 31. December 2020.

21. 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:

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 2020 of MEUR 65.8.

	Group	
	2020	2019
22. Working capital changes		
Change in inventories (- = increase)	-21.210	-48.942
Change in receivables (- = increase)	-26.131	-12.334
Change in trade payables etc. (- = decrease)	10.989	32.215
Adjustment according to acquistion	0	3.711
	-36.352	**-25.350**
23. Cash and cash equivalents		
Cash	23	89
	23	**89**

Notes

(1.000 EUR)

24. 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 2020:

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.

25. 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.

26. 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 41 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	
	2020	**2019**
27. Fees to auditors appointed at the Company's general meeting		
Fees are recognized under Other external expenses with:		
Fees for statutory audit	195	188
Fees for assurance engagements	21	10
Fees for tax advice	460	238
Fees for other services	811	293
	1.487	**729**

28. 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 31.12.2020 unrealized net losses on derivative financial instruments for currency hedging on Group level in total amounts TEUR 283. The amount is in the balance sheet included under other debt.

29. 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.

In April 2020, Orifarm Group agreed to purchase a portfolio of select over-the-counter (OTC) and prescription pharmaceutical products sold in Europe from Takeda Pharmaceutical Company Limited ("Takeda") for a purchase price of up to MEUR 615. Orifarm has acquired the rights for approximately 110 pharmaceuticals as well as 2 production sites.

The transaction is expected to close by the end of Takeda's Fiscal Year 2020 (ending March 2021) subject to the satisfaction of customary closing conditions, receipt of required regulatory clearances, and, where applicable, compliance with local works council requirements.

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 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 consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises 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.

Accounting policies

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.

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 for 2020

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.

Accounting policies

Other 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 enterprises and associates

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

Other 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.

Tax on profit 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.

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 at 31.12.2020

Development projects

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.

Accounting policies

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 licenses

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.

Acquired 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.

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.

Land and buildings, Leasehold improvements and Plant and machinery

Land and buildings, leasehold improvements and plant and machinery 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:

Buildings:	10-50 years
Leasehold improvements:	5-10 years
Plant and machinery:	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.

Accounting policies

Investments in group enterprises and associates

Investments in group enterprises and 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

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.

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.

Bank loans

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, 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.

Segment information

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

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: $\frac{\text{Profit for the year x 100}}{\text{Average equity}}$