HBS Capital ApS

Energivej 15
5260 Odense S
CVR No. 41000880

Annual report 2023

The Annual General Meeting adopted the annual report on 05.06.2024

Hans Bøgh-Sørensen
Chairman of the General Meeting

Contents

Entity details

Entity

HBS Capital ApS
Energivej 15
5260 Odense S

Business Registration No.: 41000880
Registered office: Odense
Financial year: 01.01.2023 - 31.12.2023

Executive Board

Hans Bøgh-Sørensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of HBS Capital ApS for the financial year 01.01.2023 - 31.12.2023.

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

In my 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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

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

Odense, 05.06.2024

Executive Board

Hans Bøgh-Sørensen

Independent auditor's report

To the shareholders of HBS Capital ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of HBS Capital ApS for the financial year 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 05.06.2024

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

	2023 EUR mill	2022 EUR mill	2021 EUR mill	2020 EUR mill	2019 EUR mill
Key figures					
Revenue	1,569.2	1,513.7	1,417.8	1,115.5	981.6
Gross profit/loss	267.9	230.0	183.2	120.0	150.7
Non-recurring costs	(28.0)	(27.1)	(24.6)	(14.2)	(0.7)
Operating profit/loss	73.3	57.1	54.5	38.8	46.8
Net financials	(46.1)	(23.0)	(13.1)	1.4	(0.1)
Profit/loss for the year	19.4	20.6	33.6	27.3	34.6
Profit for the year excl. minority interests	10.7	11.3	18.5	15.0	19.0
Balance sheet total	1,281.8	1,235.2	1,176.7	538.8	447.6
Inventories	358.3	309.6	271.2	221.0	189.4
Investments in property, plant and equipment	25.6	26.1	78.5	19.6	7.9
Trade receivables	212.0	211.2	193.7	134.7	113.0
Equity	254.1	236.3	233.7	193.2	179.2
Equity excl. minority interests	139.7	130.0	123.0	106.2	98.5
Ratios					
Gross margin (%)	17.1	15.2	12.9	10.8	15.4
Operating margin (%)	4.7	3.9	3.8	3.5	4.8
Return on equity (%)	7.5	10.8	16.2	14.7	20.7
Equity ratio (%)	10.9	10.6	10.3	35.9	40.0

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

HBS Capital ApS is a holding company established and ultimately owned by the Bøgh-Sørensen family.

The Group's primary business activity is being an ambitious operator in the European market for pharmaceuticals through the investment in Orifarm Group A/S, which is the largest supplier of parallel imported pharmaceuticals in Europe, and a producer and seller of well-known brands as well as generic pharmaceuticals.

Secondly the HBS Capital Group invests across a broad range of asset classes including Private Equity, Real Estate, Investment cars and other financial assets both public and private, through the ownership of Habico Invest A/S.

Orifarm Group

Orifarm Group is a dynamic international player in the healthcare business. Our vision is to be no. 1 in making healthcare a better deal. Every day, we strive to make high quality pharmaceuticals at affordable prices available to end users by manufacturing, commercializing, and trading products. The Group's purpose is to provide as many people as possible with access to affordable quality medicine.

We supply a wide range of high-quality pharmaceuticals across several therapeutic areas and stages of illness. Our portfolio covers pharmaceuticals for primary as well as secondary care by specialists, over the counter (OTC), and consumer healthcare products.

It is our mission to challenge the market and make affordable, high-quality healthcare accessible. We want to create competition and provide important savings for society and to ensure better value for money for consumers while maintaining a high quality in our products.

Orifarm Group operates on three product platforms:

<u>Pharma Trade</u>

Import, re-packaging and sales of medicine leveraging price arbitrages between countries; including medicines without an MA in a country (unlicensed) and comparator drugs for clinical trials.

<u>Specialty Rx</u>

Off-patent, small molecule medicine sold via pharmacy substitution and hospital tendering (nGx) or prescribed by physicians without substitution (pRx).

<u>Consumer Healthcare</u>

Products for health needs available without prescription; chosen by consumers; OTC regulated as pharmaceutical with an API, while VMS is regulated as food supplements (no API).

Habico Invest

Habico Invest A/S invests across a broad range of asset classes including Private Equity, Real Estate, Investment cars and other financial assets both public and private.

Development in activities and finances

Orifarm Group

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

- Highest revenue ever in company history
- Highest level of operating profit ever in company history excluding non-recurring items

These new levels have been reached despite sourcing/supply constraints, inflation and increased price competition throughout 2023. Especially under these circumstances, management is pleased with the result being the seventh consecutive year where both top-line and profit grew through a dedicated focus on organic growth in mature markets and optimization of internal processes and procedures in our business areas.

The operating profit includes non-recurring cost of EUR 28.0 million driven by restructuring and integration costs.

In October 2023, Orifarm and its owner, Habico, announced that they initiated a process to search for a potential external capital partner. We expect to conclude the search during 2024.

Habico Invest

Result arriving from investments ended with a decrease compared to 2022.

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 Pharma Trade, it is Orifarm Group's policy to avoid infringing trademark rights, and Orifarm Group is not currently involved in any material pending litigation of this kind.

For the business areas Consumer Healthcare and Specialty Rx, Orifarm Group's 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. Following the acquisition of a range of pharmaceuticals from Takeda, including a portfolio of patents and trademarks, Orifarm shall take the necessary measures to protect these from 3rd party infringements.

The Orifarm Group is from time to time involved in legal proceedings. The outcome of these may affect Orifarm Group's earnings. It is Management's assessment that these legal proceedings will not lead to material losses for the Group.

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.

Orifarm Group has interest caps in place, which hedge against further increases in market rates. With current market rates, further increases will only affect Orifarm Group minimally.

Orifarm Group's financial risks, including its cash management and extension of credits, are managed at a corporate level to ensure a balanced risk profile.

Investments in Habico Invest is subject to fluctuations on the financial markets.

Profit/loss for the year in relation to expected developments

HBS Capital Group's revenue for 2023 is as expected and announced in the Annual Report for 2022, while the operating profit (excluding non-recurring items) exceeds the expectations mainly due to change in product mix.

Outlook

For 2024, HBS Capital Group expects revenue development in the range of 0% to 10% and an operating profit growth in the range of 5% to 15%. Financial investments are expected to yield a result in the range of minus 10% to plus 15% subject to market development and taking the uncertainties on the macro and geopolitical front into account.

Environmental performance

HBS Capital ApS is a part of Orifarm Group. Reference is made to the Group's statutory statement on CSR for 2023, which is presented in our ESG Report 2023 at www.orifarm.com/publications.

Research and development activities

The Group operates across three business platforms, where Specialty Rx and Consumer Healthcare have specific development processes.

Statutory report on corporate social responsibility

HBS Capital ApS is a part of Orifarm Group. Reference is made to the Group's statutory statement on CSR for 2023, which is presented in our ESG Report 2023 at www.orifarm.com/publications.

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	0

In HBS Capital ApS, only the CEO is employed and no separate policy has been established on the supreme management body.

For more information on the diversity policies, activities, and results for 2023, please refer to the ESG Report of Orifarm Group A/S, which can be found at www.orifarm.com/publications.

	2023
Other management levels	
Total number of members	0

In HBS Capital ApS, only the CEO is employed and no separate policy has been established on the other management levels.

Statutory report on data ethics policy

HBS Capital ApS is a part of Orifarm Group. Reference is made to the Group's statutory statement on CSR for 2023, which is presented in our ESG Report 2023 at www.orifarm.com/publications.

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.

Consolidated income statement for 2023

	Notes	2023 EUR'000	2022 EUR'000
Revenue	1	1,569,240	1,513,706
Other operating income	2	19,155	9,019
Cost of sales		(1,197,872)	(1,169,741)
Other external expenses	3	(122,667)	(122,965)
Gross profit/loss		**267,856**	**230,019**
Staff costs	4	(144,830)	(128,214)
Depreciation, amortisation and impairment losses	5	(49,114)	(43,844)
Other operating expenses		(639)	(893)
Operating profit/loss		**73,273**	**57,068**
Income from investments in associates		(751)	(6,331)
Other financial income		10,974	6,267
Other financial expenses		(57,123)	(29,236)
Profit/loss before tax		**26,373**	**27,768**
Tax on profit/loss for the year	6	(6,924)	(7,162)
Profit/loss for the year	7	**19,449**	**20,606**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 EUR'000	2022 EUR'000
Completed development projects	9	19,065	15,733
Acquired intangible assets		4,857	6,937
Acquired rights		388,834	410,979
Goodwill		76,656	80,030
Development projects in progress	9	5,653	4,912
Intangible assets	8	**495,065**	**518,591**
Land and buildings		92,576	79,311
Plant and machinery		41,872	42,842
Leasehold improvements		1,462	948
Property, plant and equipment	10	**135,910**	**123,101**
Investments in associates		5,648	6,101
Receivables from associates		0	271
Other investments		29,600	28,783
Deposits		182	181
Financial assets	11	**35,430**	**35,336**
Fixed assets		**666,405**	**677,028**
Raw materials and consumables		124,574	120,586
Manufactured goods and goods for resale		225,333	182,409
Prepayments for goods		8,396	6,612
Inventories		**358,303**	**309,607**

Trade receivables		212,028	211,242
Receivables from associates		0	426
Deferred tax	12	1,566	1,401
Other receivables		15,802	8,349
Tax receivable		7,493	3,265
Prepayments	13	7,764	5,004
Receivables		**244,653**	**229,687**
Other investments		4,871	6,276
Investments		**4,871**	**6,276**
Cash		**6,538**	**12,644**
Current assets		**614,365**	**558,214**
Assets		**1,280,770**	**1,235,242**

Equity and liabilities

	Notes	2023 EUR'000	2022 EUR'000
Contributed capital	14	637	637
Reserve for fair value adjustments of hedging instruments		(1,346)	0
Retained earnings		140,456	129,342
Equity belonging to Parent's shareholders		**139,747**	**129,979**
Equity belonging to minority interests		**114,353**	**106,359**
Equity		**254,100**	**236,338**
Deferred tax	12	43,883	43,716
Other provisions	15	0	15,000
Provisions		**43,883**	**58,716**
Mortgage debt		28,587	19,504
Bank loans		556,612	560,103
Tax payable		1,952	2,441
Other payables		65,545	65,731
Non-current liabilities other than provisions	16	**652,696**	**647,779**
Current portion of non-current liabilities other than provisions	16	4,138	7,953
Bank loans		101,039	93,086
Lease liabilities		2,337	3,227
Trade payables		90,457	86,860
Tax payable		8,868	10,960
Other payables		123,252	90,323
Current liabilities other than provisions		**330,091**	**292,409**
Liabilities other than provisions		**982,787**	**940,188**
Equity and liabilities		**1,280,770**	**1,235,242**
Fair value information	18		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Transactions with related parties	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2023

	Contributed capital EUR'000	Reserve for fair value adjustments of hedging instruments EUR'000	Retained earnings EUR'000	Equity belonging to Parent's shareholders EUR'000	Equity belonging to minority interests EUR'000
Equity beginning of year	637	0	130,285	130,922	107,130
Adjustment of material errors	0	0	(943)	(943)	(771)
Adjusted equity, beginning of year	**637**	**0**	**129,342**	**129,979**	**106,359**
Extraordinary dividend paid	0	0	(2,750)	(2,750)	(2,250)
Exchange rate adjustments	0	0	3,171	3,171	2,589
Fair value adjustments of hedging instruments	0	(1,726)	0	(1,726)	(1,412)
Tax of entries on equity	0	380	0	380	311
Profit/loss for the year	0	0	10,693	10,693	8,756
Equity end of year	**637**	**(1,346)**	**140,456**	**139,747**	**114,353**

	Total EUR'000
Equity beginning of year	238,052
Adjustment of material errors	(1,714)
Adjusted equity, beginning of year	**236,338**
Extraordinary dividend paid	(5,000)
Exchange rate adjustments	5,760
Fair value adjustments of hedging instruments	(3,138)
Tax of entries on equity	691
Profit/loss for the year	19,449
Equity end of year	**254,100**

Consolidated cash flow statement for 2023

	Notes	2023 EUR'000	2022 EUR'000
Operating profit/loss		73,273	57,068
Amortisation, depreciation and impairment losses		49,114	46,936
Working capital changes	17	(20,543)	(72,420)
Non-cash adjustments		(16,976)	(4,868)
Cash flow from ordinary operating activities		**84,868**	**26,716**
Financial income received		8,225	1,293
Financial expenses paid		(54,680)	(23,373)
Taxes refunded/(paid)		(12,032)	(5,814)
Cash flows from operating activities		**26,381**	**(1,178)**
Acquisition etc. of intangible assets		(13,703)	(11,402)
Sale of intangible assets		3,086	11,465
Acquisition etc. of property, plant and equipment		(25,581)	(26,150)
Sale of property, plant and equipment		0	3,440
Acquisition of enterprises		0	(647)
Change in deposits, fixed asset investments		(3,706)	(24,983)
Acquisition of other bonds and equity investments		2,383	7,479
Cash flows from investing activities		**(37,521)**	**(40,798)**
Free cash flows generated from operations and investments before financing		**(11,140)**	**(41,976)**
Repayments of loans etc.		(7,637)	(21,942)
Dividend paid		(2,750)	(2,750)
Incurrence of lease liabilities		(890)	3,227
Proceeds of loans etc.		8,358	39,907
Change in operating credits		7,953	27,498
Cash flows from financing activities		**5,034**	**45,940**

Increase/decrease in cash and cash equivalents	**(6,106)**	**3,964**
Cash and cash equivalents beginning of year	12,644	8,680
Cash and cash equivalents end of year	**6,538**	**12,644**
Cash and cash equivalents at year-end are composed of:		
Cash	6,538	12,644
Cash and cash equivalents end of year	**6,538**	**12,644**

Notes to consolidated financial statements

1 Revenue

	2023 EUR'000	2022 EUR'000
Pharma Trade	1,235,929	1,183,002
Consumer Healthcare & Specialty Rx	325,530	324,721
Other revenue	7,781	5,983
Total revenue by activity	**1,569,240**	**1,513,706**

No geographical segment information is specified in the annual report cf. Section 96 (1) of the Danish Financial Statements Act.

2 Other operating income

Other operating income comprises adjustment of earn-out provision, management fee and profit from sale of assets.

3 Fees to the auditor appointed by the Annual General Meeting

	2023 EUR'000	2022 EUR'000
Statutory audit services	494	467
Tax services	531	507
Other services	1,153	1,261
	2,178	**2,235**

4 Staff costs

	2023 EUR'000	2022 EUR'000
Wages and salaries	120,663	107,190
Pension costs	12,618	11,032
Other social security costs	11,549	9,992
	144,830	**128,214**
Average number of full-time employees	**2,249**	**2,141**

Remuneration of management

Persuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the member of the Executive Board is not disclosed.

5 Depreciation, amortisation and impairment losses

	2023 EUR'000	2022 EUR'000
Amortisation of intangible assets	34,283	33,163
Impairment losses on intangible assets	1,329	0
Depreciation on property, plant and equipment	11,088	10,018
Impairment losses on property, plant and equipment	2,414	663
	49,114	**43,844**

6 Tax on profit/loss for the year

	2023 EUR'000	2022 EUR'000
Current tax	529	16,656
Change in deferred tax	5,328	(9,062)
Adjustment concerning previous years	1,067	(432)
	6,924	**7,162**

7 Proposed distribution of profit/loss

	2023 EUR'000	2022 EUR'000
Extraordinary dividend distributed in the financial year	5,000	0
Retained earnings	7,943	11,334
Minority interests' share of profit/loss	6,506	9,272
	19,449	**20,606**

8 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	25,448	21,778	483,145	103,777	4,912
Exchange rate adjustments	(62)	(40)	(1,064)	(292)	(10)
Transfers	2,344	(690)	0	0	(1,654)
Additions	5,856	514	4,647	4	2,682
Disposals	(764)	0	(1,871)	0	(220)
Cost end of year	**32,822**	**21,562**	**484,857**	**103,489**	**5,710**
Amortisation and impairment losses beginning of year	(9,715)	(14,841)	(72,166)	(23,747)	0
Exchange rate adjustments	23	31	236	75	0
Transfers	(4)	15	0	0	(11)
Impairment losses for the year	(435)	0	(848)	0	(46)
Amortisation for the year	(4,390)	(1,910)	(24,822)	(3,161)	0
Reversal regarding disposals	764	0	1,577	0	0
Amortisation and impairment losses end of year	**(13,757)**	**(16,705)**	**(96,023)**	**(26,833)**	**(57)**
Carrying amount end of year	**19,065**	**4,857**	**388,834**	**76,656**	**5,653**

9 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 1-5 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.

10 Property, plant and equipment

	Land and buildings EUR'000	Plant and machinery EUR'000	Leasehold improvements EUR'000
Cost beginning of year	88,656	65,600	1,961
Exchange rate adjustments	1,260	2,326	(11)
Transfers	22	(22)	0
Additions	15,144	9,609	828
Disposals	(305)	(5,427)	0
Cost end of year	**104,777**	**72,086**	**2,778**
Depreciation and impairment losses beginning of year	(9,345)	(22,758)	(1,013)
Exchange rate adjustments	(8)	(586)	2
Impairment losses for the year	(491)	(1,923)	0
Depreciation for the year	(2,516)	(8,267)	(305)
Reversal regarding disposals	159	3,320	0
Depreciation and impairment losses end of year	**(12,201)**	**(30,214)**	**(1,316)**
Carrying amount end of year	**92,576**	**41,872**	**1,462**

11 Financial assets

	Investments in associates EUR'000	Receivables from associates EUR'000	Other investments EUR'000	Deposits EUR'000
Cost beginning of year	13,662	271	23,063	181
Exchange rate adjustments	(45)	0	(64)	1
Transfers	0	(297)	4,992	0
Additions	1,328	26	4,453	0
Disposals	(5,108)	0	(1,798)	0
Cost end of year	**9,837**	**0**	**30,646**	**182**
Revaluations beginning of year	(7,561)	0	5,776	0
Exchange rate adjustments	(8)	0	0	0
Transfers	0	0	(4,992)	0
Amortisation of goodwill	(50)	0	0	0
Share of profit/loss for the year	(725)	0	0	0
Dividend	(685)	0	0	0
Impairment losses for the year	0	0	(1,643)	0
Reversal regarding disposals	4,840	0	0	0
Revaluations end of year	**(4,189)**	**0**	**(859)**	**0**
Impairment losses beginning of year	0	0	(56)	0
Impairment losses for the year	0	(297)	0	0
Fair value adjustments	0	0	(131)	0
Reversal regarding disposals	0	297	0	0
Impairment losses end of year	**0**	**0**	**(187)**	**0**
Carrying amount end of year	**5,648**	**0**	**29,600**	**182**

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 %**
MidCap T ApS	Denmark	39.58

Investments in partnerships and limited partnerships	Registered in	Corporate form
Dee4 Capital Fund I K/S	Denmark	K/S
KRING Speedbooting 2022 K/S	Denmark	K/S
Blockchain Fond II K/S	Denmark	K/S
NIO Infrastructure Feeder Fund III K/S	Denmark	K/S
Blue Owl Stakes V Offshore Investors LP	Finland	LP
Blockchain Fond K/S	Denmark	K/S
PMM Global V Feeder K/S	Denmark	K/S
Private Global Property K/S	Denmark	K/S
Nordic Secondary Fund II K/S	Denmark	K/S
Braavos Capital II LP	Guernsey	LP
Cubera IX LP	Guernsey	LP
Catalio Nexus Fund III, LP	USA	LP
BSOF Parallel Europe Feeder Sub-Fund 2	Ireland	LP

12 Deferred tax

	2023 EUR'000	2022 EUR'000
Intangible assets	(38,261)	(41,403)
Property, plant and equipment	(4,511)	(3,138)
Inventories	1,713	1,997
Receivables	(1,676)	(529)
Provisions	(1,332)	328
Liabilities other than provisions	679	430
Tax losses carried forward	1,071	0
Deferred tax	**(42,317)**	**(42,315)**

Changes during the year	2023 EUR'000	2022 EUR'000
Beginning of year	(42,315)	(51,716)
Recognised in the income statement	(5,328)	9,062
Exchange rate adjustments	5,326	339
End of year	**(42,317)**	**(42,315)**

Deferred tax has been recognised in the balance sheet as follows	2023 EUR'000	2022 EUR'000
Deferred tax assets	1,566	1,401
Deferred tax liabilities	(43,883)	(43,716)
	(42,317)	**(42,315)**

Deferred tax assets

Deferred tax comprises tax losses recognised and is expected used within the Group. The rolling forecast confirms this expectation.

13 Prepayments

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

14 Contributed capital

	Number	Par value EUR'000	Nominal value EUR'000
Share capital	4,736	0.13	637
	4,736		**637**

The shares have not been divided into classes.

In 2020, a Company in the group issued a series of warrants, which in 2025 entitle the warrant holders to subscribe for shares in the group 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.

15 Other provisions

Other provisions is comprised of anticipated costs related to earn-out payment. The provision has been reversed in 2023 due to expected changes in future earnings. The reversal has been recognised in profit and loss under other operating income.

16 Non-current liabilities other than provisions

	Due within 12 months 2023 EUR'000	Due within 12 months 2022 EUR'000	Due after more than 12 months 2023 EUR'000	Outstanding after 5 years 2023 EUR'000
Mortgage debt	45	46	28,587	26,040
Bank loans	3,605	6,504	556,612	0
Tax payable	488	1,403	1,952	0
Other payables	0	0	65,545	0
	4,138	**7,953**	**652,696**	**26,040**

17 Changes in working capital

	2023 EUR'000	2022 EUR'000
Increase/decrease in inventories	(48,696)	(41,607)
Increase/decrease in receivables	(10,572)	(20,737)
Increase/decrease in trade payables etc.	38,725	(10,076)
	(20,543)	**(72,420)**

18 Fair value information

	Unlisted investments and securities EUR'000	Listed investments and securities EUR'000
Fair value end of year	29,594	4,870
Unrealised fair value adjustments recognised in the income statement	(1,774)	778

Unlisted investments and securities
Investment in unlisted shares and securities consist of holdings in unlisted companies and equity funds, where the underlying investments are recognized at fair value as of 31 December 2023. The fair value the shares and the securities are determined as the Group's relative share of equity in investeringerne substracted any impairment losses.

Listed investments and securities
The fair value of the Group's listed investments and securities are determined using the daily stock quote as of 31.12.2023.

19 Unrecognised rental and lease commitments

	2023 EUR'000	2022 EUR'000
Total liabilities under rental or lease agreements until maturity	13,282	14,737

20 Contingent liabilities

The Group is party to some pending disputes. It is Management's assessment that these legal proceedings will not lead to material losses for the Group.

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

A commitment has been made on payments related to investments in securities and participating interests. The maximum commitment is EUR 21.1 million.

The Parent and the Danish subsidiaries participate 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 Parent and the Danish subsidiaries are 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.

21 Assets charged and collateral

The Group has a fixed charge over inventories of EUR 25.0 million as security for bank debt and debt to credit institutions. In addition, pledged unlisted shares in certain Group companies with a total carrying amount of EUR 498.2 million at 31 December 2023 have been provided as security for bank debt and debt to credit institutions.

Mortgage deeds and letter of indemnity have been issued as security for credit institutions with a nominal amount of EUR 64.9 million. The actual liability on the balance sheet date amounts to EUR 28.6 million and the carrying amount of plegded properties amounts to EUR 64.6 million at 31 December 2023.

22 Transactions with related parties

Related parties with controlling interest in HBS Capital ApS:
- Hans Bøgh-Sørensen, Odense, ultimative beneficial owner

All transactions with related parties which are not according with market conditions are conducted on arms length. There have been no such transactions in the financial year.

23 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.	Netherlands	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 mbH	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 %
Orifarm Services UK Ltd.	United Kingdom	Ltd.	100.00
Orifarm US, 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
Orifarm Healthcare SIA	Latvia	SIA	100.00
Orifarm Healthcare UAB	Lithuania	UAB	100.00
Viminco A/S	Denmark	A/S	100.00
IQ Charter I A/S	Denmark	A/S	100.00
Habico Holding A/S	Denmark	A/S	100.00
Habico A/S	Denmark	A/S	100.00
Habico Invest A/S	Denmark	A/S	100.00
Habico Invest II ApS	Denmark	ApS	100.00
Habico Invest III ApS	Denmark	ApS	100.00
Orifarm Group A/S	Denmark	A/S	100.00

Parent income statement for 2023

	Notes	2023 EUR'000	2022 EUR'000
Other external expenses		(5)	(4)
Gross profit/loss		**(5)**	**(4)**
Income from investments in group enterprises		10,698	11,339
Other financial expenses	1	(2)	(4)
Profit/loss before tax		**10,691**	**11,331**
Tax on profit/loss for the year	2	2	2
Profit/loss for the year	3	**10,693**	**11,333**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 EUR'000	2022 EUR'000
Investments in group enterprises		139,766	129,995
Financial assets	4	**139,766**	**129,995**
Fixed assets		**139,766**	**129,995**
Tax receivable		2	2
Receivables		**2**	**2**
Cash		**123**	**1**
Current assets		**125**	**3**
Assets		**139,891**	**129,998**

Equity and liabilities

	Notes	2023 EUR'000	2022 EUR'000
Contributed capital		637	637
Reserve for net revaluation according to equity method		59,838	50,067
Retained earnings		75,972	79,277
Proposed dividend for the financial year		3,300	0
Equity		**139,747**	**129,981**
Payables to group enterprises		122	0
Payables to owners and management		21	15
Other payables		1	2
Current liabilities other than provisions		**144**	**17**
Liabilities other than provisions		**144**	**17**
Equity and liabilities		**139,891**	**129,998**
Employees	5		
Contingent liabilities	6		
Related parties with controlling interest	7		

Parent statement of changes in equity for 2023

	Contributed capital EUR'000	Reserve for net revaluation according to the equity method EUR'000	Retained earnings EUR'000	Proposed dividend for the year EUR'000	Total EUR'000
Equity beginning of year	637	51,010	79,277	0	130,924
Adjustment of material errors	0	(943)	0	0	(943)
Adjusted equity, beginning of year	**637**	**50,067**	**79,277**	**0**	**129,981**
Extraordinary dividend paid	0	0	(2,750)	0	(2,750)
Exchange rate adjustments	0	3,169	0	0	3,169
Other entries on equity	0	(1,346)	0	0	(1,346)
Dividends from group enterprises	0	(2,750)	2,750	0	0
Profit/loss for the year	0	10,698	(3,305)	3,300	10,693
Equity end of year	**637**	**59,838**	**75,972**	**3,300**	**139,747**

Notes to parent financial statements

1 Other financial expenses

	2023 EUR'000	2022 EUR'000
Financial expenses from group enterprises	1	0
Other interest expenses	1	1
Other financial expenses	0	3
	2	**4**

2 Tax on profit/loss for the year

	2023 EUR'000	2022 EUR'000
Refund in joint taxation arrangement	(2)	(2)
	(2)	**(2)**

3 Proposed distribution of profit and loss

	2023 EUR'000	2022 EUR'000
Ordinary dividend for the financial year	3,300	0
Extraordinary dividend distributed in the financial year	2,750	0
Retained earnings	4,643	11,333
	10,693	**11,333**

4 Financial assets

	Investments in group enterprises EUR'000
Cost beginning of year	79,928
Cost end of year	**79,928**
Revaluations beginning of year	50,067
Exchange rate adjustments	3,169
Share of profit/loss for the year	10,698
Dividend	(2,750)
Other adjustments	(1,346)
Revaluations end of year	**59,838**
Carrying amount end of year	**139,766**

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

5 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

6 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

7 Related parties with controlling interest

Related parties with controlling interest in HBS Capital ApS:
- Hans Bøgh-Sørensen, Odense, ultimate beneficial owner

All transactions with related parties which are not according with market conditions are conducted on arms length. There have been no such transactions in the financial year.

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.

Material errors in previous years

In 2023 it was found, that there was a material error in a provision for restructuring in 2022, as the provision did not include all salary related obligations.

Group: The material misstatement has affected the income statement of 2022 with an increase in staff costs by EUR 2,199 thousand and a decrease in tax expense of EUR 485 thousand. Equity is decreased by EUR 1,714 thousand as of 31 December 2022. Total assets is increased by EUR 485 thousand at 31 December 2022.

Parent: The material misstatement has affected the income statement of 2022 with a decrease in income from investments in group enterprises by EUR 943 thousand and no tax effect. Equity is decreased by EUR 943 thousand as of 31 December 2022. Total assets is decreased by EUR 943 thousand at 31 December 2022.

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 HBS Capital ApS 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. Hedging costs are recognized on a straight-line basis over the term of the hedging instrument.

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 Group'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.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss 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
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.

HBS Capital ApS is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

The jointly taxed companies are subject to the rules of section 11B of the Danish Companies Act governing interest deduction limitation. It has been agreed in the joint taxation that reduced interest deduction is recognised in the company in which the interest deduction has been reduced.

Balance sheet

Goodwill

Goodwill is 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 evaluation of a combined company with Know How, skills and a efficient organization, which is expected to provide development of the business in a long time to come, and because the lifetime of the medicinal products normally are very long. Due to the nature of the operations, estimates related to measurement of useful lives of goodwill are subject to some degree of uncertainty as estimates have to be made many years into the future.

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 straightline basis over their expected remaining duration for the specific type of medicinal product, and licenses are amortised on a straight-line basis over the term of the agreement. The amortisation period is 5-30 years. Due to the nature of the operations, estimates related to measurement of useful lives of acquired rights are subject to some degree of uncertainty as estimates have to be made many years into the future.

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

Acquired intangible assets
Acquired 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:

	Useful life
Buildings	10-50 years
Plant and machinery	3-10 years
Leasehold improvements	5-10 years
Other fixtures and fittings, tools and equipment	3-10 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
The company's investments in associates are allocated to the company's strategic portfolio or investment portfolio based on the strategy determined by management for each investment.

<u>Strategic portfolio</u>
Investments allocated to the strategic portfolio are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus amortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is amortised on a straight-line basis over its estimated useful life, which is determined on the basis of an assessment of the nature, earnings, market position of the acquired enterprise, the stability of the industry and among other factors.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises and associated entities measured according to the equity method is transferred to reserve for net revaluation according to the equity method in equity.

<u>Investment portfolio</u>
Investments allocated to the investment portfolio are currently monitored and evaluated based on the development of fair value in accordance with the company's investment strategy. As the company's primary activity is to run investment business, investments allocated to the investment portfolio are measured at fair value and adjusted in the equity.

The valuation is based on internationally accepted valuation methods for private equity. Investments are written down to any lower net realisable value.

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.

Other investments
Investments allocated to the investment portfolio are currently monitored and evaluated based on the development of fair value in accordance with the company's investment strategy. As the company's primary activity is to run investment business, investments allocated to the investment portfolio are measured at fair value and adjusted in the equity.

The valuation is based on internationally accepted valuation methods for private equity. Investments are written down to any lower net realisable value.

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.

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

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.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.