

Orion Pharma A/S
Ørestads Boulevard 73
2300 København S
Central Business Registration No
20601116

Annual report 2016

The Annual General Meeting adopted the annual report on 31.03.2017

Chairman of the General Meeting

Name: Satu Ahomaki

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Entity details

Entity

Orion Pharma A/S
Ørestads Boulevard 73
2300 København S

Central Business Registration No: 20601116

Founded: 16.02.1953

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Phone: +4586140000

Fax: +4586140001

Website: www.orionpharma.dk

Board of Directors

Satu Ahomäki, Chairman

Olli Heikki Huotari

Jari Ilmari Karlson

Executive Board

Jesper Otto Qvist-Pedersen

Bank

Danske Bank A/S

Entity auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Orion Pharma A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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

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

Copenhagen, 31.03.2017

Executive Board

Jesper Otto Qvist-Pedersen

Board of Directors

Satu Ahomäki
Chairman

Olli Heikki Huotari

Jari Ilmari Karlson

Independent auditor's report

To the shareholders of Orion Pharma A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Orion Pharma A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Management's responsibilities for the financial statements

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

Independent auditor's report

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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.

Copenhagen, 31.03.2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33771231

Torben Jensen

State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	373.656	272.967	166.851	164.778	161.383
Gross profit/loss	101.019	85.297	59.340	64.881	53.951
Operating profit/loss	75.470	59.318	33.436	35.102	27.101
Net financials	(347)	(371)	177	98	31
Profit/loss for the year	56.727	44.822	24.676	25.585	19.509
Total assets	162.425	122.350	76.264	72.363	65.980
Equity	97.342	66.615	46.793	39.117	27.532
Ratios					
Gross margin (%)	27,0	31,2	35,6	39,4	33,4
Net margin (%)	15,2	16,4	14,8	15,5	12,1
Return on equity (%)	69,2	79,0	57,4	76,8	89,6
Equity ratio (%)	59,9	54,4	61,4	54,1	41,7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Primary activities of Orion Pharma A/S are sales of generic and original pharmaceutical products.

Development in activities and finances

The income statement of the Company for 2016 show a profit of DKK 57 million and at 31 December 2016 the balance sheet of the Company shows equity of DKK 97 million.

Uncertainty relating to recognition and measurement

Recognition and measurement in the annual report have not been subject to any uncertainty.

Unusual circumstances affecting recognition and measurement

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

Outlook

The sales in 2017 of pharmaceutical products is expected to be at the same level as in 2016. For the 2017 as a whole, there is expected a positive result.

Environmental performance

The overall environmental goal of Orion Pharma A/S is to carry out activities in consideration of the employees, the working environment and the surroundings, with the objective of maintaining a safe, healthy and sound environment, both externally and internally.

Research and development activities

Orion Pharma A/S did not conduct any independent research and development activities in 2016.

Events after the balance sheet date

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

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue	1	373.655.929	272.966.662
Other operating income		32.277.291	29.643.999
Costs of raw materials and consumables		(263.847.734)	(177.740.863)
Other external expenses		<u>(41.066.833)</u>	<u>(39.573.027)</u>
Gross profit/loss		101.018.653	85.296.771
Staff costs	2	<u>(25.548.544)</u>	<u>(25.978.649)</u>
Operating profit/loss		75.470.109	59.318.122
Other financial income	3	64.046	135.805
Other financial expenses		<u>(410.568)</u>	<u>(507.018)</u>
Profit/loss before tax		75.123.587	58.946.909
Tax on profit/loss for the year	4	<u>(18.396.572)</u>	<u>(14.125.127)</u>
Profit/loss for the year	5	<u>56.727.015</u>	<u>44.821.782</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Trade receivables		96.739.954	82.617.922
Receivables from group enterprises		63.079.314	37.526.010
Other receivables		164.112	466.713
Prepayments	6	1.499.657	459.950
Receivables		<u>161.483.037</u>	<u>121.070.595</u>
 Cash		 <u>941.961</u>	 <u>1.279.712</u>
 Current assets		 <u>162.424.998</u>	 <u>122.350.307</u>
 Assets		 <u>162.424.998</u>	 <u>122.350.307</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	7	3.000.000	3.000.000
Retained earnings		54.341.617	37.614.602
Proposed dividend		40.000.000	26.000.000
Equity		97.341.617	66.614.602
Trade payables		9.073.310	3.987.985
Payables to group enterprises		35.423.121	29.343.415
Income tax payable		12.196.142	9.687.243
Other payables		8.390.808	12.717.062
Current liabilities other than provisions		65.083.381	55.735.705
Liabilities other than provisions		65.083.381	55.735.705
Equity and liabilities		162.424.998	122.350.307
Unrecognised rental and lease commitments	8		
Group relations	9		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	3.000.000	37.614.602	26.000.000	66.614.602
Ordinary dividend paid	0	0	(26.000.000)	(26.000.000)
Proposed dividend	0	0	40.000.000	40.000.000
Profit/loss for the year	0	16.727.015	0	16.727.015
Equity end of year	3.000.000	54.341.617	40.000.000	97.341.617

Notes

	2016	2015
	DKK	DKK
1. Revenue		
Denmark	370.140.344	269.753.778
Other european countries	3.515.585	3.212.884
	373.655.929	272.966.662
	2016	2015
	DKK	DKK
2. Staff costs		
Wages and salaries	23.288.890	23.785.795
Pension costs	1.963.787	1.854.037
Other social security costs	295.867	338.817
	25.548.544	25.978.649
Average number of employees	29	28
	2016	2015
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	58.556	134.593
Exchange rate adjustments	5.490	1.212
	64.046	135.805
	2016	2015
	DKK	DKK
4. Tax on profit/loss for the year		
Tax on current year taxable income	17.228.142	14.736.874
Adjustment concerning previous years	1.168.430	(611.747)
	18.396.572	14.125.127
	2016	2015
	DKK	DKK
5. Proposed distribution of profit/loss		
Provision for distributions	40.000.000	26.000.000
Retained earnings	16.727.015	18.821.782
	56.727.015	44.821.782

Notes

6. Prepayments

Prepayments comprise prepaid expenses regarding subsequent financial reporting years.

	Number	Par value DKK	Nominal value DKK
7. Contributed capital			
Shares	21	100000	2.100.000
Shares	75	10000	750.000
Shares	2	5000	10.000
Shares	135	1000	135.000
Shares	8	500	4.000
Shares	10	100	1.000
	251		3.000.000

	2016 DKK	2015 DKK
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	2.313.000	1.879.000

Leasing obligations under operating leases - payment within one year DKK 1.279.000 (2015: DKK 877.000).

9. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Orion Corporation, Finland

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Orion Corporation, Finland

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 (medium-size).

The accounting policies applied to these financial statements are consistent with those applied last year.

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.

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 consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, transactions in foreign currencies, and tax relief 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 for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Other financial liabilities

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

Income tax receivable or payable

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

Accounting policies

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the parent company is prepared, as the parent company's cash flows are part of the consolidated cash flow statement.