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Orifarm Generics Holding A/S

Energivej 15
5260 Odense S
Central Business Registration No 27347223

Annual report 2016

The Annual General Meeting adopted the annual report on 19.05.2017

Chairman of the General Meeting

Name: Kim Jensen

Contents

Entity details

Entity
Orifarm Generics Holding A/S
Energivej 15
5260 Odense S

Central Business Registration No: 27347223
Registered in: Odense
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Hans Carl Bøgh-Sørensen, Chairman
Erik Sandberg
Birgitte Bøgh-Sørensen

Executive Board
Ulrik Ernst Rasmussen, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

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 Generics Holding 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.

Odense, 09.05.2017

Executive Board

Ulrik Ernst Rasmussen
Chief Executive Officer

Board of Directors

Hans Carl Bøgh-Sørensen Chairman	Erik Sandberg	Birgitte Bøgh-Sørensen

Independent auditor's report

To the shareholders of Orifarm Generics Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Orifarm Generics Holding A/S for the financial year 01.01.2016 - 31.12.2016, 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. 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 31.12.2016, and of the results of their operations for the financial year 01.01.2016 - 31.12.2016 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 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 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

Independent auditor's report

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 09.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Knage Nielsen
State Authorised Public Accountant

Allan Dydensborg Madsen
State Authorised Public Accountant

Management commentary

	2016 EUR'000	2015 EUR'000
Financial highlights		
Key figures		
Revenue	79,279	54,175
Gross profit/loss	29,598	12,312
Operating profit/loss	14,276	1,948
Net financials	(1,406)	(596)
Profit/loss for the year	9,035	691
Total assets	91,013	79,000
Investments in property, plant and equipment	1,252	0
Equity	34,954	26,041
Ratios		
Gross margin (%)	37.3	22.7
Net margin (%)	11.4	1.3
Return on equity (%)	29.6	2.7
Equity ratio (%)	38.4	33.0

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

Management commentary

Primary activities
The Company's principal activity is to own Generics companies engaged in the sale and production of generic medicinal pharmaceutical products. In addition, the company owns files for approval of the sale of generic pharmaceutical products.

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

Included in Orifarm Generics’ broad range of generic preparations is a line of generic over-the-counter products which are marketed under the umbrella brand ”Tænk gult” in Denmark and ”Tänk Gult” in Sweden.

The formation and development of the company is healthcare business model innovation. This is expressed in Orifarm’s mission statement which is *Rethinking the business of healthcare.*

Orifarm’s vision - “We want to be No. 1 in making healthcare a better deal” - expresses the general objective. "A better deal” refers not only to savings, but also to how Orifarm delivers solutions that meet its stakeholder’s needs. Orifarm’s operating activities are guided by our values which are flexibility, ambition, responsibility and customer focus.

Development in activities and finances
Orifarm Generics Holding’s revenues increased to MEUR 79 (2015: MEUR 54). Furthermore the operating income totalled MEUR 14.3 (2015: MEUR 1.9).

The successful development was driven by strong organic growth as well as full year effect of the acquisition of Growth House Holding in 2015.

Integration of Alternova A/S (a part of the former Growth House Holding group) into Orifarm Generics A/S was successfully completed.

Own-developed niche products for the Rx segment (prescribed medicine) continued a satisfactory development along side with a strong general assortment-wide growth within the Rx segment.

Orifarm Generics experienced continued growth across the Nordic markets within the segment for over-the-counter pharmaceuticals.

Orifarm Generics Holding’s results for 2016 are considered satisfactory.

Special Risks
Operating conditions
For Generic Pharmaceuticals, the company policy states that infringing on patent rights should be avoided. However, since patent holders have a significant commercial interest in defending market monopolies that exceed the protections granted by a given patent, disputes and litigation are difficult to avoid. Consequently, Orifarm is involved in pending legal proceedings and the outcome of these may affect the company's earnings.

Financial matters
The company is exposed to fluctuations in foreign exchange rates and interest rate levels. The risks are mitigated through hedge, in accordance with the company’s policy. Exchange rate risks are primarily related to the currency SEK. Regarding the long term bank loan the interest is partly secured by an interest rate swap.

Management commentary

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

Culture and Employees

It is Orifarm's objective to be a leading supplier of generic pharmaceuticals in the Nordic countries. We believe that our results and the competencies and commitment of our employees are intertwined. That is why we are constantly seeking to develop our employees' knowledge and competencies, which in turn bolster Orifarm's results and growth-oriented culture.

Orifarm is aware of its social responsibilities and accordingly, it is important for the company to have a wide variety of employees. Consequently, the company is stressing internal efforts to integrate employees of other ethnic backgrounds as well as disabled employees.

The level of internationalisation in Orifarm has increased significantly in recent years, and Orifarm has conducted international rotations of employees to ensure integration, knowledge sharing and cultural exchange.

Target Figures for Gender Composition of Management

A description of this subject can be found in the Management's Commentary of Orifarm Group A/S Annual Report.

Corporate Social Responsibility

A description of this subject can be found in the Management's Commentary of Orifarm Group A/S Annual Report.

Environment

A description of this subject can be found in the Management's Commentary of Orifarm Group A/S Annual Report.

Development Activities

The company has significant development activities covering both product and process development.

Events since the End of the Fiscal Year

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

Outlook

Orifarm Generics Holding A/S expects results for 2017 to be in line with 2016.

Consolidated income statement for 2016

	Notes	2016 EUR'000	2015 EUR'000
Revenue		79,279	54,175
Other operating income		1,109	1,106
Cost of sales		(36,564)	(32,146)
Other external expenses		(14,226)	(10,823)
Gross profit/loss		**29,598**	**12,312**
Staff costs	1	(11,200)	(7,621)
Depreciation, amortisation and impairment losses	2	(4,122)	(2,743)
Operating profit/loss		**14,276**	**1,948**
Other financial income	3	569	79
Other financial expenses	4	(1,975)	(675)
Profit/loss before tax		**12,870**	**1,352**
Tax on profit/loss for the year	5	(3,835)	(661)
Profit/loss for the year	6	**9,035**	**691**

Consolidated balance sheet at 31.12.2016

	Notes	2016 EUR'000	2015 EUR'000
Acquired licences		13,900	14,641
Goodwill		39,773	40,652
Intangible assets	7	**53,673**	**55,293**
Land and buildings		1,399	780
Other fixtures and fittings, tools and equipment		1,326	1,092
Leasehold improvements		65	50
Property, plant and equipment	8	**2,790**	**1,922**
Fixed assets		**56,463**	**57,215**
Raw materials and consumables		1,190	1,374
Work in progress		757	583
Manufactured goods and goods for resale		16,200	4,534
Prepayments for goods		0	81
Inventories		**18,147**	**6,572**
Trade receivables		11,885	11,585
Receivables from group enterprises		362	1,477
Deferred tax	9	125	125
Other receivables		385	722
Income tax receivable		316	118
Prepayments		276	274
Receivables		**13,349**	**14,301**
Cash		**3,054**	**912**
Current assets		**34,550**	**21,785**
Assets		**91,013**	**79,000**

Consolidated balance sheet at 31.12.2016

	Notes	2016 EUR'000	2015 EUR'000
Contributed capital		175	174
Retained earnings		29,779	25,867
Proposed dividend		5,000	0
Equity		**34,954**	**26,041**
Deferred tax	9	1,795	1,213
Provisions		**1,795**	**1,213**
Mortgage debts		431	499
Bank loans		16,952	27,525
Non-current liabilities other than provisions	10	**17,383**	**28,024**
Current portion of long-term liabilities other than provisions	10	9,568	10,061
Bank loans		7,985	2,383
Trade payables		7,263	2,200
Payables to group enterprises		2,398	2,768
Income tax payable		2,983	1,425
Other payables		4,115	1,994
Deferred income		2,569	2,891
Current liabilities other than provisions		**36,881**	**23,722**
Liabilities other than provisions		**54,264**	**51,746**
Equity and liabilities		**91,013**	**79,000**
Contingent liabilities	11		
Transactions with related parties	12		
Group relations	13		
Subsidiaries	14		

Consolidated statement of changes in equity for 2016

	Contributed capital EUR'000	Retained earnings EUR'000	Proposed dividend EUR'000	Total EUR'000
Equity beginning of year	174	25,867	0	26,041
Exchange rate adjustments	1	(97)	0	(96)
Fair value adjustments of hedging instruments	0	(26)	0	(26)
Profit/loss for the year	0	4,035	5,000	9,035
Equity end of year	**175**	**29,779**	**5,000**	**34,954**

Notes to consolidated financial statements

	2016 EUR'000	2015 EUR'000
1. Staff costs		
Wages and salaries	9,896	6,699
Pension costs	1,135	791
Other social security costs	169	131
	11,200	**7,621**
Average number of employees	**165**	**104**

Total amount for remuneration of management 111 t.EUR in 2016 (112 t.EUR in 2015)

	2016 EUR'000	2015 EUR'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3,261	2,414
Depreciation of property, plant and equipment	336	227
Profit/loss from sale of intangible assets and property, plant and equipment	525	102
	4,122	**2,743**

	2016 EUR'000	2015 EUR'000
3. Other financial income		
Financial income arising from group enterprises	415	47
Other financial income	154	32
	569	**79**

	2016 EUR'000	2015 EUR'000
4. Other financial expenses		
Financial expenses from group enterprises	360	72
Other financial expenses	1,615	603
	1,975	**675**

	2016 EUR'000	2015 EUR'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	3,157	777
Change in deferred tax for the year	629	(215)
Adjustment concerning previous years	49	99
	3,835	**661**

Notes to consolidated financial statements

	2016 EUR'000	2015 EUR'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	5,000	0
Retained earnings	4,035	691
	9,035	**691**

	Acquired licences EUR'000	Goodwill EUR'000
7. Intangible assets		
Cost beginning of year	20,442	41,161
Exchange rate adjustments	93	156
Additions	2,016	0
Disposals	(828)	0
Cost end of year	**21,723**	**41,317**
Amortisation and impairment losses beginning of year	(5,801)	(509)
Exchange rate adjustments	(47)	(2)
Amortisation for the year	(2,228)	(1,033)
Reversal regarding disposals	253	0
Amortisation and impairment losses end of year	**(7,823)**	**(1,544)**
Carrying amount end of year	**13,900**	**39,773**

	Land and buildings EUR'000	Other fixtures and fittings, tools and equipment EUR'000	Leasehold improve-ments EUR'000
8. Property, plant and equipment			
Cost beginning of year	829	1,239	56
Exchange rate adjustments	3	5	0
Additions	720	504	28
Cost end of year	**1,552**	**1,748**	**84**
Depreciation and impairment losses beginning of the year	(49)	(147)	(6)
Exchange rate adjustments	(55)	(1)	0
Depreciation for the year	(49)	(274)	(13)
Depreciation and impairment losses end of the year	**(153)**	**(422)**	**(19)**
Carrying amount end of year	**1,399**	**1,326**	**65**

Notes to consolidated financial statements

	2016 EUR'000	2015 EUR'000
9. Deferred tax		
Intangible assets	1,595	1,198
Property, plant and equipment	48	1
Liabilities other than provisions	152	0
Tax losses carried forward	(125)	(111)
	1,670	**1,088**

Changes during the year	
Beginning of year	1,088
Recognised in the income statement	589
Recognised directly in equity	(7)
End of year	**1,670**

Allocation of deferred tax in the balance sheet	
Deferred tax recognised under assets	(125)
Deferred tax recognised under liabilities	1,795
	1,670

	Instalments within 12 months 2016 EUR'000	Instalments within 12 months 2015 EUR'000	Instalments beyond 12 months 2016 EUR'000	Outstanding after 5 years EUR'000
10. Liabilities other than provisions				
Mortgage debts	70	65	431	245
Bank loans	9,498	9,996	16,952	0
	9,568	**10,061**	**17,383**	**245**

11. Contingent liabilities

The Group has provided guarantees under which the guarantors assume joint and several liability for group enterprises' net debt with bank and credit institutions. The Groups total net debt in relation to this guarantee is booked at 31.12.2016 of 72,065 t.EUR.

Companies in Orifarm Generics Group has provided receivables from sales of goods and services, 4,306 t.EUR as security for debt to the Group's banks and credit institutions. In addition, there are also security for the debt to banks and credit institutions, pledged unlisted shares in certain subsidiaries with a total book value per 31.12.2016 of 11,986 t.EUR.

Notes to consolidated financial statements

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

The Group companies are a party to ligititation regarding alleged infringements of trademark and patent rights. Management believes that these legal proceedings will not lead to significant losses for the company.

The group participates in a Danish joint taxation arrangement in which Habico Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

12. Transactions with related parties

Related parties with controlling in Orifarm Generics Holding A/S:
Habico Holding A/S, Central Business Registration No. 27 34 71 34, Odense.

Other related parties Orifarm Generics Holding A/S has had transactions with in 2016:

The companies Board of Directors and Executive Board. Fees etc. are seperately disclosed in note 1, staff cost.

All other transactions with related parties are eliminated in the overlying consolidated financial statements. The transactions are carryed out at market terms.

13. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Habico Holding A/S, Central Business Registration No. 27 34 71 34, Odense.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Orifarm Group A/S, Central Business Registration No. 27 34 72 82, Odense.

	Registered in	Corpo-rate form	Equity inte-rest %
14. Subsidiaries			
Orifarm Generics A/S	Denmark	A/S	100.0
Orifarm Generics AB	Sweden	AB	100.0
Orifarm Generics AS	Norway	AS	100.0
Orifarm Generics OY	Finland	OY	100.0
Viminco A/S	Denmark	A/S	100.0
Pilum Pharma AB under liquidation	Sweden	AB	100.0

Parent income statement for 2016

	Notes	2016 EUR'000	2015 EUR'000
Other operating income		1,146	791
Other external expenses		(136)	(34)
Gross profit/loss		**1,010**	**757**
Staff costs		(20)	(13)
Depreciation, amortisation and impairment losses	1	(739)	(617)
Operating profit/loss		**251**	**127**
Income from investments in group enterprises		9,907	969
Other financial income	2	68	7
Other financial expenses	3	(1,380)	(524)
Profit/loss before tax		**8,846**	**579**
Tax on profit/loss for the year	4	189	112
Profit/loss for the year	5	**9,035**	**691**

Parent balance sheet at 31.12.2016

	Notes	2016 EUR'000	2015 EUR'000
Acquired licences		3,864	3,506
Intangible assets	6	**3,864**	**3,506**
Investments in group enterprises		59,120	61,126
Receivables from group enterprises		100	100
Fixed asset investments	7	**59,220**	**61,226**
Fixed assets		**63,084**	**64,732**
Trade receivables		3	208
Receivables from group enterprises		2,646	784
Other receivables		0	103
Income tax receivable		336	107
Receivables		**2,985**	**1,202**
Cash		**29**	**0**
Current assets		**3,014**	**1,202**
Assets		**66,098**	**65,934**

Parent balance sheet at 31.12.2016

	Notes	2016 EUR'000	2015 EUR'000
Contributed capital	8	175	175
Retained earnings		29,779	25,866
Proposed dividend		5,000	0
Equity		**34,954**	**26,041**
Deferred tax	9	850	771
Provisions		**850**	**771**
Bank loans		16,952	26,778
Non-current liabilities other than provisions	10	**16,952**	**26,778**
Current portion of long-term liabilities other than provisions	10	9,498	9,809
Trade payables		39	39
Payables to group enterprises		3,275	1,854
Other payables		530	642
Current liabilities other than provisions		**13,342**	**12,344**
Liabilities other than provisions		**30,294**	**39,122**
Equity and liabilities		**66,098**	**65,934**
Contingent liabilities	11		
Related parties with controlling interest	12		

Parent statement of changes in equity for 2016

	Contributed capital EUR'000	Retained earnings EUR'000	Proposed dividend EUR'000	Total EUR'000
Equity beginning of year	175	25,866	0	26,041
Exchange rate adjustments	0	(96)	0	(96)
Fair value adjustments of hedging instruments	0	(26)	0	(26)
Profit/loss for the year	0	4,035	5,000	9,035
Equity end of year	**175**	**29,779**	**5,000**	**34,954**

Notes to parent financial statements

	2016 EUR'000	2015 EUR'000
1. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	630	607
Impairment losses on intangible assets	109	10
	739	**617**

	2016 EUR'000	2015 EUR'000
2. Other financial income		
Financial income arising from group enterprises	1	5
Other financial income	67	2
	68	**7**

	2016 EUR'000	2015 EUR'000
3. Other financial expenses		
Financial expenses from group enterprises	191	49
Other financial expenses	1,189	475
	1,380	**524**

	2016 EUR'000	2015 EUR'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	(309)	(63)
Change in deferred tax for the year	76	(27)
Adjustment concerning previous years	44	5
Effect of changed tax rates	0	(27)
	(189)	**(112)**

	2016 EUR'000	2015 EUR'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	5,000	0
Retained earnings	4,035	691
	9,035	**691**

Notes to parent financial statements

	Acquired licences EUR'000
6. Intangible assets	
Cost beginning of year	6,815
Exchange rate adjustments	26
Additions	1,085
Disposals	(141)
Cost end of year	**7,785**
Amortisation and impairment losses beginning of year	(3,309)
Exchange rate adjustments	(13)
Amortisation for the year	(630)
Reversal regarding disposals	31
Amortisation and impairment losses end of year	**(3,921)**
Carrying amount end of year	**3,864**

	Investments in group enterprises EUR'000	Receivables from group enterprises EUR'000
7. Fixed asset investments		
Cost beginning of year	61,436	100
Addition through business combinations etc	17,215	0
Disposals on divestments etc	(13,158)	0
Exchange rate adjustments	232	0
Cost end of year	**65,725**	**100**
Impairment losses beginning of year	(310)	0
Exchange rate adjustments	(208)	0
Amortisation of goodwill	(1,554)	0
Impairment losses relating to goodwill	(113)	0
Share of profit/loss for the year	11,544	0
Adjustment of intra-group profits	44	0
Dividend	(16,008)	0
Impairment losses end of year	**(6,605)**	**0**
Carrying amount end of year	**59,120**	**100**

Carrying value of recognized goodwill at the end of the year, 40,085 t.EUR. Receivables from group enterprises are considered as subordinate loan capital in the subsidiaries. There is no claim for repayment, but varying deadlines for beginning repayment will depend of the subsidiaries ability to pay.

Notes to parent financial statements

	Number	Nominal value EUR'000
8. Contributed capital		
Ordinare shares	1,300	175
	1,300	**175**

	2016 EUR'000
9. Deferred tax	
Changes during the year	
Beginning of year	771
Recognised in the income statement	86
Recognised directly in equity	(7)
End of year	**850**

	Instalments within 12 months 2016 EUR'000	Instalments within 12 months 2015 EUR'000	Instalments beyond 12 months 2016 EUR'000
10. Liabilities other than provisions			
Bank loans	9,498	9,809	16,952
	9,498	**9,809**	**16,952**

11. Contingent liabilities

The group has provided guarantees under which the guarantors assume joint and several liability for group enterprises' net debt with bank and credit institution. The Groups total net debt in relation to this guarantee is booked at 31.12.2016 of 72,065 t.EUR.

The Entity has provided security for the debt to banks and credit institutions, pledged unlisted shares in certain subsidiaries with a total book value per 31.12.2016 of 11,986 t.EUR.

The Entity is a party to litigation regarding alleged infringement of patent rights. Management believes that these legal proceedings will not lead to significant losses for the Entity.

The Entity participates in a Danish joint taxation arrangement in which Habico Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Notes to parent financial statements

12. Related parties with controlling interest

Related parties with controlling in Orifarm Generics Holding A/S:
Orifarm Group A/S, Central Business Registration No. 27347282, Odense.

All transactions vith related parties are conducted on market terms.

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 (big).

The accounting policies applied to these consolidated financial statements and parent financial statements are not consistent with those applied last year due to it is the first year in preparing consolidated financial statements. 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.

Segment information

There has been no breakdown of segment information in the notes, as there is only one segment in the Group's annual report

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 statements include Orifarm Generics Holding (parent company) and the companies (group enterprises controlled by the parent. 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. 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.

Accounting policies

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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 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 taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

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. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Accounting policies

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.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for distribution, sale, advertising, administration, premises, etc.

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as 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 internal profits or losses.

Other financial income

Other financial income comprises of interest income, realised as well as unrealised capital gains on liabilities and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprises of interest expenses, realised and unrealised capital losses on liabilities and transactions in foreign currencies.

Accounting policies

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.

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

The jointly taxed companies 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 interestdeduction is recognized in the company in which the interestdeduction has been reduced.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. The amortisation periods used are 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 medical products normally are very long.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise aquired licences.

Aquired licences are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 12 years.

Aquired licences are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-25 years
Leasehold improvements	5 years
Plant and machinery	5-20 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profit or losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling cost and carrying amount at the time of sale. Profit and losses are recognized in the income statement.

Investments in group enterprises
Investments in group enterprises 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 or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

The Parent's share of the enterprises' profts or losses after elimination of unrealised intra-group profits and losses and plus or minus amortisation of positive, or negative, goodwill on consolidation is recognized in the income statement.

Group 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 recognized 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 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 enterprises; see above description under consolidated financiel statements.

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.

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing 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 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.

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 assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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.

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

Accounting policies

Income tax receivable or payable

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 income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86 (4) of the Danish Financial Statements Act, Orifarm Generics Holding A/S has not prepared any cash flow statements, given that there are cash flow statements consistent with those applied last year.