

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

Central Business Registration no. 27 34 72 23

**Annual report 2015**

The Annual General Meeting adopted the annual report on \_\_\_\_/\_\_\_\_ 2016

**Chairman of the General Meeting:**

\_\_\_\_\_



## Orifarm Generics Holding A/S

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## Company details

### Company

Orifarm Generics Holding A/S  
Energivej 15  
5260 Odense S  
Central Business Registration no. 27 34 72 23  
Registered in: Odense

### Board of Directors

Hans Bøgh-Sørensen, Chairman of the Board  
Claudio Albrecht  
Claus Bayer  
Erik Sandberg  
Peter Arend William Burema  
Rolf Eckersberg

### Executive Board

Ulrik Rasmussen, Chief Executive Officer

### Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab

## Statement by management

We have today presented the annual report of Orifarm Generics Holding A/S for the financial year 1 January 2015 - 31 December 2015.

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 Company's financial position and results. Also, 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, 11 May 2016

### Executive Board

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Ulrik Rasmussen  
Chief Executive Officer

### Board of Directors

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Hans Bøgh-Sørensen  
Chairman of the Board

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Claudio Albrecht

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Claus Bayer

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Erik Sandberg

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Peter Arend William Burema

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Rolf Eckersberg

## Independent auditor's report

To the shareholders of Orifarm Generics Holding A/S

### Report on the financial statements

We have audited the financial statements of Orifarm Generics Holding A/S for the financial year 1 January 2015 - 31 December 2015, which comprise the accounting policies, income statement, balance sheet, statement of change in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### Management's responsibility 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.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of their operations for the financial year 1 January 2015 - 31 December 2015 in accordance with the Danish Financial Statements Act.

## Independent auditor's report

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Odense, 11 May 2016

### Deloitte

Statsautoriseret Revisionspartnerselskab  
CVR-nr. 33963556

Lars Knage Nielsen

State Authorised Public Accountant

Allan Dydensborg Madsen

State Authorised Public Accountant

# Orifarm Generics Holding A/S

## Management's Commentary

The Company's principal activity is to own Generics companies engaged in the sale and production of generic medicinal 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 are a number 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 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.

## Review of financial performance in 2015

Orifarm Generics Holding's gross profit declined compared to last year to MDKK 5.654 (2014: MDKK 8.232) mainly due to a lower intercompany charge.

Overall the Orifarm Generics companies continued the successful development in the financial results in 2015, driven by the acquisition of Growth House Holding which further strengthened Orifarm's ambition to grow in the Nordic market for generic pharmaceuticals.

Furthermore Orifarm Generics experienced continued growth in both prescribed and over-the-counter pharmaceuticals across the Nordics. This among other due to successful launches of own developed products for the Rx segment in 2015

Orifarm Generics Holding's results for 2015 are considered satisfactory.

## Special Risks

### *Operating conditions*

For the business area 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 interest rate levels and foreign exchange rates. The risks are mitigated through hedge, in accordance with the company's policy. Regarding the long term bank loan the interest is secured by an interest rate swap.

## **Orifarm Generics Holding A/S**

### **Management's 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 Scandinavia. 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.

### **Social Responsibility**

Orifarm does not have a policy for the area.

The company has only very limited impact on the surrounding environment. Unsalable pharmaceuticals are destroyed by a certified company. Superfluous packaging etc. is sorted and reused to the extent possible.

### **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 taken place to change the assessments made in the Annual Report.

### **Outlook**

Orifarm Generics Holding expects results for 2016 to be somewhat better than in 2015.

## Accounting policies

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with additional choice from class C.

Referring to section 112 (1) of the Danish Financial Statements Act, Orifarm Generics Holding A/S has not prepared any consolidated financial statements.

The accounting policies applied for 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 benefit will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Company 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 Company, and the value of the liabilities can be measured reliably.

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

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

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

## 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 currency 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 one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

On recognition of foreign subsidiaries and associates, which are separate entities, all amounts are translated at the closing rates. Exchange differences arising from translation of foreign subsidiaries' and associates' equity at the balance sheet date are recognized directly in equity.

## Income statement

### Revenue

Revenue consists of sales of royalty to other generic group companies.

### Other external expenses

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

### Staff costs

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



## Accounting policies

### Financial income and expenses

These items comprise interest income and interest expenses, realised as well as unrealised capital gains and losses on liabilities and transactions in foreign currencies.

### Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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

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

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

The Company is jointly taxed with the ultimate Parent company and all the ultimate Parent company's 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

### Files

Files and application fees are measured at cost less accumulated amortisation and impairment losses.

Files and application fees regarding generic products are amortised straight-line over their expected useful lives calculated from the date when the product to which the files and application fees relate is introduced to the market. The amortisation period is 3-12 years.

When the files is subject to impairment files is written down to the lower of recoverable amount and carrying amount.

### 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 and plus or minus unrealised intra-group profits and losses.

The company has preimplemented the new rules for amortisation of goodwill. The goodwill is amortized over 10-40 years which is the estimated useful lifetimes.

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.

## Accounting policies

The Company's share of the enterprises' profits or losses after elimination of unrealised intra-group profits or losses and less or plus amortisation of positive, or negative, goodwill is recognised 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 Company'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 Company 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.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad receivables.

### Other financial liabilities

Other financial liabilities are measured at amortized cost, usually equaling nominal value of the liability.

As part of the hedge of recognized and unrecognized transactions, the company uses hedging instruments in the form of interest swap. As at 31.12.2015 unrealized net losses on derivative financial instruments for interest swap in total amounts TDKK 1.496. The amount is in the balance sheet included under other debt.

## Orifarm Generics Holding A/S

### Income statement

(1.000 DKK)

	Note	2015	2014
<b>Gross profit</b>		<b>5.654</b>	<b>8.232</b>
Staff costs	1	-100	-100
<b>Income before depreciation</b>		<b>5.554</b>	<b>8.132</b>
Depreciation and impairment losses	2	-4.603	-4.275
<b>Operating income</b>		<b>951</b>	<b>3.857</b>
Income from investments in group enterprises	3	7.230	1.116
Financial income	4	54	407
Financial expenses	5	-3.914	-531
<b>Profit before tax</b>		<b>4.321</b>	<b>4.849</b>
Tax	6	839	-733
<b>Profit for the year</b>		<b>5.160</b>	<b>4.116</b>
 <b>Distribution of profit</b>			
Retained earnings		5.160	
		<b>5.160</b>	

## Orifarm Generics Holding A/S

### Balance sheet

(1.000 DKK)

	Note	2015	2014
Files		26.163	27.075
<b>Intangible assets</b>		<b>26.163</b>	<b>27.075</b>
Investments in group enterprises	7	456.153	13.476
Receivables from group enterprises	8	744	1.070
<b>Financial assets</b>		<b>456.898</b>	<b>14.546</b>
<b>Fixed assets</b>		<b>483.061</b>	<b>41.621</b>
Receivables from group enterprises		5.853	2.576
Trade receivables		1.549	72
Income taxes		798	0
Other receivables		765	745
<b>Receivables</b>		<b>8.965</b>	<b>3.393</b>
<b>Current assets</b>		<b>8.965</b>	<b>3.393</b>
<b>Total assets</b>		<b>492.026</b>	<b>45.014</b>

## Orifarm Generics Holding A/S

### Balance sheet

(1.000 DKK)

	<b>Note</b>	<b>2015</b>	<b>2014</b>
Share capital	9	1.300	1.200
Retained earnings		193.032	14.141
<b>Total equity</b>		<b>194.332</b>	<b>15.341</b>
Deferred tax liabilities		5.756	6.143
<b>Provisions</b>		<b>5.756</b>	<b>6.143</b>
Bank debt	10	199.832	0
<b>Long-term liabilities</b>		<b>199.832</b>	<b>0</b>
Bank debt		73.200	0
Trade payables		289	161
Payables to group enterprises		13.837	22.458
Income taxes		0	775
Other debt		4.780	136
<b>Short-term liabilities</b>		<b>92.106</b>	<b>23.530</b>
<b>Liabilities</b>		<b>291.938</b>	<b>23.530</b>
<b>Total equity, provisions and liabilities</b>		<b>492.026</b>	<b>45.014</b>
Pledged assets and contingent liabilities etc.	11		
Other Notes	12-13		

**Statement of changes in equity for 2015**

(1.000 DKK)

**Koncern**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
Equity at 1 January 2015	1.200	14.141	15.341
Exchange rate adjustments, foreign subsidiaries	0	-2	-2
Adjustment of hedging instruments	0	-1.496	-1.496
Deferred tax on equity adjustments	0	329	329
Capital increase	100	174.900	175.000
Profit for the year	0	5.160	5.160
<b>Equity at 31 December 2015</b>	<b>1.300</b>	<b>193.032</b>	<b>194.332</b>

## Orifarm Generics Holding A/S

### Noter

(1.000 DKK)

	2015	2014
<b>1. Staff costs</b>		
Salaries and wages	100	100
	<b>100</b>	<b>100</b>
<b>2. Depreciation and impairment losses</b>		
Impairment, files	74	0
Depreciation, files	4.529	4.275
	<b>4.603</b>	<b>4.275</b>
<b>3. Income from investments in group enterprises</b>		
Share of profit after tax	16.969	1.116
Amortisation of goodwill	-9.740	0
	<b>7.230</b>	<b>1.116</b>
<b>4. Financial income</b>		
Financial income from group enterprises	40	3
Other financial income	14	404
	<b>54</b>	<b>407</b>
<b>5. Financial expenses</b>		
Financial expenses to group enterprises	367	528
Other financial expenses	3.547	3
	<b>3.914</b>	<b>531</b>
<b>6. Tax</b>		
Current tax	-469	775
Change in deferred tax	-201	-294
Effect of changed tax rates	-203	-212
Adjustment concerning previous years	34	464
	<b>-839</b>	<b>733</b>

**Notes**

(1.000 DKK)

	<u>Investments in group enter- prises</u>
<b>7. Investments in group enterprises</b>	
Cost at 01.01.2015	23.015
Additions	435.450
<b>Cost at 31.12.2015</b>	<b><u>458.465</u></b>
Net revaluation at 01.01.2015	-9.539
Net share of profit/loss for the year	16.969
Amortization goodwill	-9.740
Exchange rate adjustments	-2
<b>Net revaluation 31.12.2015</b>	<b><u>-2.312</u></b>
<b>Carrying amount 31.12.2015</b>	<b><u>456.153</u></b>
Carrying amount 31.12.2014	<u>13.476</u>

Carring amount of goodwill recognised this year is 340.135 t.DKK

Investments in group enterprises comprises:	Registered office:	Owner's share
Orifarm Generics A/S	Denmark	100%
Orifarm Generics AB	Sweden	100%
Orifarm Generics AS	Norway	100%
Orifarm Generics OY	Finland	100%
Growth House Holding A/S	Denmark	100%
- Growth House ApS	Denmark	

**8. Receivables from group enterprises**

The loans are considered as subordinated loan capital in the subsidiaries. There is no time limit for repayment, but varying deadlines for beginning repayment will depend of the ability to pay.

**9. Share capital**

The share capital is divided into multipla of 1.000 DKK.

The shares is not divided into share classes.

1.200 Contribution from start of company.

100 Capital increase 07.07.2015

**1.300 Share capital 31.12.2015**

**10. Long-term debt**

	<b>Due for payment within 1 year</b>	<b>Due for payment after 1 year</b>	<b>Amortized debt in total</b>	<b>Nominal debt in total</b>
Bank loans	73.200	199.832	273.032	273.032
<b>Long-term debt 31.12.2015</b>	<b><u>73.200</u></b>	<b><u>199.832</u></b>	<b><u>273.032</u></b>	<b><u>273.032</u></b>
Long term debt 31.12.2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Due for payment after 5 years:				
Bank loans		<u>0</u>		
		<b><u>0</u></b>		



## Notes

(1.000 DKK)

### 11. Pledged assets and contingent liabilities etc.

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 623 m.DKK at 31.12.2015

In addition, there are also security for the debt to banks and credit institutions, pledged unlisted shares in Orifarm Generics AB, Sweden (2.899 t.DKK).

The Company and subsidiaries are a party to litigation regarding alleged infringement of patent rights. Management believes that these legal proceedings will not lead to significant losses for the company.

Companies in Orifarm Generics Holding Group has provided receivables from sales of goods and services, 84.179 t.DKK, as security for debt to the Group's banks and credit institutions.

The company is jointly taxed with all Danish subsidiaries, with Habico Holding A/S as the administration company. The Company therefore held liable under the Corporation Tax Act rules for income taxes, and if any obligations to withhold tax on interest, royalties and dividends for the jointly taxed companies.

### 12. Ownership

The company has registered the following shareholders to hold more than 5% of the voting share capital Orifarm Group A/S, Energivej 15, 5260 Odense S.

### 13. Consolidation

Orifarm Generics Holding A/S and subsidiaries are included in the consolidated financial statements of Orifarm Group A/S, Odense, Central Business Registration No 27 34 72 82.

Orifarm Generics Holding A/S and subsidiaries are additionally included in the ultimate consolidated financial statements of Habico Holding A/S, Odense, Central Business Registration No 27 34 71 34.