Habico A/S

Energivej 15
5260 Odense S

Central Business Registration no. 75 12 85 17

Annual report 2016

The Annual General Meeting adopted the annual report on ___/___ 2017

Chairman of the General Meeting:

ORIFARM

Table of contents

Company details

Company
Habico A/S
Energivej 15
5260 Odense S
Central Business Registration No: 75 12 85 17
Registered in: Odense

Board of Directors
Ole Michael Friis, Chairman
Birgitte Bøgh-Sørensen
Hans Carl Bøgh-Sørensen

Group executive board
Hans Carl Bøgh-Sørensen, Chief Executive Officer

Company auditors
Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Habico 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, 26. May 2017

Executive Board

Hans Carl Bøgh-Sørensen
Chief Executive Officer

Board of Directors

Ole Michael Friis Chairman	Birgitte Bøgh-Sørensen	Hans Carl Bøgh-Sørensen

Independent auditor's report

To the shareholders of Habico A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Habico 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, 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 31.12.2016, and of the results of their operations and the consolidated cash flows 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 Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the consolidated financial statements and the parent financial 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, 26. May 2017

Deloitte

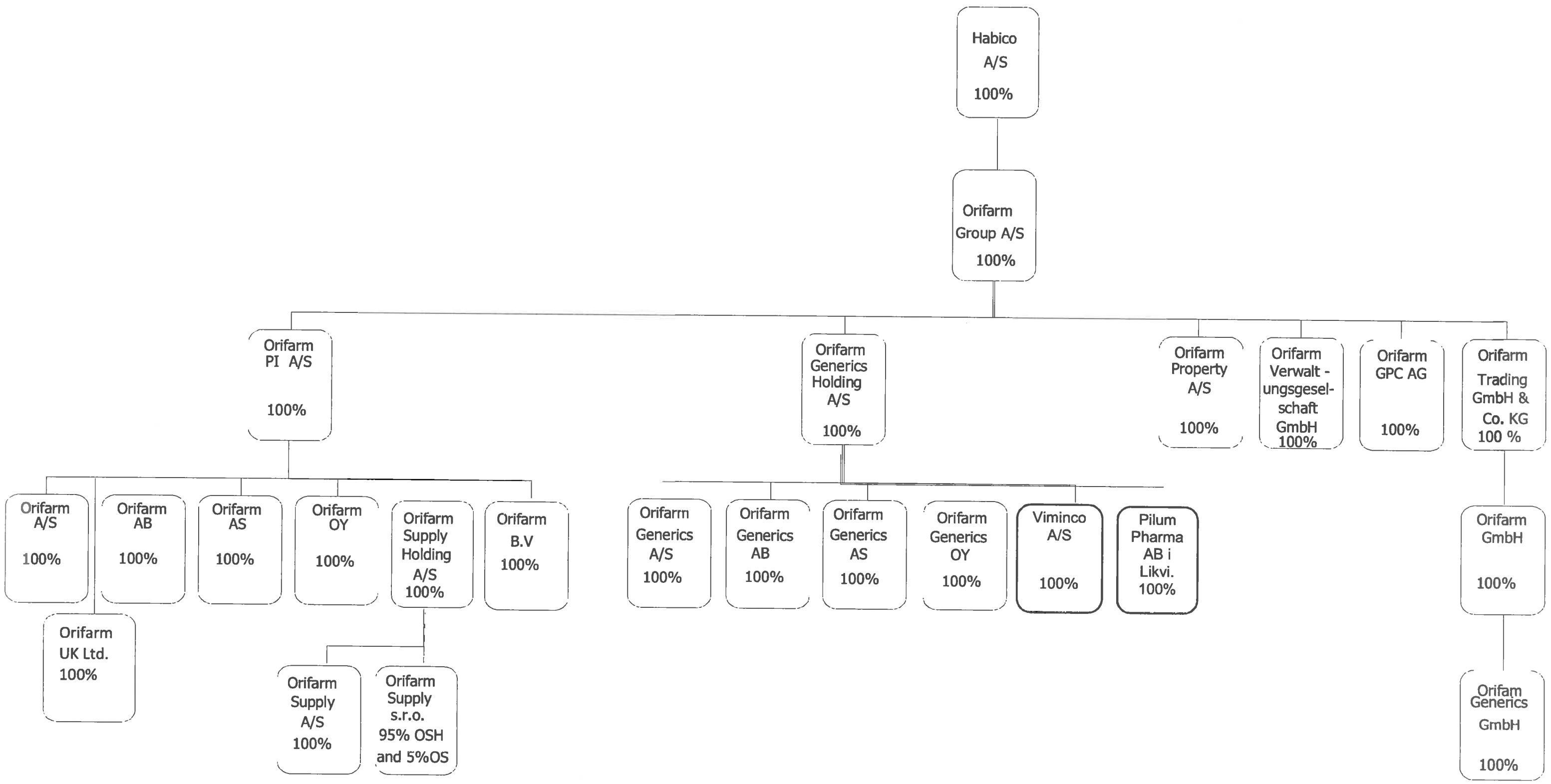
Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Lars Knage Nielsen
State-Authorised
Public Accountant

Allan Dydensborg Madsen
State-Authorised
Public Accountant

Group structure



Management´s Commentary

Financial highlights of the Group

(mio. EUR)	**2016**	**2015**	**2014**	**2013**	**2012**
Key figures					
Revenue	725,8	759,1	755,0	727,2	666,5
Gross profit	108,7	96,9	91,2	95,6	93,2
Operating income	24,4	20,0	16,2	16,0	10,8
Net financials	-6,1	-4,5	-3,1	-2,8	-7,8
Profit for the year	11,7	12,4	9,3	10,2	2,9
Inventories	148,6	119,2	143,0	142,6	125,1
Receivables from sales	95,4	95,0	78,3	81,8	63,2
Equity	115,6	105,8	96,1	89,1	79,0
Total assets	350,2	325,5	289,7	303,2	290,3
Ratios					
Gross margin (%)	15,0	12,8	12,1	13,1	14,0
Operating margin (%)	3,4	2,6	2,1	2,2	1,6
Equity ratio (%)	33,0	32,5	33,2	29,4	27,2
Return on equity (%)	10,6	12,3	10,0	12,1	3,8

Habico A/S

Management's Commentary

In 2016, Habico continued its positive trajectory as significant progress was made by both business units, Orifarm Parallel Import and Orifarm Generics. Orifarm Generics successfully maintained its focus on generic niche products, and Parallel Import again managed to improve earnings in a very competitive and regulated environment.

- Habico's revenues declined by 4.4% to MEUR 726 (2015: MEUR 759). Operating income excl. extraordinary items increased by MEUR 9.3 to MEUR 32.1 (2015: MEUR 22.6)
- Orifarm Parallel Import's revenues totalled MEUR 646 (2015: MEUR 705). Operating income excl. extraordinary items increased by MEUR 3.8 to MEUR 22.0 (2015: MEUR 18.2)
- Orifarm Generics' revenues rose to MEUR 79 (2015: MEUR 54). Operating income increased by MEUR 6.6 to MEUR 14.3 (2015: MEUR 7.7)

Company presentation

Habico consists of two operating divisions: Orifarm Parallel Import and Orifarm Generics.

Common to both operating divisions is healthcare business model innovation. This is expressed in Habico's mission statement which is *Rethinking the business of healthcare.*

Habico'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 Habico delivers solutions that meet its stakeholder's needs. Habico's operating activities are guided by our values which are flexibility, ambition, responsibility and customer focus.

Orifarm Parallel Import

Orifarm Parallel Import was established in 1994 in response to significant price differentials for identical pharmaceuticals across EU Member States. Pharmaceuticals are imported from EU/EEA Member States where original pharmaceutical producers sell their preparations at prices that are lower than what they demand for the identical products in e.g. the Nordic countries and Germany. In doing so, Habico utilises the principle of free movement of goods within the EU/EEA.

Orifarm Parallel Import's activities have led to lower prices of pharmaceuticals and thus savings benefitting both patients and society at large in the markets in which it operates.

Despite the principles of free movement of goods within the EU/EEA, and without regard for the fact that the efforts of Orifarm Parallel Import and its competitors have led to lower costs of pharmaceuticals, various barriers to the parallel import trade are still being tolerated by the EU; see section entitled "Obstacles to healthcare cost savings generated by the Parallel Import trade" below.

Orifarm Generics

Habico 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.

Management's Commentary

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.

Review of financial performance in 2016

Habico's results for 2016 are considered satisfactory and in line with the expectations, not least as it includes considerable extraordinary charges for manufacturers discount for private sick funds in Germany as mentioned below.

Habico's revenues declined by 4.4% to MEUR 726 (2015: MEUR 759) caused by challenging market conditions affecting Parallel Import.

Following the acquisition of Growth House Holding in 2015, and despite continued challenging market conditions in Parallel Import, Habico's gross margin increased to 15.0% (2015: 12.8%).

Habico's operating margin increased to 3.4% (2015: 2.6%), helped by full-year effects of the acquisition of Growth House, significant organic growth in Generics as well as dedicated focus on profitability in Parallel Import. Habico's operating income increased by MEUR 4,4m to MEUR 24.4 (2015: MEUR 20.0).

Since 2011, Orifarm Parallel Import has been charged a mandatory so-called "manufacturers discount" by private sick funds in Germany. Orifarm believes this is not in compliance with German laws and has challenged this legally. Nonetheless, in 2016, a final court ruling stated that these charges were compliant with German law, and hence Orifarm had to carry a one-time loss amounting to EUR 4,4m related to the years 2011 to 2016.

2016 performance highlights – Orifarm Parallel Import

- Although Market conditions were challenging PI achieved margin improvements and an overall improvement in net result
- Orifarm Parallel Import's revenues totalled MEUR 646 (2015: MEUR 705)
- Orifarm Parallel Import's operating income excl. extraordinary items totalled MEUR 22.0 (2015: MEUR 18.2)
- Orifarm Parallel Import maintained its leading position as Europe's largest parallel importer of pharmaceuticals
- In Germany, operating profit were lifted through dedicated efforts and despite fierce price competition
- In Sweden, operating income as well as margins were under significant pressure due to the weak Swedish Krona. However, Orifarm's market leading position was maintained
- In Denmark, profitability was increased despite fierce competition
- Despite BREXIT, Orifarm continued plans to enter the UK market. The weakened British Pound, however, has led to pressure on profitability, but as UK is the second biggest PI market in Europe, Orifarm continues to see short-term possibilities

Management's Commentary

- Orifarm entered the Austrian market

2016 performance highlights – Orifarm Generics

- Orifarm Generics' revenues increased to MEUR 79 (2015: MEUR 54)
- Orifarm Generics' operating income totalled MEUR 14.3 (2015: MEUR 7.7)
- Orifarm Generics continued the successful development in the financial results in 2016, 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

Obstacles to healthcare cost savings generated by the Parallel Import trade

A series of measures undertaken by original producers and by some EU Member States hamper trade in pharmaceuticals and reduce Habico's ability to grow its parallel-import business:

Quota systems
A number of the world's biggest pharmaceutical manufacturers have introduced quota systems for selling pharmaceuticals in the EU. In some cases, pharmaceutical manufacturers have gone even further and stopped making deliveries to wholesalers who are re-exporting pharmaceuticals. This practise limits Habico's sourcing opportunities and consequently also the capacity to increase sales. In Habico's view, quota systems are in breach of the EU Treaty because they let pharmaceutical manufacturers restrict competition within the EU.

Export ban
Several EU Member States have introduced or attempted to introduce bans on exports of pharmaceuticals to other member states or have hampered exports by imposing obligations onto exporters' notification as regards to regulatory authorities and approval regimens prior to export. Export bans and disproportionate export barriers violate the EU Treaty's provisions on the free movement of goods and may change Habico's entire business model. We therefore strongly disapprove of such measures. The European Commission is regularly informed about developments with the purpose of potential intervention.

Dual pricing
In Spain, a number of multinational pharmaceutical manufacturers have established or maintained – supported by a legal frame work initiated by the Government – a dual pricing system. Dual pricing forces pharmaceutical manufacturers sell their products at an artificially inflated price to Spanish pharmaceutical wholesalers. However, if the wholesalers can document that the products are intended for domestic sale - and not for re-export – then wholesalers will receive a discount bringing the price to the 'normal' Spanish price level. For parallel importers, the dual-pricing system, therefore,

means that one of the EU's fundamental principles - free movement of goods between union members states - is effectively overruled. In Habico's opinion, dual-priding violates the competition provisions set out in the EU Treaty.

Nonetheless, despite these trade restrictions, Habico has continued to provide its customers with stable deliveries of goods by cultivating new procurement countries and channels.

Special Risks

Operating conditions
To a significant extent, consolidated earnings depend on legislative measures that affect the pricing of pharmaceuticals in both the purchase and the sales countries. Earnings are also affected by measures in the sales countries which are intended to limit the consumption of pharmaceuticals.

It is Habico's policy to avoid infringing on trademark rights, and Habico is not currently involved in any major pending litigation of this kind.

For the business area Generic Pharmaceuticals, Habico 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, Habico is involved in pending legal proceedings and the outcome of these may affect Habico's earnings.

Financial matters
Habico is exposed to fluctuations in foreign exchange rates and interest rate levels. The risks are mitigated through hedge, in accordance with the Group's policy. Exchange rate risks are primarily related to the currencies SEK, CZK and GBP. A 1 percentage point change in the interest rate level affects the Group's earnings net by approx. MEUR 1,3.

Habico'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 Habico's objective to be a leading supplier of parallel-imported and generic pharmaceuticals in the Nordic countries, Germany, Austria, Holland and England. 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 Habico's results and growth-oriented culture.

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

Management's Commentary

Target Figures for Gender Composition of Management

At Habico, diversity is considered a strength that opens up access to the most talented employees.

Offering excellent career opportunities to both female and male employees helps ensuring that Habico has the capacity of appointing the best candidate for a given position. This is also reflected in the gender distribution among our executives in Danish companies where 40% are female and 60% are male.

The policy is to recruit the best candidate for a given position. If more candidates are assessed equal on competencies, the underrepresented gender will be chosen for the position. The ambition is to have at least 40% of both sexes represented on Habico's management team.

The Supervisory Board of Habico A/S currently consists of 3 general elected members of whom 1 are women. This distribution is deemed to be acceptable based on the small size of the board.

Corporate Social Responsibility

Areas within CSR as defined by The Danish Financial Statements Act including environmental and social responsibility, employee relations, human rights, anticorruption and bribe are all areas with significant importance to Habico. So far it was not found necessary to formulate a specific policy for these areas except for the environmental area, but it has been decided to prepare a policy for the remaining CSR areas to be implemented at latest by 1st January 2018.

Environment

It is our aim to contribute to a better environment by ensuring that environmental concerns are a natural part of all our activities.

Habico primarily effects the environment through the resources used in our buildings and for transportation. To minimize environmental impacts, an environmental policy have been incorporated throughout the organisation, guiding every employee on how to take care of the environment in daily life. Therefore, Habico are constantly working to reduce its energy consumption and improve its waste management.

Through a wide range of activities, Habico have in 2016 reduced the environmental impact:

- Increasing efficiency in transportation
- Imposing strict requirements for emission allowed for trucks used for transportation
- Replacing traditional bulb light with LED
- Improving heat pump efficiency through the use of exhaust air

These actions have in our opinion led to a reduction of Co2 emission even though we have not yet implemented measurements.

Development Activities

Habico's two business areas both have significant development activities covering both product and process development.

Management's Commentary

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

Habico expects results for 2017 to be better than in 2016. Improvements are primarily expected in Orifarm Parallel Import.

Income statement
(1.000 EUR)

Parent company 2015	Parent company 2016		Note	Group 2016	Group 2015
		Revenue	1	725.777	759.051
		Other income		404	462
		Cost of sales		-617.524	-662.588
		Gross profit		**108.657**	**96.925**
-242	-117	Other external expenses		-32.318	-29.266
		Staff costs	2	-42.980	-39.894
-242	**-117**	**Income before depreciation**		**33.359**	**27.765**
		Depreciation and impairment losses	3	-8.978	-7.793
-242	**-117**	**Operating income**		**24.381**	**19.972**
9.120	10.181	Income from investments in group entities	4		
5.707	3.907	Financial income	5	3.580	7.246
-1.533	-1.875	Financial expenses	6	-9.687	-11.744
13.052	**12.096**	**Profit before tax**		**18.274**	**15.474**
-631	-429	Tax	7	-6.607	-3.053
12.421	**11.667**	**Profit for the year**	8	**11.667**	**12.421**

Balance sheet

(1.000 EUR)

Parent company 2015	Parent company 2016		Note	Group 2016	Group 2015
		Goodwill		48.526	49.919
		Files and application fees		19.712	18.947
		Other intangible assets		2.888	4.678
		Intangible assets	9	**71.126**	**73.544**
		Property		19.829	18.655
		Leasehold improvements		65	55
		Plant and equipments		3.201	2.767
		Tangible fixed assets	10	**23.095**	**21.477**
90.315	98.486	Investments in group entities	11		
5.540	0	Other bonds and equity investments	12	28	5.569
95.855	**98.486**	**Financial assets**		**28**	**5.569**
95.855	**98.486**	**Fixed assets**		**94.249**	**100.590**
0	**0**	**Inventories**	13	**148.576**	**119.207**
		Receivables from sales		95.356	95.020
36.725	17.848	Receivables from group entities		3.810	4.638
0	0	Other receivables		765	3.445
		Prepayments	14	1.432	1.060
		Deferred tax assets	15	2.236	0
		Income taxes		720	580
36.725	**17.848**	**Receivables**		**104.319**	**104.743**
0	**0**	**Cash**		**3.086**	**951**
36.725	**17.848**	**Current assets**		**255.981**	**224.901**
132.580	**116.334**	**Total assets**		**350.230**	**325.491**

Balance sheet

(1.000 EUR)

Parent company 2015	Parent company 2016		Note	Group 2016	Group 2015
3.682	3.682	Share capital	16	3.682	3.682
56.365	64.537	Reserve for net revaluation of equity holdings			
43.771	43.970	Retained earnings		108.507	100.136
2.015	3.363	Proposed dividends for the year		3.363	2.015
105.833	**115.552**	**Total equity**		**115.552**	**105.833**
		Other provisions		0	5.164
		Deferred tax liabilities	15	4.626	1.775
		Provisions		**4.626**	**6.939**
		Mortgage debt		5.408	6.321
24.323	0	Bank loan		39.956	52.108
24.323	**0**	**Long-term liabilities**	17	**45.364**	**58.429**
		Short-term portion of long-term liabilities	17	10.868	10.884
1.300	35	Bank debt		96.847	63.516
0	0	Trade payables		43.099	38.113
801	423	Income taxes		5.461	4.482
323	324	Other debt		28.413	37.295
2.424	**782**	**Short-term liabilities**		**184.688**	**154.290**
26.747	**782**	**Liabilities**		**230.052**	**212.719**
132.580	**116.334**	**Total equity, provisions and liabilities**		**350.230**	**325.491**

Pledged assets and contingent liabilites	18
Other Notes	19-24

Statement of changes in equity
(1.000 EUR)

Group

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 01.01.2016	3.682	100.136	2.015	105.833
Exchange rate adjustments, foreign subsidiaries	0	-60	0	-60
Adjustment of hedging instruments	0	127	0	127
Distributed dividend	0	0	-2.015	-2.015
Profit for the year	0	8.304	3.363	11.667
Equity at 31.12.2016	**3.682**	**108.507**	**3.363**	**115.552**

Parent company

	Share capital	Net revaluation equity method	Retained earnings	Proposed dividend	Total
Equity at 01.01.2016	3.682	56.365	43.771	2.015	105.833
Exchange rate adjustments, foreign subsidiaries	0	-122	62	0	-60
Adjustment of hedging instruments	0	127	0	0	127
Distributed dividend in the year	0	0	0	-2.015	-2.015
Profit for the year	0	8.167	137	3.363	11.667
Equity at 31.12.2016	**3.682**	**64.537**	**43.970**	**3.363**	**115.552**

Cash flow statement

(1.000 EUR)

	Note	Group 2016	Group 2015
Operating income		24.381	19.972
Depreciation and impairment losses		8.978	7.793
Exchange rate adjustments and hedging instruments on equity		67	-721
Change in other provisions		-5.164	0
Working capital changes	19	-30.466	23.094
		-2.204	50.138
Interests, net		-6.107	-4.498
Income taxes paid		-5.245	-2.342
Cash flows from operating activities		**-13.556**	**43.298**
Acquisition of intangible assets, property, plant and equipment		-9.012	-68.776
Sale of property, plant and equipment		6.468	2.753
Cash flows from investing activities		**-2.544**	**-66.023**
Cash flows from operating and investing activities		**-16.100**	**-22.725**
Change in long-term liabilities other than provisions, net		-13.081	61.671
Dividend paid		-2.015	-2.015
Cash flow from financing activities		**-15.096**	**59.656**
Increase/decrease in cash and cash equivalents		**-31.196**	**36.931**
Cash and equivalents 01.01.2016		-62.565	-101.135
Adjustment according to acquisition		0	1.639
Cash and equivalents 31.12.2016	20	**-93.761**	**-62.565**

Notes

(1.000 EUR)

Parent company 2015	Parent company 2016		Group 2016	Group 2015
		1. Segment information		
		Revenue		
		Parallelimport	646.498	704.876
		Generics	79.279	54.175
		Total	**725.777**	**759.051**
		2. Staff costs		
		Wages and salaries	34.807	32.351
		Pension costs	2.805	2.335
		Other social security costs	5.368	5.208
			42.980	**39.894**
		Of this, for Board of Directors	**141**	**127**
		Average number of employees	**960**	**922**
		Accumulated fees paid to executive board and board of directors in the group, concerning managerial work	**1.040**	**987**
		3. Depreciation and impairment losses		
		Goodwill	1.557	1.034
		Files and applications	4.381	3.001
		Other intangible assets	1.651	2.386
		Buildings	495	425
		Operating equip. and leasehold improvements	894	947
			8.978	**7.793**
		4. Income from investments in group enterprises		
9.120	10.181	Share of profit/loss after tax		
9.120	**10.181**			
		5. Financial income		
4.916	3.904	Financial income, group enterprises	1.095	2.483
791	3	Other financial income	2.485	4.763
5.707	**3.907**		**3.580**	**7.246**

Notes
(1.000 EUR)

Parent company 2015	Parent company 2016		Group 2016	Group 2015
		6. Financial expenses		
44	0	Financial expenses, group enterprises	1.062	2.454
1.489	1.875	Other financial expenses	8.625	9.290
1.533	**1.875**		**9.687**	**11.744**
		7. Tax		
801	429	Current tax	5.317	3.917
0	0	Change in deffered tax	579	-1.313
-170	0	Adjustments concerning previous years	711	449
631	**429**		**6.607**	**3.053**
		8. Distribution of profit		
	3.363	Proposed dividend		
	8.167	Reserve for net revaluation of equity holdings		
	137	Retained earnings		
	11.667			

9. Intangible assets	Group **Goodwill**	**Files and application fees**	**Other intangible assets**	**Total**
Cost at 01.01.2016	58.963	34.843	15.333	109.139
Additions	0	5.249	784	6.033
Exchange rate adjustments	179	43	59	281
Disposals	0	-1.192	-1.075	-2.267
Cost at 31.12.2016	**59.142**	**38.943**	**15.101**	**113.186**
Amortization 01.01.2016	9.044	15.896	10.655	35.595
Amortization for the year	1.557	4.381	1.651	7.589
Exchange rate adjustments	15	1	42	58
Reversal relating to disposals	0	-1.047	-135	-1.182
Amortization 31.12.2016	**10.616**	**19.231**	**12.213**	**42.060**
Carrying amount 31.12.2016	**48.526**	**19.712**	**2.888**	**71.126**
Carrying amount 31.12.2015	49.919	18.947	4.678	73.544

Notes
(1.000 EUR)

10. Tangible fixed assets	Group Property	Lease-hold improve-ments	Plant and equitment	Total
Cost at 01.01.2016	21.675	1.393	9.439	32.507
Additions	1.520	28	1.432	2.980
Exchange rate adjustments	173	-3	79	249
Disposals	0	0	-165	-165
Cost at 31.12.2016	**23.368**	**1.418**	**10.785**	**35.571**
Depreciation 01.01.2016	3.020	1.338	6.672	11.030
Depreciation for the year	495	12	882	1.389
Exchange rate adjustments	24	3	65	92
Reversal relating to disposals	0	0	-35	-35
Depreciation 31.12.2016	**3.539**	**1.353**	**7.584**	**12.476**
Carrying amount 31.12.2016	**19.829**	**65**	**3.201**	**23.095**
Carrying amount 31.12.2015	18.655	55	2.767	21.477

11. Investments in group entities	Parent company
Cost at 01.01.2016	33.950
Cost at 31.12.2016	**33.950**
Net revaluation at 01.01.2016	56.365
Net share of profit/loss for the year	10.181
Dividend distributed during the year	-2.015
Adjustment of hedging on equity	127
Exchange rate adjustments	-122
Net revaluation 31.12.2016	**64.536**
Carrying amount 31.12.2016	**98.486**
Carrying amount 31.12.2015	90.315

Notes
(1.000 EUR)

Investments in group enterprises:	Country	Share
Orifarm Group A/S	Denmark	100%

	Shares	Group Deposits	Total
12. Other bonds and equity investments			
Cost at 01.01.2016	5.253	28	5.281
Disposals	-5.253	0	-5.253
Cost at 31.12.2016	**0**	**28**	**28**
Value adjustment 01.01.2015	-288	0	-288
Reversal relating to disposals	288	0	288
Value adjustment 31.12.2016	**0**	**0**	**0**
Carrying amount 31.12.2016	**0**	**28**	**28**
Carrying amount 31.12.2015	5.541	28	5.569

Parent company 2015	Parent company 2016		Group 2016	Group 2015
		13. Inventories		
		Raw materials and consumables	68.438	48.395
		Manufactured goods and goods for resale	80.138	70.812
			148.576	**119.207**

14. Prepayments

Consists of prepayments on costs concerning subsequent financial year.

Parent company 2015	Parent company 2016		Group 2016	Group 2015
		15. Deferred tax		
		Deferred tax is incumbent on the following financial statement items:		
		Intangible assets	1.333	1.002
		Tangible fixed assets	1.386	1.362
		Inventories	-5	151
		Other provisions	51	-143
		Tax loss carryforwards	-375	-597
			2.390	**1.775**
		Net value is recognised in the balance sheet as follows:		
		Deferred tax asset	-2.236	0
		Deferred tax liabilities	4.626	1.775
			2.390	**1.775**
		Development Deferred tax:		
926	610	Net value in balance sheet - primo year	1.775	3.686
-316	-150	Effect in P&L during the year	579	-1.739
0	0	Effect on Equity during the year	36	-172
610	**460**	Net value in balance sheet - ultimo year	**2.390**	**1.775**

Notes

(1.000 EUR)

Parent company 2015	Parent company 2016		Group 2016	Group 2015

16. Share capital

The share capital consists of 27,406m shares at EUR 0,13435

The shares have not been divided into classes.

There has not been any changes in share capital

	Group			
	Due for payment within 1 year	Due for payment after 1 year	Amortized debt in total	Nominal debt in total
17. Long-term debt				
Mortgage debt	833	5.408	6.241	6.241
Bank loans	10.035	39.956	49.991	49.991
Long-term debt 31.12.2016	**10.868**	**45.364**	**56.232**	**56.232**
Long term debt 31.12.2015	10.884	58.429	69.313	69.313
Due for payment after 5 years:				
Mortgage debt		3.043		
Bank loans		0		
		3.043		

Notes
(1.000 EUR)

	Group	
	2016	2015
18. Pledged assets and contingent liabilities		
Group:		
Mortgage debt is secured by way of mortgage on properties.		
Indemnity Letter in property	5.609	5.588
Carrying amount of mortgaged properties	15.721	15.270
Certain operating equipments have been financed by means of finance leases.		
Total operational leasehold obligation until contracts expire	420	439
Leasehold liabilities	7.298	8.206

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 MEUR 72,1 at 31. December 2016.

Companies in Habico A/S has provided receivables from sales of goods and services, TEUR 65.723, 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. December 2016 of MEUR 77,9.

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

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

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.

	Group	
	2016	2015
19. Working capital changes		
Change in inventories (- = increase)	-29.369	23.813
Change in receivables (- = increase)	2.800	-10.100
Change in trade payables etc. (- = decrease)	-3.897	2.580
Adjustment according to acquisition	0	6.801
	-30.466	**23.094**
20. Cash and cash equivalents		
Cash	3.086	951
Short-term bank debt	-96.847	-63.516
	-93.761	**-62.565**

Notes
(1.000 EUR)

21. Related parties
Related parties with controlling interest in Habico A/S:

The companies parent company Habico Holding A/S, Central Business Registration No 27 34 71 34, Odense.

All other transactions with related parties are eliminated in the overlying consolidated statements.

22. Ownership
The company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:
Habico Holding A/S, Energivej 15, 5260 Odense S.

Parent company 2015	Parent company 2016		Group 2016	Group 2015
		23. Fees to auditors appointed at the Company's general meeting		
		Fees are recognized under Other external expenses with:		
2	2	Audit	181	172
14	17	Other services	284	297
16	**19**		**465**	**469**

24. Exchange rate risk and financial instruments

As part of the hedge of recognized and unrecognized transactions, the Group uses hedging instruments in the form of forward exchange contracts. Hedge of recognized transactions primarily comprise receivables and payables. The Group also uses interest rate swap to hedge fixed interest on long term liabilities. As at 31.12.2016 unrealized net losses on derivative financial instruments for currency hedging and interest rate swap on Group level in total amounts TEUR 487. The amount is included in the balance sheet other debt.

Accounting policies

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year. The annual report is presented in EUR.

Income statement items are translated at the average rate for the year. Balance sheet items are translated at closing rate. The exchange rate adjustment from the average for the year, respectively, previous year's closing rate are posted directly to equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event, that future economic benefits will flow to the Group, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

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

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

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

The consolidated financial statements

The consolidated financial statements include Habico A/S (parent company) and companies (group enterprises) controlled by the parent, see the group overview page 7. The parent company is considered to have control when it directly or indirectly owns more than 50% of the voting rights or in other ways actually exercises controlling influence. Companies in which the Group directly or indirectly owns between 20% and 50% of the voting rights and exercises significant influence, but no controlling influence, are considered as associated companies. See the group over-view page 7.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements for Habico A/S and it's subsidiaries. The consolidated financial statements are prepared by ag-gregation 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.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial state-ments from the time of acquiring or establishing such enterprises. Divested or wound-up enter-prises are recognised in the consolidated income statement up to the time of their divestment or winding-up.
The purchase method is applied in the acquisition of new enterprises, under which identifiable as-sets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restruc-turings in the acquired enterprise. 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. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet as a separate item under deferred income, and they are recognised in the income statement as such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference be-tween selling price or settlement price and carrying amount of the net assets at the time of divest-ment or winding-up, inclusive of non-amortised goodwill and estimated expenses for divestment or winding-up.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign cur-rencies 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 exchange rates.

On recognition of foreign subsidiaries which are independent units, all amounts are translated at the year-end rate. Differences in the exchange rate which arise when translating the foreign company's equity at the beginning of the year using the exchange rates at balance sheet date are recognised directly in equity.

Derivatives

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recor-ded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are classified directly on equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not qualify as hedging instruments, changes in fair market value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign group enterprises or associates are classified directly as equity.

Income statement

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.

Other external expenses

Other external expenses comprise expenses for distribution, sale, advertising, administration, pre-mises, etc.

Use of materials

Use of materials includes the consumption of commodities and freight costs that are incurred to generate the calculated revenue.

Staff costs

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

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 recog-nised 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.

Accounting policies

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 balan-ce sheet at their estimated realisable values, either as a set-off against deferred tax liabilities or as net tax assets.

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

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

Balance sheet

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 maximum amortization period of goodwill is 40 years.

The determination of the lifetime is decided based on an evaulation of a combined company with Know How, skills and a efficient organization, which is expected to provide development of the business in a long time to come, and because the lifetime of the medicinal products normally are very long.

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

Files and application fees

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

Files and application fees regarding a specific product in relation to which a potential future market can be demonstrated and where the intention is to market the product in question are recognised as intangible assets. Other costs relating to applications are recognised as cost in the income statement as incurred.

Accounting policies

Files and application fees regarding generic products are amortised straight-line over their expected useful lives calculated from the date when the product to which the files and application fees relate is introduced to the market. The amortisation period is 5-12 years.

When files and applications are subject to impairment, files and application fees are written down to the lower of recoverable amount and carrying amount.

Other intangible assets

Cost of development and implementation of major IT systems as well as other intangible assets is measured at cost with deduction of accumulated amortisation and impairment losses. The period of amortisation is usually 3-7 years.

When other intangible assets are subject to impairment, other intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Properties, leasehold improvements and operating equipment are measured at cost less accumu-lated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. Interest expenses are not included in cost.

The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value amounts to 40% of the acquisition price. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Property:	30-50 years
Leasehold improvements:	5-10 years
Operating equipment:	3-10 years

When property, plant and equipment are subject to impariment, PPE are written down to the lower of recoverable amount and carrying amount.

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

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.

Accounting policies

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 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 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 financial statements.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consu-mables and direct labour costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

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

Prepayments

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

Dividend

The proposed dividends for the financial year are recognised as equity.

Mortgage debt

At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. The mortgage debt is subsequently measured at amorti-sed cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

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

Operating lease commitments

Lease payments on operating leases are recognised on an ongoing basis in the income statement over the term of the lease.

Accounting policies

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognised in the cash flow sta-tement 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 divest-ment of enterprises, activities and fixed asset investments as well as acquisition, development, im-provement 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, instal-ments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Segment information

Information should be provided for business segments. No information is given in respect of geo-graphical markets as the risk to which the markets are subject is found to be quite similar.

Financial highlights

Financial highlights are calculated as follows:

Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin:	$\frac{\text{Operating income x 100}}{\text{Revenue}}$
Equity ratio:	$\frac{\text{Equity x 100}}{\text{Total assets}}$
Return on equity:	$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$