

Orifarm Group A/S
Energivej 15
5260 Odense S

Central Business Registration no. 27 34 72 82

Annual report 2016

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

Chairman of the General Meeting:



Orifarm Group A/S

Table of contents

	Page
Company details	3
Statement by management	4
Independent auditor's report	5
Group structure	8
Management's commentary	9
Income statement for 2016	16
Balance sheet at 31.12.2016	17
Statement of changes in equity for 2016	19
Cash flow statement for 2016	20
Notes	21
Accounting policies	30

Company details

Company

Orifarm Group A/S

Energivej 15

5260 Odense S

Central Business Registration No: 27 34 72 82

Registered in: Odense

Board of Directors

Niels Harald de Coninck-Smith, Chairman

Ole Michael Friis, Vice chairman

Claudio Albrecht

Frank Dirk Nauert

Lars Monrad-Gylling

Peter Arend William Burema

Dan Bøgh Hartwig, employee elected representative

Gitte Alhed Poulsen, employee elected representative

Jeanette Jæger Wallentin, employee elected representative

Group executive board

Hans Carl Bøgh-Sørensen, Chief Executive Officer

Erik Sandberg

Jacob Berg Lucassen

Ulrik Ernst Rasmussen

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Orifarm Group A/S

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 Group 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. May 2017

Executive Board

Hans Carl Bøgh-Sørensen
Chief Executive Officer

Erik Sandberg

Jacob Berg Lucassen

Ulrik Ernst Rasmussen

Board of Directors

Niels Harald de Coninck-Smith
Chairman

Ole Michael Friis
Vice Chairman

Claudio Albrecht

Frank Dirk Nauert

Lars Monrad-Gylling

Peter Arend William Burema

Dan Bøgh Hartwig

Gitte Alhed Poulsen

Jeanette Jæger Wallentin

Independent auditor's report
To the shareholders of Orifarm Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Orifarm Group 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.

Orifarm Group A/S

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.

Orifarm Group A/S

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. May 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

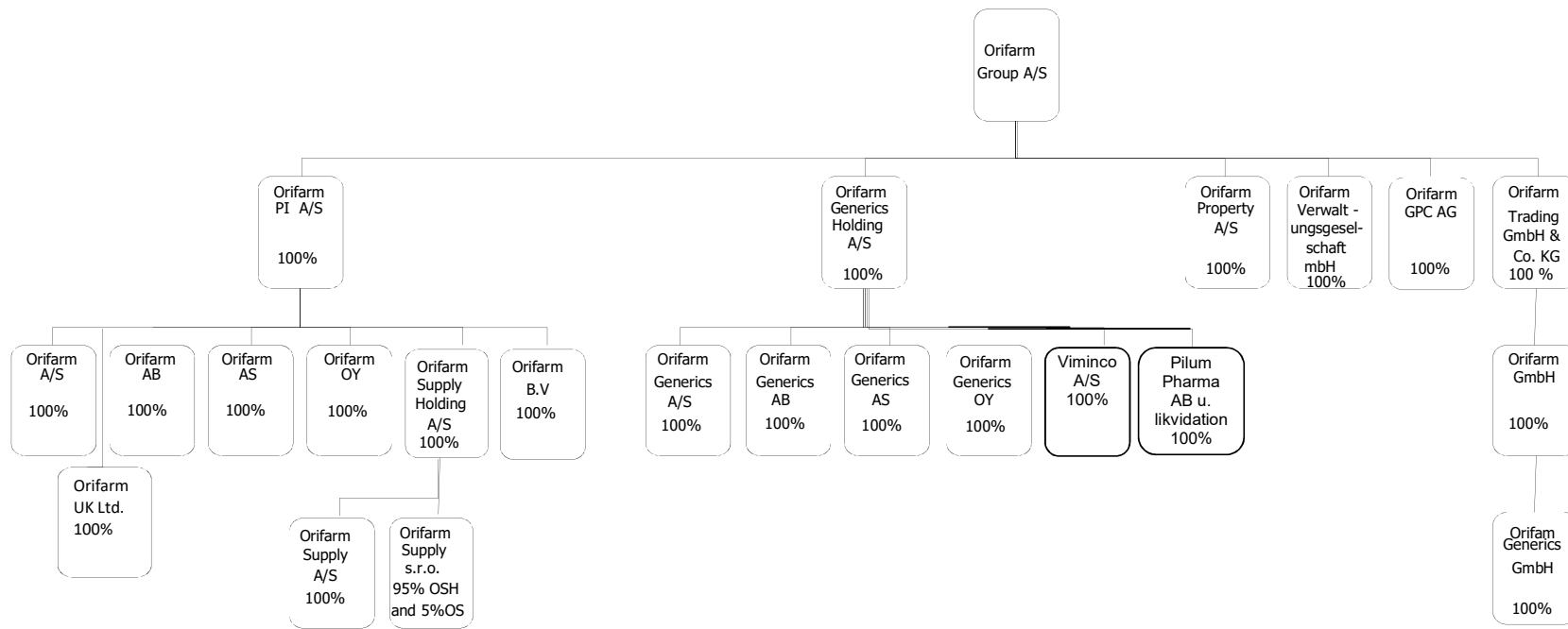
Lars Knage Nielsen

State-Authorised
Public Accountant

Allan Dydensborg Madsen

State-Authorised
Public Accountant

Group structure



Orifarm Group A/S

Management's Commentary

Financial highlights of the Group

<i>(mio. EUR)</i>	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	24,5	20,2	16,4	16,0	10,8
Net financials	-8,1	-8,7	-7,7	-8,3	-12,1
Profit for the year	10,2	9,1	6,2	6,2	-0,5
Investments in Tangible fixed assets	3,0	2,8	1,4	2,2	3,6
Inventories	148,6	119,2	143,0	142,6	125,1
Receivables	95,4	95,0	78,3	81,8	63,2
Equity	98,5	90,3	60,4	55,8	49,8
Balance sheet total	347,2	319,0	281,2	299,2	253,5
Cash flows from operating activities	-14,3	39,7	27,8	-17,2	-2,5
Cash flows from investing activities	-7,8	-66,1	-6,1	-6,6	-6,7
Ratios					
Gross margin (%)	15,0	12,8	12,1	13,1	14,0
Operating margin (%)	3,4	2,7	2,2	2,2	1,6
Equity ratio (%)	28,4	28,3	21,5	18,6	19,6
Return on equity (%)	10,8	12,1	10,7	11,7	-0,9

Orifarm Group A/S

Management's Commentary

In 2016, Orifarm Group 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.

- Orifarm Group's revenues declined by 4.4% to MEUR 726 (2015: MEUR 759). Operating income excl. extraordinary items increased by MEUR 9.3 to MEUR 32.2 (2015: MEUR 22.9)
- 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

Orifarm Group 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 Orifarm Group's mission statement which is *Rethinking the business of healthcare*.

Orifarm Group'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 Group delivers solutions that meet its stakeholder's needs. Orifarm Group'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, Orifarm Group 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

Orifarm Group 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.

Orifarm Group A/S

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

Orifarm Group'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.

Orifarm Group'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, Orifarm Group's gross margin increased to 15.0% (2015: 12.8%).

Orifarm Group's operating margin increased to 3.4% (2015: 2.7%), 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. Orifarm Group's operating income increased by MEUR 3,3m to MEUR 24.5 (2015: MEUR 20.2).

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

Orifarm Group A/S

Management's Commentary

- 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
- 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 Orifarm Group'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 Orifarm Group's sourcing opportunities and consequently also the capacity to increase sales. In Orifarm Group'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 Orifarm Group'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.

Orifarm Group A/S

Management's Commentary

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 Orifarm Group's opinion, dual-pricing violates the competition provisions set out in the EU Treaty.

Nonetheless, despite these trade restrictions, Orifarm Group 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 Orifarm Group's policy to avoid infringing on trademark rights, and Orifarm Group is not currently involved in any major pending litigation of this kind.

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

Financial matters

Orifarm Group 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 0.9.

Orifarm Group'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 Group'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 Orifarm Group's results and growth-oriented culture.

Orifarm Group 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.

Orifarm Group A/S

Management's Commentary

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

Target Figures for Gender Composition of Management

At Orifarm, 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 Orifarm Group 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 Orifarm's management team.

The Supervisory Board of Orifarm Group A/S currently consists of 6 general elected members of whom none are women. This distribution is deemed to be acceptable as there has not been any changes in the Supervisory Board during the year. The ambition is over the coming 3 years to include 1 woman on the Supervisory Board concurrently with natural replacement which continues to be contingent on our ability to identify the best candidate.

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 Orifarm Group. 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.

Orifarm 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, Orifarm Group are constantly working to reduce its energy consumption and improve its waste management.

Through a wide range of activities, Orifarm Group 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.

Orifarm Group A/S

Management's Commentary

Development Activities

Orifarm Group's two business areas both have 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 Group expects results for 2017 to be better than in 2016. Improvements are primarily expected in Orifarm Parallel Import.

Orifarm Group A/S

Income statement

(1.000 EUR)

Parent company			Group	
2015	2016		2016	2015
9.826	8.786	Revenue	725.777	759.051
6	419	Other operating income	404	462
	-363	Cost of sales	-617.524	-662.588
9.832	8.842	Gross profit	108.657	96.925
-3.956	-4.760	Other external expenses	-32.201	-29.024
-5.720	-5.636	Staff costs	-42.980	-39.894
156	-1.554	Income before depreciation	33.476	28.007
-2.792	-1.814	Depreciation, amort. and impairm. losses	-8.978	-7.793
-2.636	-3.368	Operating income	24.498	20.214
11.960	13.496	Income from investments in group entities		
2.818	1.218	Financial income	3.578	6.456
-3.239	-1.591	Financial expenses	-11.716	-15.127
8.903	9.755	Profit before tax	16.360	11.543
217	426	Tax	-6.179	-2.423
9.120	10.181	Profit for the year	10.181	9.120

Orifarm Group A/S

Balance sheet

(1.000 EUR)

Parent company			Group	
2015	2016		2016	2015
			Note	
		Goodwill		48.526 49.919
		Files and application fees		19.712 18.947
3.676	2.811	Other intangible assets		2.888 4.678
3.676	2.811	Intangible assets	9	71.126 73.544
0	0	Property		19.829 18.655
0	0	Leasehold improvements		65 55
344	424	Plant and equipment		3.201 2.767
344	424	Tangible fixed assets	10	23.095 21.477
104.884	78.893	Investments in group entities	11	
19.650	19.657	Receivables from group entities	11	
0	0	Other stock and equity investment		28 28
124.534	98.550	Financial assets		28 28
128.554	101.785	Fixed assets		94.249 95.049
6.812	6.980	Inventories	12	148.576 119.207
40	85	Trade Receivables		95.356 95.020
38.800	69.605	Receivables from group entities		0 1.477
191	1.162	Other receivables		1.554 3.445
449	483	Prepayments	13	1.432 1.059
0	0	Deferred tax assets	14	2.236 2.247
181	734	Income taxes		720 579
39.661	72.069	Receivables		101.298 103.827
9	7	Cash		3.086 951
46.482	79.056	Current assets		252.960 223.985
175.036	180.841	Total assets		347.209 319.034

Orifarm Group A/S

Balance sheet

(1.000 EUR)

Parent company			Group	
2015	2016		2016	2015
281	281	Share capital	281	281
38.646	12.655	Reserve for net revaluation of equity holdings		
49.373	82.186	Retained earnings	94.841	88.019
2.015	3.363	Dividend	3.363	2.015
90.315	98.485	Total equity	98.485	90.315
0	0	Other provisions	0	5.164
610	460	Deferred tax liabilities	4.626	4.022
610	460	Provisions	4.626	9.186
0	0	Mortgage debt	5.408	6.321
0	0	Payables to group entities	13.950	33.564
0	23.539	Bank debt	39.956	27.525
0	23.539	Long-term liabilities	59.314	67.410
70	0	Short-term portion of long-term liabilities	10.868	10.884
39.966	28.718	Bank debt	96.812	62.474
334	505	Trade payables	43.099	38.112
40.193	27.128	Payables to group entities	0	0
0	0	Income taxes	5.039	3.681
3.548	2.006	Other debt	28.966	36.972
84.111	58.357	Short-term liabilities	184.784	152.123
84.111	81.896	Liabilities	244.098	219.533
175.036	180.841	Total equity, provisions and liabilities	347.209	319.034

Pledged assets and contingent liabilities 17

Other Notes 18-24

Orifarm Group A/S

Statement of changes in equity

(1.000 EUR)

	Group			
	Share capital	Retained earnings	Dividend	Total
Equity at 01.01.2016	281	88.019	2.015	90.315
Exchange rate adjustments, foreign subsidiaries	0	-88	0	-88
Adjustment of hedging instruments	0	127	0	127
Exchange rate adjustments	0	-35	0	-35
Distributed dividend	0	0	-2.015	-2.015
Profit for the year	0	6.818	3.363	10.181
Equity at 31.12.2016	281	94.841	3.363	98.485

	Parent company				
	Share capital	Net revaluation, equity method	Retained earnings	Dividend	Total
Equity at 01.01.2016	281	38.646	49.373	2.015	90.315
Exchange rate adjustments, foreign subsidiaries	0	-165	77	0	-88
Adjustment of hedging instruments	0	127	0	0	127
Exchange rate adjustments	0	-158	123	0	-35
Distributed dividend in the year	0	0	0	-2.015	-2.015
Profit for the year	0	-25.795	32.613	3.363	10.181
Equity at 31.12.2016	281	12.655	82.186	3.363	98.485

Orifarm Group A/S

Cash flow statement

(1.000 EUR)

		Group	
	Note	2016	2015
Operating income		24.498	20.214
Depreciation and impairment losses		8.978	7.793
Exchange rate and hedging adjustments on equity		39	-633
Change in other provisions		-5.164	0
Working capital changes	18	-29.729	23.631
		-1.378	51.005
Interests, net		-8.138	-8.671
Income taxes paid		-4.763	-2.600
Cash flows from operating activities		-14.279	39.734
Acquisition of intangible assets, property, plant and equipment		-9.012	-66.645
Sale of property, plant and equipment		1.215	545
Change in deposits, fixed asset investments		0	-2
Cash flows from investing activities		-7.797	-66.102
Cash flows from operating and investing activities		-22.076	-26.368
Change in long-term liabilities other than provisions, net		-8.112	40.864
Change in employee bonds		0	-70
Capital increase		0	23.450
Dividend paid		-2.015	-2.015
Cash flow from financing activities		-10.127	62.229
Increase/decrease in cash and cash equivalents		-32.203	35.861
Cash and equivalents 01.01.2016		-61.523	-99.023
Adjustment according to acquisition		0	1.639
Cash and equivalents 31.12.2016	19	-93.726	-61.523

Orifarm Group A/S

Notes

(1.000 EUR)

Parent company		Group	
2015	2016	2016	2015
1. Revenue			
Activity information			
		646.498	704.876
		79.279	54.175
		725.777	759.051
2. Staff costs			
4.904	4.926	34.807	32.351
556	605	2.805	2.335
260	105	5.368	5.208
5.720	5.636	42.980	39.894
80	80	141	127
51	49	960	922
		1.040	987
3. Depreciation and impairment losses			
		1.557	1.034
		4.381	3.001
2.302	1.599	1.651	2.386
0	0	495	425
490	215	894	947
2.792	1.814	8.978	7.793
4. Income from investments in group enterprises			
11.072	14.116		
1.212	-296		
-324	-324		
11.960	13.496		
5. Financial income			
2.483	1.095	1.095	2.484
335	123	2.483	3.972
2.818	1.218	3.578	6.456

Orifarm Group A/S

Notes

(1.000 EUR)

Parent company			Group	
2015	2016		2016	2015
6. Financial expenses				
1.767	650	Financial expenses, group enterprises	4.966	7.326
1.472	941	Other financial expenses	6.750	7.801
3.239	1.591		11.716	15.127
7. Tax				
-481	-717	Current tax	4.889	3.117
-313	-150	Change in deferred tax	579	-1.313
846	373	Foreign tax regarding activity in group companies	0	0
-269	68	Adjustments concerning previous years	711	619
-217	-426		6.179	2.423
8. Distribution of profit				
	3.363	Proposed dividends		
	-25.795	Reserve for net revaluation of equity holdings		
	32.613	Retained earnings		
	10.181			

Orifarm Group A/S

Notes

(1.000 EUR)

9. Intangible assets	Group			Total
	Goodwill	Files and applications	Other intangible assets	
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

9. Intangible assets (continued)	Parent company	
	Other intangible assets	Total
Cost at 01.01.2016	13.480	13.480
Additions	722	722
Exchange rate adjustments	51	51
Cost at 31.12.2016	14.253	14.253
Amortization 01.01.2016	9.804	9.804
Amortization for the year	1.601	1.601
Exchange rate adjustments	37	37
Amortization 31.12.2016	11.442	11.442
Carrying amount 31.12.2016	2.811	2.811
Carrying amount 31.12.2015	3.676	3.676

Orifarm Group A/S

Notes

(1.000 EUR)

10. Tangible fixed assets	Group			
	Buildings	Leasehold improve- ments	Opera- ting equip- ment	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 01.01.2015	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

	Parent company	
	Opera- ting equip- ment	Total
Cost at 01.01.2016	3.730	3.730
Additions	294	294
Exchange rate adjustments	15	15
Cost at 31.12.2016	4.039	4.039
Depreciation 01.01.2015	3.386	3.386
Depreciation for the year	215	215
Exchange rate adjustments	14	14
Depreciation 31.12.2016	3.615	3.615
Carrying amount 31.12.2016	424	424
Carrying amount 31.12.2015	344	344

Orifarm Group A/S

Notes

(1.000 EUR)

	Parent company	
	Invest- ments in group enter- prises	Recei- vables, group enter- prises
11. Financial asset investment		
Cost at 01.01.2016	66.238	19.720
Cost at 31.12.2016	66.238	19.720
Net revaluation at 01.01.2016	38.646	-70
Net share of profit/loss for the year	14.116	0
Amortization goodwill	-324	0
Adjustment of internal profit on inventory, net	-296	0
Disposals/Dividend	-39.456	0
Adjustment of hedging on equity	127	0
Exchange rate adjustments	-158	7
Net revaluation 31.12.2016	12.655	-63
Carrying amount 31.12.2016	78.893	19.657
Carrying amount 31.12.2015	104.884	19.650

Unamortised share of group goodwill on consolidation amounts 2.920 t.EUR.

Investments in group enterprises:

	Country	Share
Orifarm PI A/S	Denmark	100%
Orifarm Generics Holding A/S	Denmark	100%
Orifarm Property A/S	Denmark	100%
Orifarm verwaltungsgesellschaft mbH	Germany	100%
Orifarm Trading GmbH & Co. KG	Germany	100%
Orifarm GPC AG	Switzerland	100%

See Group structure page 7

Orifarm Group A/S

Notes

(1.000 EUR)

Parent company		Group	
2015	2016	2016	2015
12. Inventories			
		68.438	48.395
6.812	6.980	80.138	70.812
6.812	6.980	148.576	119.207
13. Prepayments			
Consists of prepayments on costs concerning subsequent financial year.			
14. Deferred tax			
Deferred tax is incumbent on the following financial statement items:			
995	619	1.333	1.011
-92	-159	1.386	1.362
		-5	151
		51	-152
-293	0	-375	-597
610	460	2.390	1.775
Net value is recognised in the balance sheet as follows:			
		-2.236	-2.247
610	460	4.626	4.022
610	460	2.390	1.775
Development Deferred tax:			
926	610	1.775	3.686
-316	-150	579	-1.739
0	0	36	-172
610	460	2.390	1.775
15. Share capital			
The share capital consists of 2.100 shares at EUR 134.			
The shares have not been divided into classes.			
134	134		
134	134		
13	13		
281	281	Share capital 31.12.2016	

Orifarm Group A/S

Notes (1.000 EUR)

	Group			
	Due for payment within 1 year	Due for payment after 1 year	Amortized debt in total	Nominal debt in total
16. Long-term debt				
Mortgage debt	833	5.408	6.241	6.241
Payables to group enterprises	0	13.950	13.950	13.950
Bank debt	10.035	39.956	49.991	49.991
Long-term debt 31.12.2016	10.868	59.314	70.182	70.182
Long term debt 31.12.2015	10.884	67.410	78.294	78.294
Due for payment after 5 years:				
Mortgage debt		3.043		
Payables to group enterprises		0		
Bank debt		0		
		3.043		
	Parent company			
	Due for payment within 1 year	Due for payment after 1 year	Amortized debt in total	Nominal debt in total
Bank debt	0	23.539	23.539	23.539
Long-term debt 31.12.2016	0	23.539	23.539	23.539
Long term debt 31.12.2015	70	0	70	70
Due for payment after 5 years:				
Bank debt		0		
		0		

Orifarm Group A/S

Notes

(1.000 EUR)

Parent company		Group	
2015	2016	2016	2015
17. Pledged assets and contingent liabilities			
Mortgage debt is secured by way of mortgage on properties.			
		5.609	5.588
		5.609	5.588
0	0	15.721	15.270
Carrying amount of mortgaged properties			
Certain operating equipment have been financed by means of finance leases.			
		420	439
217	6	420	439
Total operational lease obligation until contracts expire			
		7.298	8.206
		7.298	8.206
Leasehold 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 MEUR 72,1 at 31. December 2016.

Companies in Orifarm Group 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 material losses for the company.

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.

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

	Group	
	2016	2015
18. Working capital changes		
Change in inventories (- = increase)	-29.369	23.814
Change in receivables (- = increase)	3.537	-9.086
Change in trade payables etc. (- = decrease)	-3.897	2.102
Adjustment according to acquisition	0	6.801
	-29.729	23.631
19. Cash and cash equivalents		
Cash	3.086	951
Short-term bank debt	-96.812	-62.474
	-93.726	-61.523

Orifarm Group A/S

Notes

(1.000 EUR)

20. Related parties

Related parties with controlling interest in Orifarm Group A/S:

The companies parent company Habico A/S, Central Business Registration No 75 12 85 17, Odense.

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

The companies Board of Directors and Executive Board.

Fees etc. are separately disclosed in note 2, Staff costs.

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

21. 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 A/S, Energivej 15, 5260 Odense S.

22. Consolidation

Orifarm Group A/S and subsidiaries are included in the consolidated financial statement of Habico Holding A/S, Central Business Registration No 27 34 71 34.

Parent company			Group	
2015	2016		2016	2015
		23. Fees to auditors appointed at the Company's general meeting		
		Fees are recognized under Other external expenses with:		
19	23	Audit	179	168
109	97	Other services	267	285
128	121		446	453

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 secure 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 in the balance sheet included under 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 Orifarm Group 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 Orifarm Group A/S and its subsidiaries. The consolidated financial statements are prepared by aggregation of uniform accounting items. On consolidation, elimination of intercompany revenue and expenses, and dividends as well as gains and losses on transactions between consolidated companies. The accounts used for consolidation are prepared in accordance with the groups accounting policies.

In the consolidated financial statement accounts of the subsidiaries are recognized 100%. Minority interests' proportionate share of net profit and net assets are presented as separate items in the income statement and balance sheet.

Accounting policies

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 entities 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 assets 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 restructurings 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, however, no more than 40 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet as a separate item under deferred income, and they are recognised in the income statement as such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment 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 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.

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 recorded 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 income

Other 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 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.

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 balance 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 re-fund 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 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.

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.

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.

Accounting policies

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, Leasehold improvements and Plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. 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:	50 years
Leasehold improvements:	5-10 years
Operating equipment:	3-10 years

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

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

Investments in group enterprises

Investments in group enterprises are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised goodwill or negative goodwill on consolidation and plus or minus unrealised intra-group profits and losses.

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

Group enterprises 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.

Accounting policies

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, consumables 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.

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 amortised 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 statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as acquisition, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Parent's share capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

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

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