



Press release

24. maj 2012

Annual report 2011: Reduced profit in Orifarm

Despite a steady revenue the profit of Orifarm was significantly reduced in 2011 and the operating margin fell from 6,2 % to 2,9%. However, Management looks positively to the future since massive IT investments and concentration of production in the Czech Republic strengthen Orifarms competitiveness.

The annual report for 2011 shows a turnover at the level of 2010 at just over 650 mio. EUR but net profit decreased significantly from 23.2 mio. EUR last year to 9.6 mio. EUR. The decline in profit is mainly due to higher statutory discounts for Germany's sick-funds, as well as intensified price competition in Sweden and Denmark.

In Germany the statutory "manufacturer discounts" to health-insurance societies were forced on suppliers of pharmaceuticals. One implication of a law amendment was that the statutory discount for Germany's public sick-funds increased by ten percentage points of turnover to 16%, effective from August 1st 2010. As of January 1st 2011 the discount for Germany's private sick-funds increased from 0% to 16%. At the same time the competition in Sweden and Denmark has been toughened partly due to the deregulation of the pharmacy market in Sweden which changed the market structure as several of the newly established pharmacy chains established new distribution systems.

In spite of significantly tougher competition Orifarm maintained its leading position in Denmark and Sweden due to the focus on its customers.

Positiv development within Generics

The business area of generic pharmaceuticals continued the positive development in 2011 with a revenue growth of 15% to 32 mio. EUR. Sale of 'over the counter' products has also increased significantly and Orifarms Yellow campaign won the award for the year's most effective advertising campaign in Denmark. The campaign is now launched in Sweden under the heading "Tänk gult."

A positive future in sight

The tough framework conditions and increased competition mean that Orifarm must lower its costs to remain competitive. Several initiatives are initiated such as massive IT investments, concentration of production in the Czech Republic and strengthening of the management. This leaves the management at Orifarm with a positive outlook on the future of the company.

"We have trimmed the company in time, so we're very well prepared for the tougher competition," says CEO Hans Bøgh-Sørensen.

The expansion of production facilities in the Czech Republic is progressing as planned and the consolidation of the production sites takes place according to schedule. Orifarm chose to inform employees about the plans for the merger at the end of February this year. The assessment was that the employees who are affected are best placed when notified in due time. In addition, the newly established advisory centres in Denmark and Germany have launched a series of active measures to help affected employees on to new jobs.

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Facts about Orifarm Group

Orifarm Group is Europe's second largest parallel importer of pharmaceuticals and the largest supplier of pharmaceuticals in Denmark. The Group comprises a number of companies engaged in importing, manufacturing, repackaging, distribution, registration and sale of pharmaceuticals in the Nordic countries, Germany, Czech Republic and Switzerland. The Group's principal activity is the parallel importation of pharmaceuticals from the EU / EEA countries, which are sold in Denmark, Norway, Sweden, Finland and Germany. In addition, the group employs in sales of generic drugs. Orifarm Group with headquarter in Odense employs 800 people.

Financial facts

(mio. EUR.)

	2011	2010	2009
Net turnover	654,2	651,2	564,4
Gross profit	91,8	101,3	87,3
Operating income	19,3	40,2	32,9
Net financials	(7,2)	(7,1)	(5,5)
Profit for the year	9,6	23,2	19,3