

Ferrosan Holding A/S

Sydmarken 5, DK-2860 Soeborg, Denmark

CVR no. 78 26 61 12

Annual report for the year ended 30
November 2015

Approved at the company's annual general meeting on 28 April 2016

Chairman:



Nicholas William Boe Stenderup

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Management's review

Company details

Address, zip code, city	Sydmarken 5, DK-2860 Soeborg, Denmark
CVR no.	78 26 61 12
Homepage	www.ferrosan.com
Tel.	+45 39 69 21 11
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Board of directors	Lene Nanna von Meyeren Jannov, chairman Johannes Antonius Hofs Henriette Rosenquist
Executive board	Henriette Rosenquist, managing director
Auditors	KPMG Statsautoriseret Revisionspartnerselskab, Dampfærgevej 28, DK-2100 Copenhagen, Denmark

Management's review

The company's business review

Ferrosan Holding A/S is a part of the American Pfizer group, a multinational pharmaceutical group listed on the New York Stock Exchange.

Ferrosan Holding A/S is engaged in acquiring and holding financial fixed assets in Ferrosan A/S and activities related to this.

Financial review

Ferrosan Holding A/S' loss for the year amounted to DKK 260 million in 2014/15 compared to 2013/14 where the loss for the year amounted to DKK 21 million.

The loss in 2014/15 has been negatively influenced by impairment of investment in subsidiary as a result of declined income in Ferrosan Group and increasing costs to be in compliance.

In 2011/12 it was decided to close down the factory in Denmark within 3 years and transfer all activities to Aprilia in Italy. The close down is planned for 2016.

The equity in 2014/15 amounted to DKK 609 million compared to DKK 869 million in 2013/14.

The overall performance, before impairment write down, in 2014/15 has been as expected.

Valuation of investments in subsidiary

Valuation of investments in the subsidiary Ferrosan A/S is subject to estimates as the value is based on management's expectations of the future operating profit in the subsidiary, and consequently the value is subject to uncertainty.

Post balance sheet events

No material events have occurred subsequent to 30 November 2015 which significantly affects the assessment of the annual report.

Outlook

In 2015/16, Ferrosan Holding A/S expects the same level of gross loss compared to 2014/15.

Statement by management on the annual report

The Board of directors and the Executive board have today discussed and approved the annual report of Ferrosan Holding A/S for the financial year 1 December 2014 - 30 November 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 November 2015 and of the results of the company's operations for the financial year 1 December 2014 - 30 November 2015.

Further, in our opinion, the management's review gives a fair review of the matters discussed in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Soeborg, Denmark, 28 April 2016

Executive board:

Henriette Rosenquist
managing director

Board of directors:

Lene Nanna von Meyeren Jannov
chairman

Johannes Antonius Hof

Henriette Rosenquist

Independent auditor's report

To the shareholders of Ferrosan Holding A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Ferrosan Holding A/S for the financial year 1 December 2014 – 30 November 2015. The financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 30 November 2015 and of the results of the company's operations for the financial year 1 December 2014 – 30 November 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statements.

Copenhagen, 28 April 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no.: 25 57 81 98

Benny Lyng Sørensen
State Authorised
Public Accountant

Joakim Juul Larsen
State Authorised
Public Accountant

Financial statements for the period 1 December 2014 – 30 November 2015

Income statement

Notes	2014/15 DKKt	2013/14 DKKt
Other external costs	20	57
Gross loss	-20	-57
2 Financial income	20,642	173
3 Financial expenses	281,002	20,621
Pre-tax loss	-260,380	-20,505
4 Tax for the year	0	28
Loss for the year	-260,380	-20,533
 Recommended appropriation of the loss for the year		
Retained earnings	-260,380	-20,533
	-260,380	-20,533

Financial statements for the period 1 December 2014 – 30 November 2015

Balance sheet

Notes	30/11 2015 DKKt	30/11 2014 DKKt
Assets		
Fixed assets		
5 Investments in group entities	120,530	369,330
Investments	120,530	369,330
Total fixed assets	120,530	369,330
Current assets		
Receivables from group entities	488,553	520,544
Receivables	488,553	520,544
Cash and cash equivalents	0	299
Total current assets	488,553	520,843
Total assets	609,083	890,173

Financial statements for the period 1 December 2014 – 30 November 2015

Balance sheet

Notes	30/11 2015 DKKt	30/11 2014 DKKt
Equity and liabilities		
Equity		
6 Share capital	354,630	354,630
Retained earnings	254,413	514,793
Total equity	609,043	869,423
Provisions		
Other provisions	0	20,619
8 Total provisions	0	20,619
Liabilities		
Payables to group entities	20	45
Income taxes payable	0	28
Other payables	20	58
Short-term liabilities	40	131
Total liabilities	40	131
Total equity and liabilities	609,083	890,173

Financial statements for the period 1 December 2014 – 30 November 2015

Statement of changes in equity

(DKKt)	Share capital	Retained earnings	Total
Equity at 1/12 2014	354,630	514,793	869,423
Loss for the year, cf. appropriation of loss		-260,380	-260,380
Equity at 30/11 2015	354,630	254,413	609,043

Notes to the financial statements

1 Accounting policies

The annual report of Ferrosan Holding A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the company are consistent with those of last year.

Consolidated financial statements

Ferrosan Holding A/S (the company) and its subsidiaries are included in the consolidated financial statements for Pfizer Inc. Therefore the company will not prepare any consolidated financial statements for Ferrosan Holding A/S group in accordance with The Danish Financial Statements Act § 112.

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 company, and the value of the assets can be measured reliably.

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

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

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

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

Reporting currency

The company's functional currency is Danish kroner (DKK). Thus, other currencies than Danish kroner are considered foreign currencies. DKK is used as the measurement and presentation currency in the preparation of the annual report. Amounts in the annual report are stated in thousands of Danish kroner (DKK).

Currency translation

During the year, transactions denominated in foreign currency are converted at the exchange rate ruling at the transaction date. Gains and losses arising as a result of differences between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items are converted at the exchange rates ruling at the balance sheet date, and exchange differences are recorded in the income statement under financial items.

Warrants

For granted warrants, new shares are issued when they are exercised. As a result, no expense is recognised in the income statement at the grant date.

Notes to the financial statements

1 Accounting policies - continued

Income statement

Other external expenses

Other external expenses comprise administrative expenses.

Financial income and expenses

Financial income and expenses include interest, realised and unrealised exchange differences, supplements and allowances under the on-account tax scheme, value adjustments of securities and similar items and change in provision for losses related to affiliated companies (support letter).

Tax

Tax for the year, consisting of the year's current tax and changes in deferred tax, is recognised in the income statement at the amount that can be attributed to the profit/loss for the year and recognised directly in the equity statement at the amount that can be attributed to movements directly in equity.

Current tax liabilities and current tax receivables, respectively, are recognised in the balance sheet as calculated tax of the taxable income for the year.

Deferred tax is measured on all timing differences between the accounting and tax value of assets and liabilities, where the tax value of the assets is calculated on the basis of the planned use of the particular asset.

Deferred tax is measured on the basis of the tax legislation and rates of income tax which will be applicable on the balance sheet date, when the deferred tax is expected to be paid as current tax. Changes in deferred tax as a result of changes in the rates of income tax are included in the income statement.

Deferred tax assets, including the tax value of tax losses carried forward, are measured in the balance sheet at the amount at which the asset is expected to be realised, either by setting off deferred tax liabilities or as net tax assets.

The company is taxed jointly with all Danish subsidiaries in Pfizer group. The current Danish corporate tax is allocated among the jointly taxed Danish companies in proportion to their taxable income (full allocation with reimbursement for tax losses).

Notes to the financial statements

1 Accounting policies - continued

Balance sheet

Investments in group entities

Investments in group entities are recognised and measured at cost. Where the net realisable value is lower than cost, write down to the lower value is recognised.

Gains or losses on disposal of group entities are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus anticipated disposal costs. Gains or losses are recognised in the income statement.

Dividends from subsidiaries are recognised in the income statement in the financial year where the dividends are declared.

Impairment of investments

Investments are analysed annually for any indication of impairment. If there is any indication of impairment relative to the carrying amount at the balance sheet date, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is determined as the higher of the net selling price and the capital value. If a recoverable amount for the individual assets cannot be determined, the smallest group of assets for which it is possible to determine the recoverable amount is analysed for impairment.

Receivables

Receivables are measured in the balance sheet at amortised cost, which essentially corresponds to the nominal value or a lower net realisable value. Write-downs to net realisable value are calculated on the basis of an individual assessment of each receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Proposed dividend

Dividends expected to be paid in respect of the year are stated as a separate line item under equity. Dividends are recognised as a liability when adopted by the shareholders at the annual general meeting.

Own shares

Own shares are measured at value DKK 0.

Provisions

Provisions are recognised when, as a consequence of an event that has occurred before of on the balance sheet date, the company has a legal or constructive obligation, and is likely that economic benefits must be given up to meet the obligation.

Liabilities

Liabilities to group entities are measured at amortised cost and essentially correspond to nominal value.

Other liabilities primarily comprise liabilities to auditor and public authorities, which are measured at nominal values.

Notes to the financial statements

	2014/15 DKKt	2013/14 DKKt
2 Financial income		
Interest receivable, group entities	23	173
Support Letter, reversal of provision	20,619	0
	20,642	173
3 Financial expenses		
Impairment of financial assets	281,000	0
Support Letter, provision	0	20,619
Other interest expenses	2	2
	281,002	20,621
4 Tax for the year		
Estimated income tax from the joint taxation	0	28
	0	28
5 Investments		Group entities in total
(DKKt)		
Cost		
Balance at 1/12 2014		1,288,329
Additions in the year		32,200
Cost at 30/11 2015		1,320,529
Impairment losses		
Balance at 1/12 2014		918,999
Impairment losses in the year		281,000
Impairment losses at 30/11 2015		1,199,999
Carrying amount at 30/11 2015		120,530

Valuation of investments is subject to significant estimates as the value is based on management's expectations of the future operating profit in Ferrosan A/S.

Notes to the financial statements

5 Investments - continued

Subsidiary	Domicile	Interest (%)	Equity DKKt	Profit/loss DKKt
Ferrosan A/S	Denmark	100.00	-347,804	-355,847

Based on latest available annual report.

6 Share capital

Analysis of the company's share capital, DKK 354,630 thousand:

	30/11 2015 DKKt	30/11 2014 DKKt
327,783,163 class A-share(s) of DKK 1.00 each	327,783	327,783
26,847,259 class B-share(s) of DKK 1.00 each	26,847	26,847
	354,630	354,630

Each A share gives 10 votes, and each B share gives 1 vote pursuant to article 8.1 of the company's articles of association.

	2014/15 DKKt	2013/14 DKKt	2012/13 DKKt	2011/12 DKKt	2011 DKKt
Analysis of changes in the share capital over the past 5 years:					
Opening balance	354,630	354,630	354,630	354,630	349,364
Capital increase	0	0	0	0	5,266
Closing balance	354,630	354,630	354,630	354,630	354,630

7 Own shares

	Number	Nominal value DKKt	Share of capital %
Own shares at 1/12 2014	1,556,593	812	1.70
Own shares at 30/11 2015	1,556,593	812	1.70

Notes to the financial statements

8 Provisions

Total provisions DKKt 0 (2013/14: DKKt 20,619 relate to Support Letter to Ferrosan International A/S).

9 Contingent liabilities and other financial obligations

The company is jointly taxed with other Danish companies in the Pfizer group. As a wholly owned subsidiary of Pfizer Inc., the company is unlimited and solidarity liable with the other companies in the joint taxation regarding income taxes, Danish withholding taxes on dividends, interest and royalties in the joint taxation. Payable income taxes and withholding taxes in the joint taxation are as of 30 November 2015 DKK 0. Any subsequent corrections of the taxable income in the joint taxation or withholding taxes could lead to the company's liability being higher.

The company has issued a letter of financial support to its subsidiary Ferrosan A/S up until 30 November 2016.

Other contingent liabilities

The company has joint and several liabilities with joint VAT-registered group entity for the total VAT obligations.

10 Related parties

Information about consolidated financial statements:

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Pfizer Inc.	219-8-6A East 42nd Street, New York, N.Y. 10017, USA	http://www.pfizer.com

The following shareholders are registered in the company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Parent	Domicile
C.P. Pharmaceuticals International C.V.	Netherlands