

# Mundipharma A/S

Frydenlundsvej 30, 2950 Vedbæk

CVR no. 17 98 19 94

## Annual report 2017

Approved at the Company's annual general meeting on 16 April 2018

Chairman:

  
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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Mundipharma A/S for the financial year 1 January - 31 December 2017.

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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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

We recommend that the annual report be approved at the annual general meeting.

Vedbæk, 16 April 2018

Executive Board:

Kjetil Kollstad

Board of Directors:

Stuart D. Baker  
Chairman

Åke Gunnar Wikström

Jörg Fischer

## Independent auditor's report

To the shareholders of Mundipharma A/S

### Opinion

We have audited the financial statements of Mundipharma A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements.

### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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 the 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 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 Company's internal control.

## Independent auditor's report

- ▶ 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 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 Company'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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

### Report on other legal and regulatory requirements

#### *Non-compliance with Danish tax legislation*

The Company has not reported and settled dividend tax in respect of dividend distributions, thus breaching Danish tax legislation, and Management may incur liability in this respect.

Copenhagen, 16 April 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Christian Schwenn Johansen  
State Authorised Public Accountant  
MNE no.: mne33234

  
Martin Stenstrup Toft  
State Authorised Public Accountant  
MNE no.: mne42786



## Management's review

### Company details

Name	Mundipharma A/S
Address, Postal code, City	Frydenlundsvej 30, 2950 Vedbæk
CVR no.	17 98 19 94
Established	1 August 1994
Registered office	Rudersdal
Financial year	1 January - 31 December
Website	<a href="http://www.mundipharma.dk">www.mundipharma.dk</a>
E-mail	<a href="mailto:mundipharma@mundipharma.dk">mundipharma@mundipharma.dk</a>
Telephone	+45 45 17 48 00
Telefax	+45 45 17 48 29
Board of Directors	Stuart D. Baker, Chairman Åke Gunnar Wikström Jörg Fischer
Executive Board	Kjetil Kollstad
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Sydbank Danske Bank



## **Management's review**

### **Business review**

The Company's main business activity is the sale of pharmaceutical products.

### **Financial review**

In 2017 the Company's revenue came in at DKK 63,266 thousand against DKK 69,890 thousand last year. The income statement for 2016 shows a loss of DKK 8,267 thousand against a profit of DKK 2,386 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 47,439 thousand.

Adjusted for transaction with discontinued operations, Management considers the result from continuing operations for the year to be satisfactory.

### **Knowledge resources**

The Company operates in a very knowledge-intensive industry and is therefore dependent on highly committed employees and executives. Our ambition to be market-leading in our field implies constant focus on developing our employees' competences. In doing so, we will be able to adapt to a market under constant change and to expand our activities.

Mundipharma A/S is working actively to develop and utilise employee skills through internal and external courses, and participation in projects with our partners.

### **Special risks**

It is Management's opinion that the annual report is not affected by unusual risks.

### **Impact on the external environment**

No production activity takes place in Denmark, and most of the Company's products are bought in packaging designed for the Danish market. Drugs and products, where the expiry date is exceeded, are destroyed in accordance with industry standards.

### **Research and development activities**

During the year under review, significant research and development activities were maintained for new products as well as products to be marketed in future.

### **Events after the balance sheet date**

No events have occurred after the financial year-end, which could significantly affect the Company's financial position.

### **Outlook**

The market dynamics in the Danish pharmaceutical market are challenging due to significant pricing and reimbursement risk. This is true especially in the primary care segment, in which the majority of Mundipharma A/S' current business sits. The Management does not expect more favorable conditions in the coming years.

The existing promoted portfolio is mature and is expected to reduce significantly within the next years. To counter the eroding existing portfolio, the Management is pursuing an active strategy to add assets with a strategic fit to the current portfolio. These efforts have resulted in several late stage negotiations around additional assets, which potentially can boost Mundipharma A/S' sales in short- and medium-term in existing and new therapy areas.

Net sales are expected to remain at the same level as in 2017. The Company expects to continue to have positive liquidity in 2018.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2017	2016
	Revenue	63,266	69,890
	Cost of sales	-17,045	-21,703
	Other operating Income	637	40
	Other external expenses	-21,482	-24,017
	<b>Gross margin</b>	<b>25,376</b>	<b>24,210</b>
2	Staff costs	-23,100	-21,564
	Amortisation/depreciation and Impairment of intangible assets and property, plant and equipment	-350	-429
	<b>Profit before net financials</b>	<b>1,926</b>	<b>2,217</b>
	Financial income	28	1,518
	Financial expenses	-2,026	-331
	<b>Profit/loss from continuing operations before tax</b>	<b>-72</b>	<b>3,404</b>
3	Tax for the year	-514	-1,018
	<b>Profit/loss for the year from continuing operations</b>	<b>-586</b>	<b>2,386</b>
3.4	Profit/loss after tax from discontinued operations	-7,681	0
	<b>Profit/loss for the year</b>	<b>-8,267</b>	<b>2,386</b>
	<b>Recommended appropriation of profit/loss</b>		
	Retained earnings/accumulated loss	-8,267	2,386
		-8,267	2,386





**Financial statements 1 January - 31 December**

**Balance sheet**

Note	DKK'000	2017	2016
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
5	<b>Intangible assets</b>		
	Acquired intangible assets	315	372
		315	372
6	<b>Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment	534	828
		534	828
	<b>Financial assets</b>		
	Deposits	225	379
		225	379
	<b>Total non-current assets</b>	1,074	1,579
	<b>Current assets</b>		
	<b>Inventories</b>		
	Finished goods and goods for resale	14,242	20,014
		14,242	20,014
	<b>Receivables</b>		
	Trade receivables	50,855	34,867
	Receivables from associates	2,455	4,030
	Income taxes receivable	15	715
	Other receivables	140	49
	Prepayments	238	419
		53,703	40,080
	<b>Cash</b>	69,367	85,483
	<b>Total current assets</b>	137,312	145,577
	<b>TOTAL ASSETS</b>	138,386	147,156



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	4,500	4,500
	Retained earnings	42,939	51,206
	Dividend proposed for the year	0	0
	<b>Total equity</b>	<b>47,439</b>	<b>55,706</b>
	<b>Non-current liabilities</b>		
	Deferred tax	48	69
	<b>Total non-current liabilities</b>	<b>48</b>	<b>69</b>
	<b>Current liabilities</b>		
	Trade payables	4,541	9,148
	Payables to associates	774	0
	Payables to shareholders and management	64,875	64,875
	Other payables	20,709	17,358
	<b>Total current liabilities</b>	<b>90,899</b>	<b>91,381</b>
	<b>Total liabilities</b>	<b>90,947</b>	<b>91,450</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>138,386</b>	<b>147,156</b>

- 1 Accounting policies
- 7 Contractual obligations and contingencies, etc.



## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2016	4,500	48,820	75,000	128,320
Transfer through appropriation of profit	0	2,386	0	2,386
Dividend distributed	0	0	-75,000	-75,000
<b>Equity at 1 January 2017</b>	<b>4,500</b>	<b>51,206</b>	<b>0</b>	<b>55,706</b>
Transfer through appropriation of loss	0	-8,267	0	-8,267
<b>Equity at 31 December 2017</b>	<b>4,500</b>	<b>42,939</b>	<b>0</b>	<b>47,439</b>



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Mundipharma A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

#### Changes in accounting policies

Mundipharma A/S has changed reporting class to class B compared to medium-sized class C last year. The change in reporting class has no effect on the income statement or the balance for 2017 or for the comparative figures.

Apart from new presentation and disclosure requirements, the financial statements have been prepared in accordance with the same accounting policies as last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Leases

Leases in respect of which the entity does not bear all significant risks and enjoy all significant benefits associated with the title to the assets are considered operating leases. Payments under operating leases are recognised in the income statement over the term of the lease.

### Income statement

#### Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be determined up reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

#### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets 7-13 years

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment 3-5 years  
Leasehold improvements 8 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, realised and unrealised capital gains and losses relating to exchange gains and losses and amortisation of financial assets and liabilities.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Intangible assets

Intangible assets include acquired product rights.

Intangible assets are measured at cost less accumulated amortisation and impairment losses.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

##### Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability, once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Withholding taxes on adopted dividend are recognised as other payables, if not settled at 31 December.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Company has established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities or similar exposures of the respective countries in which it operates. The amount of such provisions is based on various factors, such as interpretations of tax regulations by the taxable entity, etc. The actual obligation may deviate and be dependent on the outcome of litigations and settlements with the relevant tax authorities.

##### Other payables

Other payables are measured at net realisable value.



## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2017	2016
<b>2 Staff costs</b>		
Wages/salaries	21,142	19,408
Pensions	1,673	1,904
Other social security costs	187	185
Other staff costs	98	67
	<u>23,100</u>	<u>21,564</u>
Average number of full-time employees	<u>23</u>	<u>23</u>
<b>3 Tax for the year</b>		
Estimated tax charge for the year	535	777
Deferred tax adjustments in the year	-21	241
	<u>514</u>	<u>1,018</u>

#### 4 Profit/loss from discontinued operations

As a result of the challenging outlook for Mundipharma A/S and the other local European distributors, the Mundipharma network decided as at 31 December 2015 to reorganise its business to drive efficiencies and to allow for greater planning, oversight and control over Mundipharma's supply chain management and European commercialisation activities. The restructuring involved certain commercialisation responsibilities of the European distribution IACs, including Mundipharma A/S, being increasingly centralised. However, it is noted that the only impact of this business reorganisation on Mundipharma A/S through 2015 was an inventory transfer on 31 December 2015, as the reorganisation was made effective on 1 January 2016. Thus, the Company had no discontinued operations in 2016.

A final adjustment has been made in 2017 as a result of the reorganisation, and the Company has incurred costs amounting to DKK 7,681 thousand related to discontinued operations.

Profit/loss from discontinued operations is broken down on main items below:

DKK'000	2017	2016
Cost of sales	-7,681	0
Profit/loss before tax	-7,681	0
Tax on profit/loss	0	0
<b>Profit/loss after tax from discontinued operations</b>	<u>-7,681</u>	<u>0</u>

#### Presentation of discontinued operations

Discontinued operations comprise a separate, major line of business, whose activities and cash flows are clearly distinguishable, operationally and for financial reporting purposes, from the Company's other lines of business and where the line of business has either been disposed of or separated as held for sale and the sale is expected to be effected within one year in accordance with a formal plan.

The profit/loss from discontinued operations and value adjustments after tax of related assets and liabilities and gains and losses on disposal are presented as a separate line item in the income statement, and comparative figures are restated accordingly. Revenue, expenses, value adjustments and tax relating to discontinued operations are disclosed in the notes. Assets and relating liabilities in respect of discontinued operations are presented as separate line items in the balance sheet without restatement of comparative figures, and the main items are specified in the notes.





## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 5 Intangible assets

DKK'000	<u>Acquired Intangible assets</u>
Cost at 1 January 2017	27,856
Cost at 31 December 2017	27,856
Impairment losses and amortisation at 1 January 2017	27,484
Impairment losses in the year	57
Impairment losses and amortisation at 31 December 2017	27,541
Carrying amount at 31 December 2017	<u>315</u>

#### 6 Property, plant and equipment

DKK'000	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2017	1,630
Additions in the year	0
Disposals in the year	-75
Cost at 31 December 2017	1,555
Impairment losses and depreciation at 1 January 2017	802
Depreciation in the year	294
Reversal of amortisation/depreciation and impairment of disposals	-75
Impairment losses and depreciation at 31 December 2017	1,021
Carrying amount at 31 December 2017	<u>534</u>

#### 7 Contractual obligations and contingencies, etc.

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	<u>2017</u>	<u>2016</u>
Rent and lease liabilities	4,963	7,081