Mundipharma A/S

Frydenlundsvej 30, 2950 Vedbæk

CVR no. 17 98 19 94

Annual report 2018

Approved at the Company's annual general meeting on 20 June 2019

Chairman:

Steen D. Bohn

Building a better working world

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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 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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, 20 June 2019
Executive Board:

Kjetil Kollstad

Board of Directors:

Stuart D. Baker Chairman	Stephen Jamieson	Jörg Fischer

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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 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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.

Copenhagen, 20 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen State Authorised Public Accountant mne33234	Martin Stenstrup Toft State Authorised Public Accountant 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	www.mundipharma.dk
E-mail	mundipharma@mundipharma.dk
Telephone	+45 45 17 48 00
Board of Directors	Stuart D. Baker, Chairman Stephen Jamieson 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 2018, the Company's revenue amounted to DKK 55,436 thousand against DKK 63,266 thousand last year. The income statement for 2018 shows a loss of DKK 152 thousand against a loss of DKK 8,267 thousand last year, of which DKK 7,681 thousand can be referred to discontinued operations, and the balance sheet at 31 December 2018 shows equity of DKK 47,287 thousand.

Events after the balance sheet date

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

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Revenue	55,436	63,266
	Cost of sales	-6,519	-17,045
	Other operating income	0	637
	Other external expenses	-24,045	-21,482
	Gross margin	24,872	25,376
2	Staff costs	-23,076	-23,100
5,6	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-307	-350
	Profit before net financials	1,489	1,926
	Financial income	172	28
	Financial expenses	-1,366	-2,026
	Profit/loss from continuing operations before tax	295	-72
3	Tax for the year	-447	-514
	Profit/loss for the year from continuing operations	-152	-586
3,4	Profit/loss after tax from discontinued operations	0	-7,681
	Profit/loss for the year	-152	-8,267

	2018	2017
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-152	-8,267
	-152	-8,267

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
5	**Intangible assets**		
	Acquired intangible assets	258	315
		258	315
6	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	284	534
		284	534
	Financial assets		
	Deposits	0	225
		0	225
	Total non-current assets	542	1,074
	Current assets		
	Inventories		
	Finished goods and goods for resale	18,517	14,242
		18,517	14,242
	Receivables		
	Trade receivables	22,809	50,855
	Receivables from associates	2,642	2,455
	Income taxes receivable	228	15
	Other receivables	268	140
	Prepayments	795	238
		26,742	53,703
	Cash	90,884	69,367
	Total current assets	136,143	137,312
	TOTAL ASSETS	136,685	138,386

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	4,500	4,500
	Retained earnings	42,787	42,939
	Total equity	47,287	47,439
	Non-current liabilities		
	Deferred tax	68	48
	Total non-current liabilities	68	48
	Current liabilities		
	Trade payables	3,287	4,541
	Payables to associates	671	774
	Payables to shareholders	64,875	64,875
	Other payables	20,497	20,709
	Total current liabilities	89,330	90,899
	Total liabilities	89,398	90,947
	TOTAL EQUITY AND LIABILITIES	136,685	138,386

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	Total
Equity at 1 January 2017	4,500	51,206	55,706
Transfer through appropriation of loss	0	-8,267	-8,267
Equity at 1 January 2018	4,500	42,939	47,439
Transfer through appropriation of loss	0	-152	-152
Equity at 31 December 2018	4,500	42,787	47,287

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mundipharma A/S for 2018 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.

The accounting policies used in the preparation of the financial statements are consistent with those of 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

The Company has chosen IAS 17 as interpretation for classification and recognition of 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 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 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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

The item comprises amortisation/depreciation 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.

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.

Financial statements 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

Cash

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 crystalise 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	2018	2017
2	**Staff costs**		
	Wages/salaries	20,893	21,142
	Pensions	1,801	1,673
	Other social security costs	272	187
	Other staff costs	110	98
		23,076	23,100
	Average number of full-time employees	26	23
3	**Tax for the year**		
	Estimated tax charge for the year	422	535
	Deferred tax adjustments in the year	19	-21
	Tax adjustments, prior years	6	0
		447	514

4 **Profit/loss from discontinued operations**

On 31December 2015, Mundipharma A/S discontinued its supply chain activities for the Mundipharma network of independent associated companies.

The only impact in 2015 was an inventory transfer on 31 December 2015.

A final adjustment was made in 2017, and the Company has incurred costs amounting to DKK 7,681 thousand relating to discontinued operations.

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

DKK'000	2018	2017
Cost of sales	0	-7,681
Profit/loss after tax from discontinued operations	0	-7,681

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 with no 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	Acquired intangible assets
Cost at 1 January 2018	27,856
Cost at 31 December 2018	27,856
Impairment losses and amortisation at 1 January 2018	27,541
Amortisation in the year	57
Impairment losses and amortisation at 31 December 2018	27,598
Carrying amount at 31 December 2018	258

6 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2018	1,555
Cost at 31 December 2018	1,555
Impairment losses and depreciation at 1 January 2018	1,021
Depreciation in the year	250
Impairment losses and depreciation at 31 December 2018	1,271
Carrying amount at 31 December 2018	284

7 Contractual obligations and contingencies, etc.

Other contingent liabilities

Mundipharma A/S has received a draft reassessment from the Danish tax authorities, in which it is argued that the Company's Danish taxable income for 2013 – 2015 should be increased by a significant amount.

The Company does not agree with the draft reassessment and therefore does not anticipate significant additional taxes will fall due.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018	2017
Rent and lease liabilities	4,402	4,963