

**Azanta Danmark A/S
Central Business Registration No
25260279
Tranegårdsvej 20
DK-2900 Hellerup**

Annual report 2015

The Annual General Meeting adopted the annual report on 31.03.2016

Chairman of the General Meeting

Name: Søren Brinkmann

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Entity details

Entity

Azanta Danmark A/S
Tranegårdsvej 20
DK-2900 Hellerup

Central Business Registration No: 25260279

Registered in: Gentofte

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Hanne Damgaard Jensen, formand

Lars Aaen

Helle Heidensleben

Executive Board

Richard Henry Poulsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Azanta Danmark A/S for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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.

Hellerup, 15.03.2016

Executive Board

Richard Henry Poulsen

Board of Directors

Hanne Damgaard Jensen
formand

Lars Aaen

Helle Heidensleben

Independent auditor's reports

To the owners of Azanta Danmark A/S

Report on the financial statements

We have audited the financial statements of Azanta Danmark A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the 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 as 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 about 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity'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 Entity'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 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 audit opinion.

Our audit has not resulted in any qualification.

Independent auditor's reports

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. 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 commentary is consistent with the financial statements.

Copenhagen, 15.03.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jens Sejer Pedersen

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

Azanta Danmark A/S (“Azanta Danmark”) is a specialty pharma company mainly focused on sales in the Nordic countries based on in-licensed pharmaceutical products and medical devices. In addition, Azanta Danmark develops and implements compassionate use programs of our own proprietary product Angusta and Azanta Danmark has on-going compassionate use programs on Nimoral.

Development in activities and finances

Vision

Azanta Danmark seeks to be an international market leader within certain niche specialty pharma products, employing innovative repositioning and drug formulation strategies, offering patients the best treatment alternatives.

Development projects

Azanta Danmark’s proprietary products are in phase III drug development.

Angusta®

Angusta® is being developed for the induction of labour to replace misoprostol compounding at the hospitals. In 2015, the development progressed according to plan. The PK trial in 72 patients at Skåne University Hospital was finalized. Technology transfer of the manufacture of Angusta® tablets from India to Europe was successfully completed.

On February 25th 2016 Azanta filed for market approval of Angusta® in the Nordics.

Market approval of Angusta® in the Nordics (first wave) is expected within 10 – 14 months from filing. During 2016, Azanta will fine-tune its strategy of seeking market approval of Angusta® in the rest of Europe (second wave) as well as develop a regulatory strategy for North America (third wave).

Development of economic activities

Despite loss of revenue from Methadone Martindale due to a product recall last year, the revenue reached same level as in 2014. The revenue from the seven medical products was DKK 26,6 million compared with DKK 26,9 million in 2014.

The income statement for 2015 shows a profit of DKK 6,2 million compared with a profit last year of DKK 4,9 million, and the balance sheet shows a shareholders’ equity amounting to DKK 39,8 million.

On October 1st 2015 the Parent company Azanta secured DKK 45,8 million in new equity. The funding was led by European Equity Partners through a special purpose vehicle LSI 1 BV, which is now the majority share-

Management commentary

holder of Azanta A/S. In connection with securing new equity the loan agreement with Norgine Venture was renegotiated and a postponement of repayment of one year was agreed.

Strategy

In 2016 Azanta Denmark will start pre-marketing initiatives for the planned market launch of Angusta® in the Nordics. Business development strategies for commercialization of Angusta® in the rest of Europe and in North America will also be established.

Events after the balance sheet date

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

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, and the value of the liability 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.

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 one 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.

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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for research and development, premises, stationery and office supplies, marketing costs, etc.

Expenses for research and development are recognised in the income statement, because the recognition criterion of an asset is not fulfilled.

This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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 for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and 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. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

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

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value 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

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Revenue		26.625	26.854
Cost of sales		(8.133)	(8.797)
Other external expenses		<u>(9.326)</u>	<u>(7.477)</u>
Gross profit/loss		9.166	10.580
Staff costs	1	(2.478)	(2.901)
Depreciation, amortisation and impairment losses	2	<u>(12)</u>	<u>(10)</u>
Operating profit/loss		6.676	7.669
Income from investments in group enterprises		(38)	(176)
Other financial income	3	2.209	1.138
Other financial expenses	4	<u>(2.674)</u>	<u>(700)</u>
Profit/loss from ordinary activities before tax		6.173	7.931
Tax on profit/loss from ordinary activities		<u>0</u>	<u>(3.038)</u>
Profit/loss for the year		<u>6.173</u>	<u>4.893</u>
Proposed distribution of profit/loss			
Retained earnings		<u>6.173</u>	<u>4.893</u>
		<u>6.173</u>	<u>4.893</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other fixtures and fittings, tools and equipment		<u>0</u>	<u>12</u>
Property, plant and equipment	5	<u>0</u>	<u>12</u>
Investments in group enterprises		<u>0</u>	<u>0</u>
Receivables from group enterprises		<u>60.191</u>	<u>47.202</u>
Deposits		<u>127</u>	<u>124</u>
Fixed asset investments	6	<u>60.318</u>	<u>47.326</u>
Fixed assets		<u>60.318</u>	<u>47.338</u>
Raw materials and consumables		<u>3.940</u>	<u>4.919</u>
Inventories		<u>3.940</u>	<u>4.919</u>
Trade receivables		<u>2.919</u>	<u>1.766</u>
Prepayments		<u>43</u>	<u>126</u>
Receivables		<u>2.962</u>	<u>1.892</u>
Cash		<u>1.537</u>	<u>11.641</u>
Current assets		<u>8.439</u>	<u>18.452</u>
Assets		<u>68.757</u>	<u>65.790</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital		2.134	2.134
Retained earnings		37.647	31.525
Equity		39.781	33.659
Provisions for investments in group enterprises		1.480	1.391
Provisions		1.480	1.391
Subordinate loan capital		20.529	19.551
Non-current liabilities other than provisions	7	20.529	19.551
Current portion of long-term liabilities other than provisions	7	1.220	1.700
Trade payables		1.297	3.677
Debt to group enterprises		1.971	3.792
Other payables		2.231	1.840
Deferred income		248	180
Current liabilities other than provisions		6.967	11.189
Liabilities other than provisions		27.496	30.740
Equity and liabilities		68.757	65.790
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Assets charged and collateral	10		

Statement of changes in equity for 2015

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.134	31.525	33.659
Exchange rate adjustments	0	(51)	(51)
Profit/loss for the year	0	6.173	6.173
Equity end of year	2.134	37.647	39.781

Notes

	2015 DKK'000	2014 DKK'000
1. Staff costs		
Wages and salaries	2.142	2.513
Pension costs	310	345
Other social security costs	12	20
Other staff costs	14	23
	2.478	2.901
	2015 DKK'000	2014 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	12	10
	12	10
	2015 DKK'000	2014 DKK'000
3. Other financial income		
Financial income arising from group enterprises	2.209	1.138
	2.209	1.138
	2015 DKK'000	2014 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	41	1
Interest expenses	2.307	554
Exchange rate adjustments	326	145
	2.674	700

Notes

	Other fixtures and fittings, tools and equipment DKK'000
5. Property, plant and equipment	
Cost beginning of year	208
Cost end of year	208
Depreciation and impairment losses beginning of the year	(196)
Depreciation for the year	(12)
Depreciation and impairment losses end of the year	(208)
Carrying amount end of year	0

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000
6. Fixed asset investments			
Cost beginning of year	40.317	47.202	124
Additions	0	12.989	3
Cost end of year	40.317	60.191	127
Impairment losses beginning of year	(40.317)	0	0
Exchange rate adjustments	(51)	0	0
Share of profit/loss after tax	(38)	0	0
Investments with negative equity transferred to provisions	89	0	0
Impairment losses end of year	(40.317)	0	0
Carrying amount end of year	0	60.191	127

	Registered in	Equity interest %
Subsidiaries:		
Azanta Pharma AB	Lund, Sweden	100,00

Notes

	Instalments within 12 months 2014 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2015 DKK'000
7. Long-term liabilities other than provisions			
Subordinate loan capital	1.700	1.220	20.529
	1.700	1.220	20.529

8. Unrecognised rental and lease commitments

Payments under operating lease concerning one cars and a copy machine amounts to DKK 420 thousand.

9. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Azanta A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

10. Assets charged and collateral

Azanta A/S and Azanta Danmark A/S have granted Norgine Venture a general floating charge of EUR 3 million on the Company's assets. The charge includes goodwill, rights, operating equipment, inventories and accounts receivable.

Azanta Danmark A/S has provided a guarantee for subscription of capital in favour of Azanta Pharma AB.