

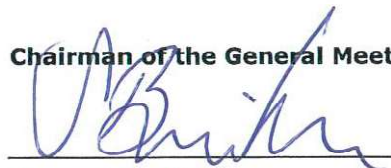
Azanta Danmark A/S

Gearhalsvej 1
DK-2500 Valby
Central Business Registration No
25260279

Annual report 2016

The Annual General Meeting adopted the annual report on 11.04.2017

Chairman of the General Meeting



Name: Søren Brinkmann

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	7
Balance sheet at 31.12.2016	8
Statement of changes in equity for 2016	10
Notes	11
Accounting policies	14

Entity details

Entity

Azanta Danmark A/S
Gearhalsvej 1
DK-2500 Valby

Central Business Registration No: 25260279
Registered in: Valby
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Christian Gunni Pedersen, Chairman
David Carl Christian von Kauffmann
Jens Munch-Hansen

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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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.

Copenhagen, 22.03.2017

Executive Board



Richard Henry Poulsen

Board of Directors



Christian Gunni Pedersen

Chairman



David Carl Christian von
Kauffmann



Jens Munch-Hansen

Independent auditor's report

To the shareholders of Azanta Danmark A/S

Opinion

We have audited the financial statements of Azanta Danmark A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 these 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:

Independent auditor's report

- 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 Entity's internal control.
- 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 22.03.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Jens Sejer Pedersen

State Authorised Public Accountant

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, medical devices and its own product for labour induction Angusta®. In addition, Azanta Danmark has ongoing named patient/compassionate use programs on Nimoral™.

Vision

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

Development in activities and finances

Azanta Danmark experienced solid growth in 2016 resulting in reaching revenue of DKK 38.9 million, which equates to 46% increase over the 2015 revenue of DKK 26.6 million. The strong revenue growth resulted in a net profit of DKK 15.0 million compared to a net profit in 2015 of DKK 6.2 million.

The positive operational development and the net profit result also had a positive impact on the Company's equity which by the end of 2016 amounted to DKK 54.8 million.

Development Projects

Angusta®

Angusta® has been developed for the induction of labour and has been available on a named patient / compassionate use program in Denmark, Norway and Finland since 2013. By end of 2016 more than 38,000 women had benefitted from Angusta®.

On 25 February 2016 Azanta Danmark filed for marketing authorization of Angusta® in the Nordics and the National Approvals were successfully received in first half of March 2017. Marketing approval of Angusta® in other European countries as well as in North America will be pursued in 2017 and beyond.

Outlook

In 2017 Azanta Danmark will launch Angusta® in the Nordics markets and file for marketing authorization in other European countries. With a solid balance sheet, a strengthened organization and increasing sales the Company expects a continued positive development.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue		38.912	26.625
Cost of sales		(8.812)	(8.133)
Other external expenses		<u>(10.403)</u>	<u>(8.904)</u>
Gross profit/loss		19.697	9.588
Staff costs	1	(4.029)	(2.450)
Depreciation, amortisation and impairment losses	2	<u>0</u>	<u>(12)</u>
Operating profit/loss		15.668	7.126
Income from investments in group enterprises		0	(38)
Other financial income	3	2.592	2.209
Other financial expenses	4	<u>(3.288)</u>	<u>(3.124)</u>
Profit/loss for the year		<u>14.972</u>	<u>6.173</u>
Proposed distribution of profit/loss			
Retained earnings		<u>14.972</u>	<u>6.173</u>
		<u>14.972</u>	<u>6.173</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Investments in group enterprises		0	0
Receivables from group enterprises		57.506	60.191
Deposits		0	127
Fixed asset investments	5	57.506	60.318
Fixed assets		57.506	60.318
Raw materials and consumables		3.415	3.940
Inventories		3.415	3.940
Trade receivables		12.637	2.919
Prepayments		77	43
Receivables		12.714	2.962
Cash		9.286	1.537
Current assets		25.415	8.439
Assets		82.921	68.757

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital		2.134	2.134
Retained earnings		52.619	37.647
Equity		54.753	39.781
Provisions for investments in group enterprises		0	1.480
Provisions		0	1.480
Subordinate loan capital		13.361	20.529
Non-current liabilities other than provisions	6	13.361	20.529
Current portion of long-term liabilities other than provisions	6	7.736	1.220
Trade payables		1.505	1.297
Payables to group enterprises		1.417	1.971
Other payables		4.149	2.479
Current liabilities other than provisions		14.807	6.967
Liabilities other than provisions		28.168	27.496
Equity and liabilities		82.921	68.757
Staff costs			
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Mortgages and securities	9		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.134	37.647	39.781
Profit/loss for the year	0	14.972	14.972
Equity end of year	2.134	52.619	54.753

Notes

	2016	2015
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	3.720	2.139
Pension costs	302	310
Other social security costs	8	12
Other staff costs	(1)	(11)
	4.029	2.450
 Average number of employees	 4	 4
	2016	2015
	DKK'000	DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	0	12
	0	12
	2016	2015
	DKK'000	DKK'000
3. Other financial income		
Financial income arising from group enterprises	2.592	2.209
	2.592	2.209
	2016	2015
	DKK'000	DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	79	41
Interest expenses	3.122	2.757
Exchange rate adjustments	87	326
	3.288	3.124

Notes

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000
5. Fixed asset investments			
Cost beginning of year	40.317	60.191	127
Additions	0	12.588	0
Disposals	(40.317)	(15.273)	(127)
Cost end of year	0	57.506	0
Impairment losses beginning of year	(40.317)	0	0
Disposals on divestments etc	38.718	0	0
Reversal of impairment losses	1.599	0	0
Impairment losses end of year	0	0	0
Carrying amount end of year	0	57.506	0

	Registered in	Equity inte- rest %
Investments in group enterprises comprise:		
Azanta Pharma AB	Lund, Sweden	100,0

Azanta Pharma AB has during the year merged with Azanta AB.

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000
6. Liabilities other than provisions			
Subordinate loan capital	7.736	1.220	13.361
	7.736	1.220	13.361

7. Unrecognised rental and lease commitments

Payments under operating lease concerning one car and a copy machine amount to DKK 235 thousand.

Notes

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Axanta A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

9. Mortgages and securities

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.

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.

The accounting policies applied to these financial statements are consistent with those applied last year.

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 rate 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, 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 goods consumed in 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 premises, stationery and office supplies, marketing costs, etc. 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.

Depreciation, amortisation 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 intra-group 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.

Balance sheet

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 value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is

Accounting policies

imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

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

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Other financial liabilities

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