

# Missionpharma A/S

Annual report  
**2016**

Approved at General Meeting  
29/5 - 2017

Chairman:  
Jacob Christensen, Plesner Advokatpartnerselskab

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**MISSIONPHARMA**  
cfaogroup.com

Missionpharma A/S  
Vassingerøedvej 9 · 3540 Lyngø · Denmark  
[www.missionpharma.com](http://www.missionpharma.com)  
CVR No. 26 90 23 98



# Contents

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<b>Management Review</b> .....	<b>3</b>
Company details .....	3
About Missionpharma .....	4
Group chart .....	5
Group locations.....	6
Financial highlights in DKK .....	7
Financial highlights in USD and EUR .....	8
Performance 2016 .....	9
Outlook 2017 .....	10
Risk management .....	11
Corporate Social Responsibility and Diversity .....	14
<b>Reports</b> .....	<b>18</b>
Statement by the Executive Board and Board of Directors .....	18
Independent Auditor’s Report .....	19
<b>Accounts</b> .....	<b>23</b>
Income statement.....	23
Balance sheet - Assets.....	24
Balance sheet – Equity and liabilities.....	25
Statement of changes in equity .....	26
Notes to the annual report .....	27
Accounting policies .....	31
Definition of financial ratios .....	34



## Company details

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### **Missionpharma A/S**

Vassingerødvej 9  
3540 Lyngø  
Denmark  
[www.missionpharma.com](http://www.missionpharma.com)

CVR no.: 26 90 23 98  
Financial year: 1 January - 31 December  
Established: 6 December 2002  
Registered office: Allerød, Denmark

### **Board of Directors**

Jean-Marc Pierre René Leccia (Chairman)  
Denis Georges Fernand Maurice  
Eric Pierre Jean Muris  
Kim Erik Ginnerup

### **Executive Board**

Kim Erik Ginnerup, CEO  
Poul Lindof, CFO

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup, Denmark

### **Ultimate Danish parent company**

The company's accounts are consolidated in the accounts of Missionpharma Group ApS.



## About Missionpharma

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### Missionpharma's purpose statement

***We accelerate the new Africa***

*Missionpharma contributes to progress in Africa by strengthening tomorrow's healthcare with intelligent solutions and trustful partnerships.*

"We accelerate the new Africa" is Missionpharma's purpose statement. The purpose pinpoints our focus on strengthening healthcare in Africa and thereby contribute to driving Africa forward and underlines our dedication to making a positive impact in Africa by doing what we are best at: To provide tailored intelligent healthcare solutions build on deep insight and decades of experience.

### Missionpharma's business

Missionpharma supplies generic pharmaceuticals, medical devices, medical kits and hospital equipment to countries outside the EU – primarily in Africa and Asia. Customers include ministries of health, central medical stores and public procurement agencies as well as NGOs, funders and private wholesalers. The products are both sold in bulk and kits. Missionpharma is not a manufacturer itself whereas all products are sourced globally from manufacturers.

The business model is mainly designed to respond to direct inquiries from the market. The business and overall market position has enabled Missionpharma to operate this market successfully since many years. Missionpharma is focused to continuously improve its market position in relation to customers, markets and products, optimizing execution of contracts, and simultaneously developing new business areas through strategic initiatives.

Missionpharma is today an integrated part of the French group Eurapharma ([www.eurapharma.com](http://www.eurapharma.com)). Eurapharma is part of the CFAO group ([www.cfao.com](http://www.cfao.com)).

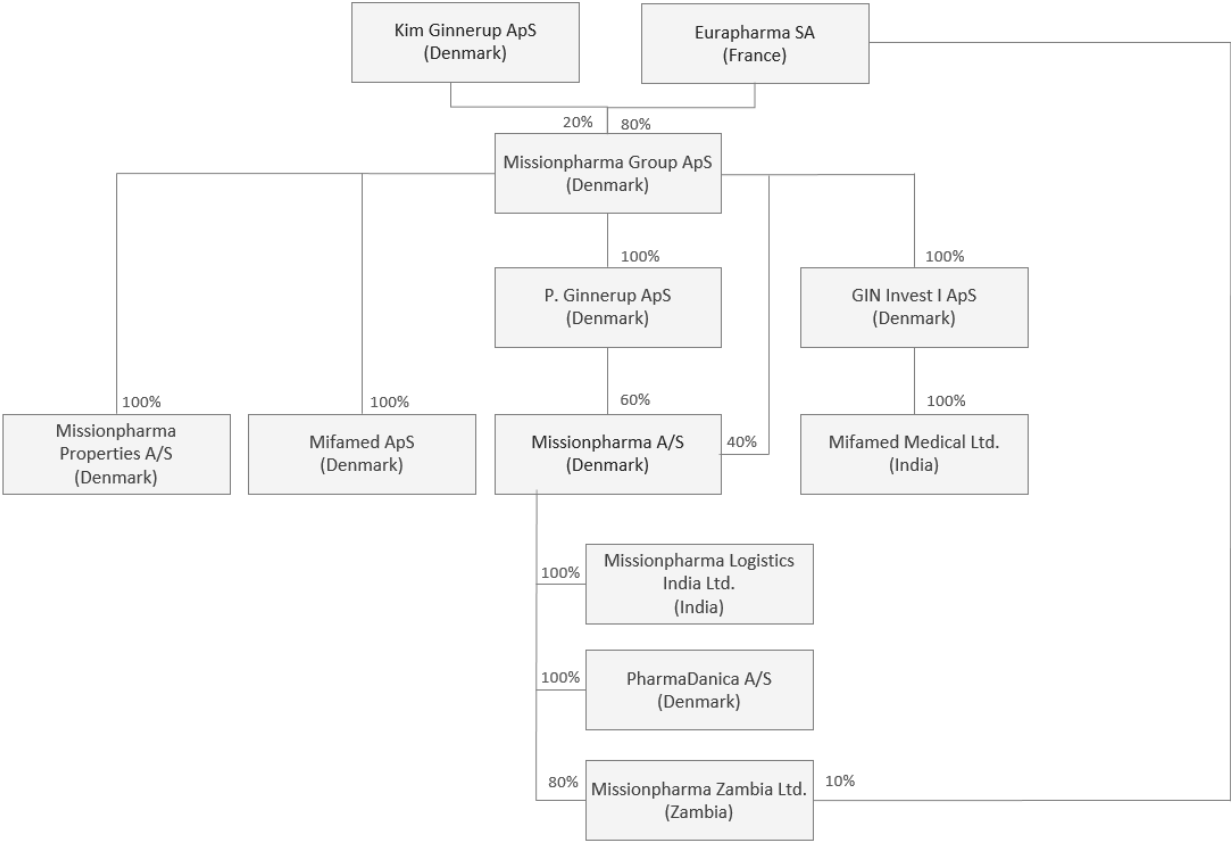
### Research and development activities

Missionpharma is not involved in research and development activities of new pharmaceutical products. However, the Company maintains a high level of innovation in order to respond to the requirements from customers.



# Group chart

The chart reflects the group that Missionpharma A/S is part of:





# Group locations





## Financial highlights in DKK

DKK'000	2016	2015	2014	2013	2012 (8 months)
<b>Key figures</b>					
Revenue	762,676	753,910	703,768	537,927	387,645
Gross profit	142,599	122,771	129,537	106,132	78,978
Ordinary operating profit (EBIT)	98,466	80,969	90,383	69,046	48,453
Net financials	-4,634	-2,752	-181	-11,850	43
<b>Profit of the year</b>	<b>78,005</b>	<b>73,845</b>	<b>69,003</b>	<b>44,083</b>	<b>35,246</b>
<b>Investments in the year</b>	<b>588</b>	<b>185</b>	<b>920</b>	<b>267</b>	<b>129</b>
Total assets	321,576	311,057	317,641	214,241	230,154
<b>Equity</b>	<b>209,047</b>	<b>185,468</b>	<b>162,346</b>	<b>124,385</b>	<b>106,596</b>
<b>Average number of full-time employees</b>	<b>57</b>	<b>49</b>	<b>42</b>	<b>45</b>	<b>51</b>
<b>Financial ratios</b>					
Operating margin (EBIT)	12.9%	10.7%	12.8%	12.8%	12.5%
Solvency ratio	65.0%	59.6%	51.1%	58.1%	46.3%
Return on equity	39.5%	42.5%	48.1%	38.2%	55.0%
Liquidity ratio	2.6	2.3	2.0	2.4	1.9



## Financial highlights in USD and EUR

USD '000	2016	2015	2014	2013	2012 (8 months)
Average DKK/100 USD rate (P&L)	675.83	670.49	563.45	561.66	585.58
Closing DKK/100 USD rate (balance sheet)	705.28	683.00	612.14	541.27	565.91
<b>Key figures</b>					
Revenue	112,850	112,442	124,903	95,774	66,198
Gross profit	21,100	18,311	22,990	18,896	13,487
Ordinary operating profit (EBIT)	14,570	12,076	16,041	12,293	8,274
Net financials	-686	-410	-32	-2,110	7
<b>Profit for the year</b>	<b>11,542</b>	<b>11,014</b>	<b>12,246</b>	<b>7,849</b>	<b>6,019</b>
Investments in the year	87	28	163	48	22
Total assets	45,595	45,543	51,890	39,581	40,670
<b>Equity</b>	<b>29,640</b>	<b>27,155</b>	<b>26,521</b>	<b>22,980</b>	<b>18,836</b>
<b>Average number of full-time employees</b>					
	<b>57</b>	<b>49</b>	<b>42</b>	<b>45</b>	<b>51</b>
<b>Financial ratio</b>					
Operating margin (EBIT)	12.9%	10.7%	12.8%	12.8%	12.5%
Solvency ratio	65.0%	59.6%	51.1%	58.1%	46.3%
Return on equity	39.5%	42.5%	48.1%	38.2%	55.0%
Liquidity ratio	2.6	2.3	2.0	2.4	1.9

EUR '000	2016	2015	2014	2013	2012 (8 months)
Average DKK/100 EUR rate (P&L)	744.64	745.92	745.49	745.78	744.80
Closing DKK/100 EUR rate (balance sheet)	743.44	746.25	744.36	746.03	746.04
<b>Key figures</b>					
Revenue	102,422	101,071	94,403	72,129	52,047
Gross profit	19,150	16,459	17,376	14,231	10,604
Ordinary operating profit (EBIT)	13,223	10,855	12,124	9,258	6,506
Net financials	-622	-369	-24	-1,589	6
<b>Profit for the year</b>	<b>10,476</b>	<b>9,900</b>	<b>9,256</b>	<b>5,911</b>	<b>4,732</b>
Investments in the year	79	25	123	36	17
Total assets	43,255	41,683	42,673	28,717	30,850
<b>Equity</b>	<b>28,119</b>	<b>24,853</b>	<b>21,810</b>	<b>16,673</b>	<b>14,288</b>
<b>Average number of full-time employees</b>					
	<b>57</b>	<b>49</b>	<b>42</b>	<b>45</b>	<b>51</b>
<b>Financial ratio</b>					
Operating margin (EBIT)	12.9%	10.7%	12.8%	12.8%	12.5%
Solvency ratio	65.0%	59.6%	51.1%	58.1%	46.3%
Return on equity	39.5%	42.5%	48.1%	38.2%	55.0%
Liquidity ratio	2.6	2.3	2.0	2.4	1.9





## Performance 2016

### Financials

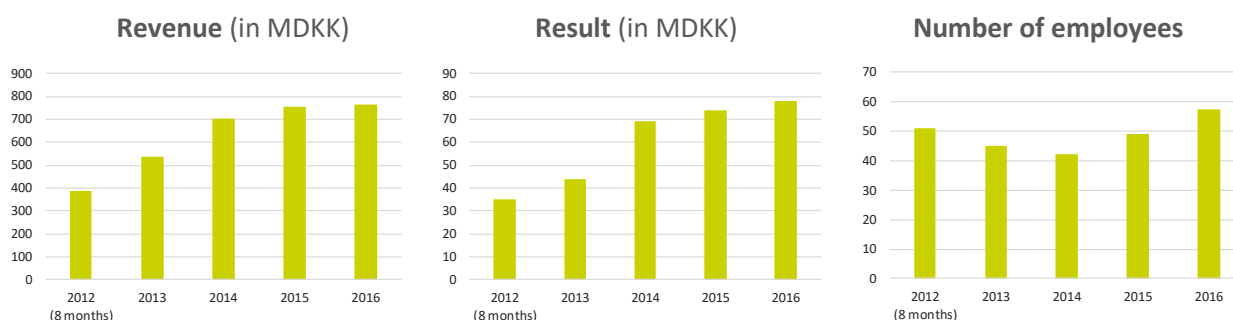
The financial year ended at 31 December 2016 with a profit of DKK 78,005 thousand. The equity as at 31 December 2016 amounts to DKK 209,047 thousand.

The financial performance for the financial year 2016 exceeds the expectations of the Management and is considered very satisfactory.

Activities of 2016 have led to a revenue below expectations while a higher than expected efficiency in contract realization has affected the result positively. During 2016, the macro-economic development in certain market has aggravated and has, due to defaulted timely customer payments, led to a negative impact on reservations for losses on customer receivables. The increased reservations have affected the result negatively although not changing the overall positive outcome of 2016.

Missionpharma has not made any substantial investments during the financial year.

During 2016, the number of employees has increased in line with expectations.



### Operations

Operational activities have, despite a lower than expected revenue, a continuous increased competition and changes in market conditions, maintained a high level and further strengthened the position of Missionpharma.

The development and integration of strategic initiatives has during 2016 continued at high pace including the establishment of a subsidiary in Zambia (initiated in 2015).

The strategic integration with companies within the Eurapharma Group has continued throughout the year.



## Outlook 2017

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The portfolio of contracts, pending quotations and inquiries for 2017 combined with the operational and strategic activities lead to an expected growth in revenue in 2017 compared to 2016.

In line with previous years, the level of activity is although substantially depending upon other incoming inquiries from the market and success on quotations made and constitutes an essential element in assumptions to meet expectations.

The year 2017 shall be characterized by continuous operational and strategic efforts to both meet the increased competition and regulation in the market place. Planned initiatives shall strengthen the local presence of Missionpharma in Africa and shall continuously develop the market position and long term financial performance.

The negative economic and political tendencies are in certain markets expected to aggravate further, which shall reflect in a continued high focus on managing risk elements on exposures of customer receivables and inventories.

The ongoing integration and exploration of synergies with the parent company Eurapharma SA shall continue throughout 2017 and is expected to contribute positively to activities and earnings.

During 2017, the increased competition and regulation across the market place as well as the further development of the local presence are expected to negatively influence the financial performance of Missionpharma. Consequently, the financial result for 2017 is expected at a lower level compared to 2016 despite the expected higher revenue.

No major investments are foreseen for 2017.

The capital resources have a satisfactory level and are expected to be unchanged during the coming financial year.

### **Subsequent events**

No event has occurred after the 2016 financial year-end which significantly could affect the financial position.

At the upcoming General Assembly it is expected that the planned merger with the sister company Missionpharma Properties A/S is approved. The merger shall leave Missionpharma A/S as the continuing entity and have a marginal positive effect on the finances for 2017. The merger shall result in Missionpharma A/S taking over the domicile property in Denmark. The merger shall be effective from January 1, 2017.



## Risk management

### Overall

Missionpharma systematically works with risk management as an integrated part of its business. Financial as well as non-financial risks are continuously identified and monitored to secure transparency in the accepted risks and to secure mitigation in line with policies whenever possible.

### Internal control

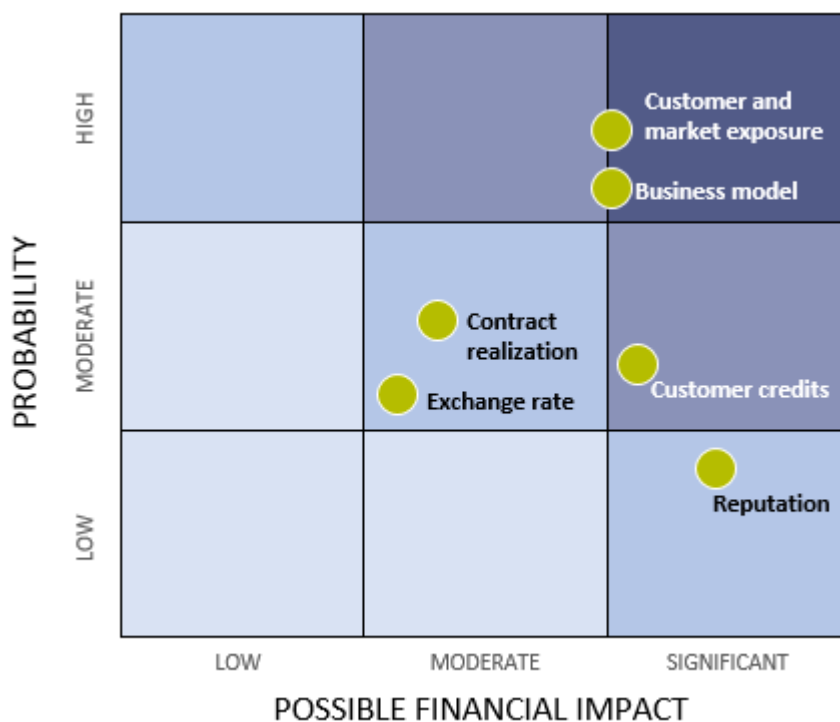
Missionpharma works with a structured internal control scheme as part of its business as well as being subject to internal controls procedures by its parent companies.

The internal control measures are aimed to secure not only a high level of effectiveness and correctness throughout its business and organization, the protection of resources and assets but also very much to secure compliance and control risk management in accordance with policies.

### Primary risk areas - mapping

Missionpharma considers today the probability and possible impact of the primary risks as stated in below risk matrix.

The risks “Business model” and even more so for “Customer and market exposure” continuously have a dominant influence on the overall risk exposure. Strategic initiatives are expected to reduce the probability and possible impact.





### Primary risk areas - description

Following are considered being the material areas of risk which may influence the business in general as well as short term performance and long term strategic objectives.

Risk description	Possible impact	Risk mitigation
<b>Business model</b>		
<p>The business model of Missionpharma is exposed to the uncertainty of inquiries from the market and subsequent successful outcome of tenders participated in. The business consists of a combination of smaller and larger tenders where frequency, timing, value, and conditions for participation are concurrent elements of uncertainty.</p>	<p>The ability to predict financial performance on revenue, earning and cash flow is affected by the uncertainty in general and in particular if not successful on major tenders with larger financial impact.</p> <p>The short term (less than 1 year) uncertainty is moderate due to a certain portfolio of confirmed orders whereas the long term uncertainty (above 1 year) is significant.</p>	<p>An ongoing monitoring of inquiries, quotations and actual orders, versus targets set, is an essential element in internal reporting and management of the business. A high level of agility in capacity and cost structures is equally an important focus area.</p> <p>Strategic initiatives to diversify the business are in high focus.</p>
<b>Contract realization</b>		
<p>The positive outcome of a tender leads to binding sales prices and contractual terms in general. Cost of goods and other cost elements, being the calculative base for tenders participated in, are only locked at time of customer contract. Occasionally purchase is committed prior to conclusive contract.</p>	<p>The time lag between tender bid, contract and purchase transactions for contract realization is substantial. As cost elements only are renegotiated at time of final orders the time lag represents a risk in predicting financial outcome in comparison to expectations for contracts.</p> <p>Eventual commitment prior to conclusive contract constitutes a separate risk.</p> <p>Each risk represents a possible short and medium term impact on financial performance.</p>	<p>The reduction in risk is concentrated around the intelligence in building and pricing bids. As raw materials in the price of products offered represents the most significant element out of the total costing, particular focus on expected future price setting is made.</p>

Continues...



Risk description	Possible impact	Risk mitigation
<b>Customer and market exposure</b>		
<p>Customers are mainly public entities located within the main markets of Missionpharma, being African countries. A larger number of these customers and markets are subject to volatile economic and political conditions under both national as well as international influence.</p>	<p>The ability to predict short and long term financial performance on revenue, earning and cash flow is affected by:</p> <ul style="list-style-type: none"> <li>• Possible changes in customers overall environment which impacts purchase pattern, value and timing of inquiries.</li> <li>• Predicted or unpredicted changes in assumptions for contract realization.</li> <li>• Delays and defaults in customer payments.</li> </ul>	<p>Throughout both bidding and contract realization periods, maximum focus is maintained upon changes that possibly could represent a risk. Possible means of intervention are carefully considered.</p> <p>No appropriate insurance possibilities are available.</p> <p>Internal processes secure proper and transparent risk exposures.</p>
<b>Customer credits</b>		
<p>In line with contractual terms Missionpharma grants credits to customers.</p>	<p>Defaulted payments from customers have a short term impact on cash flow and possibly earnings through increased provision for losses.</p> <p>Defaulted payments have a long term impact on revenue, earnings and cash flow as participation in new tenders is limited with such customers in default.</p>	<p>The Missionpharma credit policy prescribes a comprehensive evaluation of any credit granted. Credit policies are implemented to guide and control when credit is granted to a customer. Ongoing monitoring and dunning procedures play an important part of daily operations.</p> <p>No appropriate insurance possibilities are available.</p>
<b>Exchange rates</b>		
<p>With a globalized business Missionpharma is throughout its operations exposed to foreign exchange rates. Exposure is primarily towards US Dollar (USD) vs. the reporting currency in Danish Kroner (DKK)</p>	<p>The ability to predict financial performance on revenue, earning and cash flow is affected by fluctuation in USD exchange rate both short and long term.</p>	<p>In accordance with policies Missionpharma hedges major flows in USD exposures through forward contracts. Hedging policy includes invoiced flows whereas flows related to orders and bids are not included. Missionpharma is not engaged in currency speculation.</p>
<b>Reputation</b>		
<p>Loss of reputation through inadequate contract realization or breach of business ethics represents a risk.</p>	<p>Loss of reputation may affect the possibility to participate with bids on customer inquiries or being awarded future contracts and consequently may affect the financial performance.</p>	<p>By ensuring high standards and clear processes throughout operations, maximum focus is secured on performance.</p> <p>Internal control and compliance measures including Corporate Social responsibility programs are in place to minimize risk.</p>



## Corporate Social Responsibility and Diversity

The following descriptions are made in accordance with the Danish Financial Statements Act § 99a and § 99b.

### Policies in general

Missionpharma believes that all companies have an obligation to act in a socially responsible way.

Besides acting responsibly towards its own employees, it is important for Missionpharma to support a positive development in the countries, where its suppliers and customers operate.

Missionpharma distributes generic pharmaceuticals and medical equipment, and the Company's products play an important role in health projects in recipient countries. Missionpharma strives for integrity and transparency in buying and selling vital drugs and equipment.

Missionpharma believes that the widest possible access to drugs and medical equipment in recipient countries will positively affect social development of these countries. Missionpharma's CSR policies are designed to ensure process transparency and high quality drugs for the benefit of customers and consumers. Missionpharma believes that this CSR approach benefits suppliers, customers, employees and owners alike. In this way, Missionpharma actively contributes to the social responsibility by ensuring access to vital medicine.

Throughout Missionpharma's supply chain, policies ensure that Missionpharma lives up to its own CSR objectives. It is of utmost importance to Missionpharma that production methods, working conditions and quality of the medicine delivered are satisfactory.

Missionpharma's Quality Management System ensures that the drugs traded by the company comply with international standards.

Missionpharma has certified quality inspectors who inspect suppliers before approving them.

### Policies put into practice

#### Environment

Missionpharma's policies prescribe a continued focus on minimizing the environmental footprint of its activities.

Missionpharma contributes to the environmental reporting of the CFAO group. Within the CFAO group, best practices are shared and encouraged. It is our belief that we have achieved good results from the integration of group reporting and that policies have been further developed along with the awareness and efforts to reduce environmental impact. Read more under: [www.cfaogroup.com](http://www.cfaogroup.com)

The main environmental impact of our business is considered being through the distribution of products and packaging operations.

- Means of distribution is an area that we do not have full control over, as this is often dictated by our business partners in tenders and contracts. No matter if distribution is under the control of Missionpharma, partners or customers, we have in 2016 continued to encourage to plan and execute distribution in the most environment-friendly way by optimizing shipments and logistical routing.



- Packaging is optimized within own operations or among partners with an ongoing objective to minimize waste and ensure waste disposal in a responsible way. In 2016, improvements and investments have reduce the consumption of electricity and fuel and consequently reduced CO2 emissions.

### Human rights

Missionpharma’s policies prescribe strictly to control human rights within own operations and to the largest possible extend to influence those of our suppliers and partners in general.

Through dialogue and inspections of potential and current suppliers, Missionpharma seeks to influence production methods, procedures, etc. to align them with own standards and international regulations. In 2016, we have conducted more than 49 inspections at potential and current suppliers. To our satisfaction, no critical non-compliances have been identified.

The policies of Missionpharma’s parent companies are equally being observed and integrated. Read more under: [www.cfaogroup.com](http://www.cfaogroup.com)

### Quality Management System

Missionpharma focuses strongly on suppliers' production methods and working conditions. Missionpharma's Quality Management System lays down procedures and rules for auditing and approving new suppliers.

All suppliers are subject to the Quality Management System, which is particularly designed to ensure delivery of satisfactory pharmaceutical products and services. If a supplier fails to comply with the required international and Company's standards, the co-operation with that supplier is terminated.

The Quality Management System has also during the financial year 2016 proven its value to secure high quality products to customers.

### Anti-corruption program

The Missionpharma’s Code of Conduct aims to:

- Give guidance to employees, business associates and agents by setting out Missionpharma’s business practices for countering corruption, bribery and conflict of interests
- Complement Missionpharma’s general initiatives within Corporal Social Responsibility (CSR)

The Code of Conduct has been translated to cover all main languages of Missionpharma’s business.

The Code of Conduct will help the Group to strengthen its integrity and provide guidelines for all employees, agents and other business partners on how to act in different situations.

In 2016, Missionpharma has:

- Continued the implementation and training of new employees and other business relationships
- Revised earlier agreements and contracts to include the code of conduct
- Implemented and trained the organization, in particular in Vetting procedures.



**Working environment and employees**

Missionpharma’s business requires a high level of experience and knowledge among its employees as a base for a successful business. Missionpharma constantly strives to maintain and improve programs in place to retain and develop such skills among employees as well as the overall working environment. Missionpharma continuously focuses on training and career programs among employees. A focus which shall continue and strengthen further during 2017.

During 2016, substantial efforts have been allocated to integration and training of the many new employees as well as of existing employees.

**Goal and politics for gender equality**

Policies for gender equality are entirely established for Missionpharma A/S and not for any Danish or foreign subsidiary. The information given below entirely relates to Missionpharma A/S.

**Board of Directors**

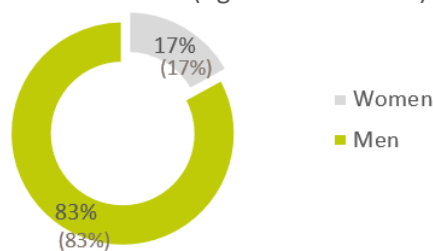
Missionpharma maintains its overall objective of having one female in the Board. An earlier objective of reaching this by end of financial year 2016 has although been revised to end of financial year 2019. Missionpharma shall although maintain focus to recommend qualified female candidates for the Board. There has been no change of Board members during 2016 and the composition remains at 4 male members.

**Other management levels**

Missionpharma’s policy strives towards a higher degree of gender diversity within its management teams as we believe it benefits our working environment and ability to develop. To achieve the overall objective a continuous focus is being maintained to secure gender equality during recruitment processes as well as personal development and talent programs.

During 2016, as no managerial position was subject to recruitment nor no new position was created, the gender ratio is unchanged compared to previous year.

Gender composition of “other management levels” at end of 2016 vs. end of 2015 (figures in brackets):





# Reports



Warehouse at Missionpharma Zambia Ltd.



## Statement by the Executive Board and Board of Directors

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The Board of Directors and the Executive Board have today discussed and approved the annual report of Missionpharma A/S for the financial year 1 January - 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and its financial position.

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

Lynge, 30 March 2017

### Executive Board

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Kim Erik Ginnerup  
CEO

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Poul Lindof  
CFO

### Board of Directors

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Jean-Marc Pierre René  
Leccia  
Chairman

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Denis Georges Fernand  
Maurice

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Eric Pierre Jean Muris

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Kim Erik Ginnerup



## Independent Auditor's Report

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To the Shareholders of Missionpharma A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Missionpharma A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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

### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.



## Independent Auditor's Report (continued)

### 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 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 judgment and maintain professional skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



## Independent Auditor's Report (continued)

- 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 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.

Copenhagen, 30 March 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR-nr. 33 77 12 31*

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Rasmus Friis Jørgensen  
State Authorised Public Accountant

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Henrik Ødegaard  
State Authorised Public Accountant



# Accounts



## Income statement

DKK'000	Note	2016	2015
<b>Revenue</b>		762,676	753,910
Goods for resale and consumables		-429,745	-452,884
Other external expenses		-190,332	-178,255
<b>Gross profit</b>		142,599	122,771
Staff costs	1	-42,962	-40,728
Depreciation and impairment of property, plant and equipment	4	-438	-444
Other operating costs		-733	-630
<b>Ordinary operating profit</b>		98,466	80,969
Income from investments in subsidiaries	5	4,892	14,348
Other financial income		32	2,281
Other financial expenses	2	-4,666	-5,033
<b>Profit before tax</b>		98,724	92,565
Tax on profit/loss	3	-20,719	-18,720
<b>Profit for the year</b>		<b>78,005</b>	<b>73,845</b>
<b>Proposed profit appropriation</b>			
DKK'000		2016	2015
Proposed dividends		58,600	54,800
Reserve for net revaluation under the equity method		5,266	14,000
Retained earnings		14,139	5,045
		<b>78,005</b>	<b>73,845</b>



## Balance sheet - Assets

DKK'000	Note	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
IT projects in progress	6	5,500	0
		5,500	0
<b>Plant and equipment</b>			
Plant and equipment	4	804	654
		804	654
<b>Investments</b>			
Investments in subsidiaries	5	21,391	15,857
		21,391	15,857
<b>Total non-current assets</b>		<b>27,695</b>	<b>16,511</b>
<b>Current assets</b>			
<b>Inventories</b>			
Goods for resale		36,025	24,122
		36,025	24,122
<b>Receivables</b>			
Trade receivables		188,243	127,946
Receivables from group companies		32,886	43,050
Other receivables		11,971	17,683
Deferred tax asset		654	476
Accrued expenses		4,546	4,533
		238,300	193,688
<b>Cash</b>		<b>19,556</b>	<b>76,736</b>
<b>Total current assets</b>		<b>293,881</b>	<b>294,546</b>
<b>TOTAL ASSETS</b>		<b>321,576</b>	<b>311,057</b>





## Balance sheet – Equity and liabilities

DKK'000	Note	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,000	1,000
Net revaluation according to the equity method		19,266	14,000
Reserve for IT development costs	6	5,500	0
Retained earnings		124,681	115,668
Proposed dividends		58,600	54,800
<b>Total equity</b>		<b>209,047</b>	<b>185,468</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other credit institutions		355	112
Prepayments received from customers		972	17,401
Trade payable		55,321	52,604
Payables to group entities		41,773	39,817
Other payables		14,108	15,655
<b>Total liabilities other than provisions</b>		<b>112,529</b>	<b>125,589</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>321,576</b>	<b>311,057</b>
Contingent liabilities and other financial obligations			7
Related parties			8



## Statement of changes in equity

DKK'000	Share capital	Reval. (equity method)*	Reserve for IT dev. costs	Retained earnings	Proposed dividends	Total
Equity at 1 January	1,000	14,000	0	115,668	54,800	185,468
Dividends paid	0	0	0	0	-54,800	-54,800
Exchange adjustment	0	0	0	374	0	374
Capitalized IT development costs	0	0	5,500	-5,500	0	0
Profit for the year	0	5,266	0	14,139	58,600	78,005
<b>Equity at 31 December</b>	<b>1,000</b>	<b>19,266</b>	<b>5,500</b>	<b>124,681</b>	<b>58,600</b>	<b>209,047</b>

\* Reserve for net revaluation under the equity method.

### Accounting policies

**Proposed dividends** are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

A reserve for IT development costs since 01/01/2016 is now included in the equity according to the new Danish accounting law. The reserve will be decreased as development costs are amortized. Dividends cannot be paid on the reserved amount.



## Notes to the annual report

### 1 Staff costs

DKK'000	2016	2015
Wages and salaries	38,084	36,095
Pension costs	2,940	2,578
Other social security costs	416	327
Other staff costs	1,522	1,728
	<u>42,962</u>	<u>40,728</u>
Salaries and fees paid to the Executive Board	<u>5,627</u>	<u>5,360</u>
The Board of Directors did not receive any remuneration		
Average number of employees	<u>57</u>	<u>49</u>

#### Accounting policies

**Staff costs** comprises wages and salaries, inclusive holiday allowances, pensions and other expenses related to social contributions.

### 2 Other financial expenses

DKK'000	2016	2015
Interests payables, group entities	1,616	1,554
Interests payables, exchange losses and similar expenses	3,050	3,479
	<u>4,666</u>	<u>5,033</u>

#### Accounting policies

**Financial income and expenses** that relate to the reporting period are recognized in the income statement.

Net financials include interest income and expenses, realized and unrealized capital and exchange gains and foreign currency transactions, and allowances under the advance-payment-of-tax- scheme, etc.



### 3 Tax on profit loss

DKK'000	2016	2015
Current tax for the year	20,897	17,928
Change in provision for deferred tax	-178	792
	<u>20,719</u>	<u>18,720</u>

#### Accounting policies

**Tax for the year**, which includes current tax and the years deferred tax adjustments, is recognized in the income statement by the portion attributable to the result of the year and directly to equity by the portion attributable to direct changes in equity.

The parent and all Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

### 4 Plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January	10,304
Additions during the year	588
Disposals during the year	-192
Cost at 31 December	<u>10,700</u>
Impairment losses and depreciation at 1 January	9,650
Depreciation during the year	438
Depreciation disposal during the year	-192
Impairment losses and depreciation at 31 December	<u>9,896</u>
<b>Carrying amount at 31 December</b>	<u><u>804</u></u>

#### Accounting policies

**Plant and equipment** include other fixtures and fittings, tools and equipment. Plant and equipment are measured at cost less accumulated depreciation and write-down.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Plant and equipment are tested for impairment whenever there is an indication that an asset might be impaired. The impairment test is performed for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the assets or group of assets (recoverable amount) if it is lower than the carrying amount.

Depreciation and write-downs of plant and equipment are depreciated using the straight-line method, based on the cost, measured by reference to the below assessments of the useful lives and residual values of the assets.

IT Equipment	3-5 years
Fixtures and fittings, tools and equipment	5 years

Gains and losses on the disposal of plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement under "Depreciation and impairment of plant and equipment".



## 5 Investments in group entities

DKK'000	Investments in Group entities
Cost at 1 January	1,857
Additions during the year	<u>268</u>
Cost at 31 December	<u>2,125</u>
Adjustments at 1 January	14,000
Exchange adjustment	374
Share of profit or loss for the year	<u>4,892</u>
Adjustments at 31 December	<u>19,266</u>
<b>Carrying amount at 31 December</b>	<b><u><u>21,391</u></u></b>

DKK'000	Ownership	Equity
Name and registered office		
PharmaDanica A/S, Allerød, Denmark	<u>100%</u>	<u>3,475</u>
Missionpharma Logistics Pvt. Ltd., India	100%	17,106
Missionpharma Zambia Ltd., Zambia	80%	<u>810</u>
<b>Carrying amount at 31 December</b>		<b><u><u>21,391</u></u></b>

### Accounting policies

The proportionate share of the results after tax of the individual subsidiaries is recognized in the income statement of the parent company after full elimination of intra-group profits/losses.

Investments in subsidiaries in the parent company are measured using the equity method.

Investments in subsidiaries are measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealized intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognized under provisions.

Net revaluation of investments in subsidiaries is recognized in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost.



## 6 Intangible assets

DKK'000	IT development costs
Cost at 1 January	0
Additions during the year	5,500
Cost at 31 December	5,500
<b>Carrying amount at 31 December</b>	<b>5,500</b>

### Accounting policies

**IT development costs** consist of costs from IT-suppliers for IT projects which are in progress. In the balance, development costs are measured at cost less accumulated depreciation and write-downs. From project completion, development costs are amortized using the straight-line method, typically over 3-5 years.

## 7 Contingent liabilities and other financial obligations

### Contingent liabilities

The company is jointly taxed with the other Danish entities in the Missionpharma group. As a wholly owned subsidiary, the company is jointly and severally liable, together with the other jointly taxed entities, for Danish income taxes and withholding taxes on dividends, interest and royalties within the group of jointly taxed entities. Any subsequent adjustments of the joint taxable income or withholding taxes may result in an increase of the company's liability.

The subsidiary Missionpharma Logistics Pvt. Ltd. is currently involved in a transfer pricing dispute with the Indian tax authorities for more income years. Missionpharma is confident about a positive outcome of the dispute even if it still represents an uncertainty.

### Guarantees

The Group companies (Missionpharma A/S, Mifamed ApS, Missionpharma Group ApS, PharmaDanica A/S, and Missionpharma Properties A/S) are jointly liable for a total credit and facility line of DKK 237 million.

Rental commitments for land and buildings amount to DKK 12.9 million.

## 8 Related parties

### Other related parties that the Company has had transactions with

The Company's immediate Danish Parent Company at 31 December 2016 that prepares Group Annual Report in which the Company's is included as a subsidiary is Missionpharma Group ApS, Denmark. The Group Annual Report can be obtained at the following address:  
Missionpharma Group ApS, Vassingerødvej 9, 3540 Lyngø.

The Company's ultimate Parent Company at 31 December 2016 that prepares Group Annual Report in which the Company is included as a subsidiary is Toyota Tsusho Corporation, Japan. The Group Annual Report can be obtained at the following address:  
Toyota Tsusho Corporation, 9-8 Meiki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan.



## Accounting policies

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Accounting policies not already covered in the report.

### General accounting policies

The annual report of Missionpharma A/S for 2016 has been prepared in accordance with the provisions applying to reporting class large C enterprises under the Danish Financial Statements Act.

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

In pursuance of section 86 (4) of the Danish Financial Statements Act, Cash flow statement have not been prepared. The Cash flow statement of Missionpharma A/S is included in the consolidated financial statement of Missionpharma Group ApS.

In pursuance of section 96 (3) of the Danish Financial Statements Act, fees to auditors have not been disclosed.

### Consolidated financial statements

In pursuance of section 112 (1) of the Danish Financial Statements Act, consolidated financial statements have not been prepared. The financial statements of Missionpharma A/S and its group entities are included in the consolidated financial statements of Missionpharma Group ApS.

### Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction.

Receivables, liabilities, and other monetary items denominated in foreign currencies are translated at the closing rates. The differences between the closing rates and the exchange rates at the time of emergence or recognition in the latest financial statements of the receivable or liability are recognized in the income statement as financial income and expenses.

### Derivatives

Derivative financial instruments are initially recognized on the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and other payables, respectively.

Changes in fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognized assets or liabilities are recognized in the income statement together with changes in the fair value of the hedged asset or liability.



## Income statement

### Revenue

Income from the sale of goods held for sale and finished goods is recognized in the income statement at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably.

Revenue is measured at the fair value of the remuneration agreed upon, excluding VAT and indirect taxes levied on behalf of a third party. All types of discounts are recognized in the revenue.

In pursuance of section 96 (1) of the Danish Financial Statement Act, a geographical breakdown of revenue is not disclosed for competitive reasons.

### Goods for resale and consumables

Goods for resale and consumables include cost of goods sold, provision/actual loss on stock depreciation, provision/actual customer claims.

### Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.





## Balance sheet

### Inventories

Inventories are measured at cost, comprising purchase price plus delivery costs, by the FIFO method. Inventories are written down to the net realizable value if this is lower than the cost.

### Receivables

Receivables are measured at amortized cost. Write-down is made for bad debt losses, based on an individual assessment.

### Corporation tax and deferred tax

Current tax payables and current tax receivables are recognized in the balance sheet as the estimated tax charge in respect of the taxable income of the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Joint-taxation contribution payable and receivable is recognized in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Provisions for deferred tax are calculated using the expected tax rate by elimination of the temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortizable goodwill.

Deferred tax assets, including the tax value of deferrable taxable losses, are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or a set-off against deferred tax liabilities within the same legal tax entity.

### Liabilities

Financial liabilities are recognized on the raising of the loan at the cost, corresponding to the proceeds received net of transaction costs incurred. The financial liabilities are subsequently measured at amortized cost.

Other liabilities are measured at the net realizable value.



## Definition of financial ratios

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The financial ratios stated in the financial highlights have been calculated as follows:

Operating margin (EBIT margin)	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$
Liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$