

Missionpharma A/S

Annual report
2015

Approved at General Meeting
26 May 2016
Chairman:
Torben Nørskov



MISSIONPHARMA
cfaogroup.com

Missionpharma A/S
Vassingerøedvej 9 · 3540 Lyngby · Denmark
www.missionpharma.com
CVR No. 26 90 23 98



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Company details

Missionpharma A/S

Vassingerødvej 9
3540 Lyngø
Denmark
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

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 new 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). Eurapharma is part of the CFAO group (www.cfao.com).

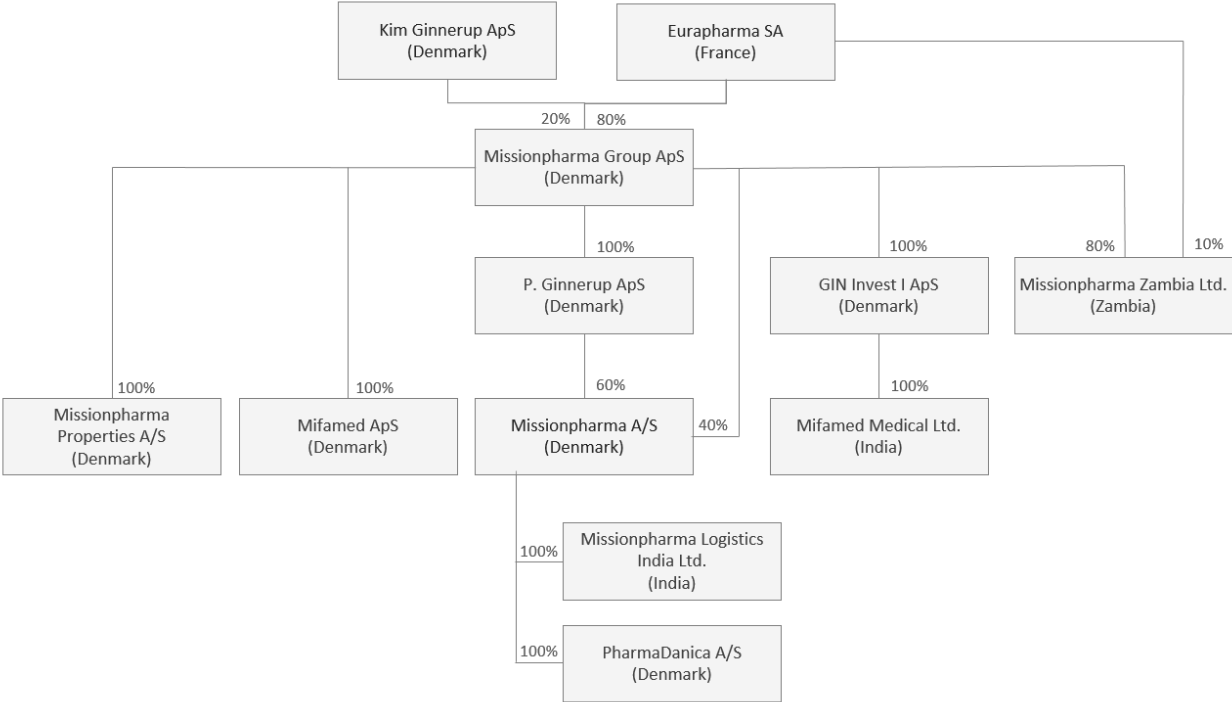
Research and development activities

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.



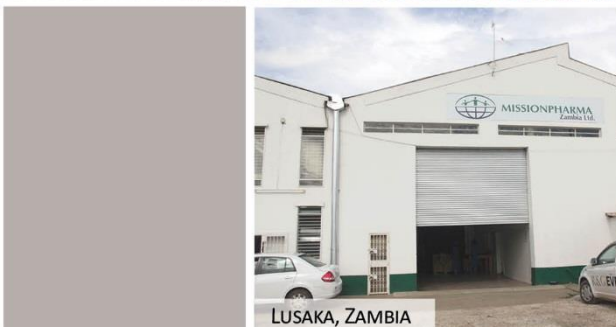
Group chart

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





Group locations





Financial highlights in DKK

DKK'000	2015	2014	2013	2012 (8 months)	2011/12
Key figures					
Revenue	753,910	703,768	537,927	387,645	619,055
Gross profit	122,771	129,537	106,132	78,978	109,366
Ordinary operating profit (EBIT)	80,969	90,383	69,046	48,453	36,594
Net financials	-2,752	-181	-11,850	43	-2,031
Profit of the year	73,845	69,003	44,083	35,246	26,429
Investments in the year	185	920	267	129	1,230
Total assets	311,057	317,641	214,241	230,154	246,800
Equity	185,468	162,346	124,385	106,596	85,827
Average number of full-time employees	49	42	45	51	50
Financial ratios					
Operating margin (EBIT)	10.7%	12.8%	12.8%	12.5%	5.9%
Solvency ratio	59.6%	51.1%	58.1%	46.3%	34.8%
Return on equity	42.5%	48.1%	38.2%	55.0%	36.2%
Liquidity ratio	2.3	2.0	2.4	1.9	1.5



Financial highlights in USD

USD '000	2015	2014	2013	2012 (8 months)	2011/12
Average DKK/100 USD rate (P&L)	670.49	563.45	561.66	585.58	540.24
Closing DKK/100 USD rate (balance sheet)	683.00	612.14	541.27	565.91	562.95
Key figures					
Revenue	112,442	124,903	95,774	66,198	114,589
Gross profit	18,311	22,990	18,896	13,487	20,244
Ordinary operating profit (EBIT)	12,076	16,041	12,293	8,274	6,774
Net financials	-410	-32	-2,110	7	-376
Profit for the year	11,014	12,246	7,849	6,019	4,892
Investments in the year	28	163	48	22	228
Total assets	45,543	51,890	39,581	40,670	43,840
Equity	27,155	26,521	22,980	18,836	15,246
Average number of full-time employees	49	42	45	51	50
Financial ratio					
Operating margin (EBIT)	10.7%	12.8%	12.8%	12.5%	5.9%
Solvency ratio	59.6%	51.1%	58.1%	46.3%	34.8%
Return on equity	42.5%	48.1%	38.2%	55.0%	36.2%
Liquidity ratio	2.3	2.0	2.4	1.9	1.5



Performance 2015

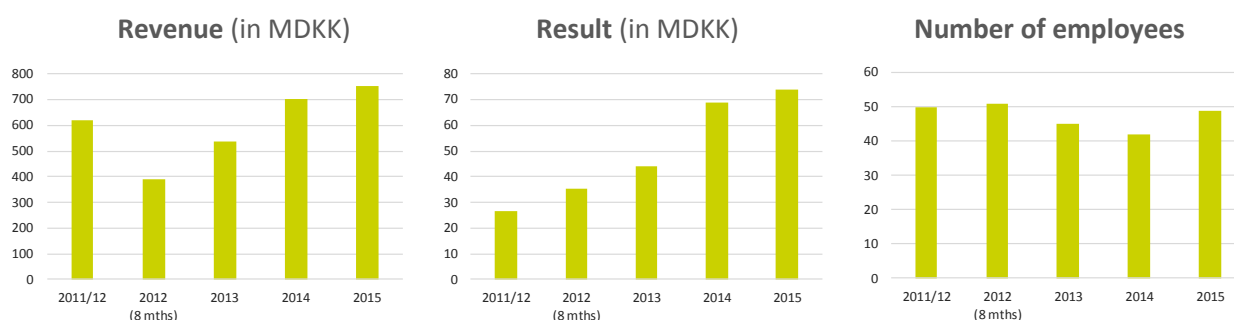
Financials

The financial year ended at 31 December 2015 with a profit of DKK 73,845 thousand. The equity as at 31 December 2015 amounts to DKK 185,468 thousand.

The financial performance for the financial year 2015 exceeds the expectations of the Management and is considered very satisfactory.

Activities of 2015 have led to a revenue in line with expectations while a higher than expected efficiency in contract realization has affected the result positively. In line with expectations, certain markets have been subject to a negative macro-economic development 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 2015.

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



Operations

Operational activities have throughout the year maintained a high level and despite a continuous increased competition and regulation in the market, the position of Missionpharma has developed positively.

The Missionpharma Group has during 2015 concluded a number of strategic initiatives including the establishment of a subsidiary in Zambia. An establishment which allows an increased focus through local presence in selected markets and to further develop Missionpharma’s market position.

Late 2015 the Group initiated a new visual identity and a number of new strategic initiatives for the coming years.

The strategic, operational and administrative integration with companies within the Eurapharma Group has continued throughout the year.



Outlook 2016

The portfolio of contracts, pending quotations and inquiries for 2016 combined with the activities initiated leads to an expected growth in revenue.

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

The year 2016 shall be characterized by continuous operational and strategic efforts to both meet the increased competition and regulation in the market place, but simultaneously develop the market position and long term financial performance. Missionpharma shall also continue to strengthen the newly established local operation in Zambia as well as its local presence in Africa in general.

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 operational exposures of customer receivables and inventories.

The ongoing integration and exploration of synergies with the parent company Eurapharma SA shall continue throughout 2016 and is expected to contribute positively to activities and earnings.

During 2016 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 and consequently the result for 2016 is expected at a lower level compared to 2015.

No major investments are foreseen for 2016.

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 2015 financial year-end which significantly could affect the financial position.



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

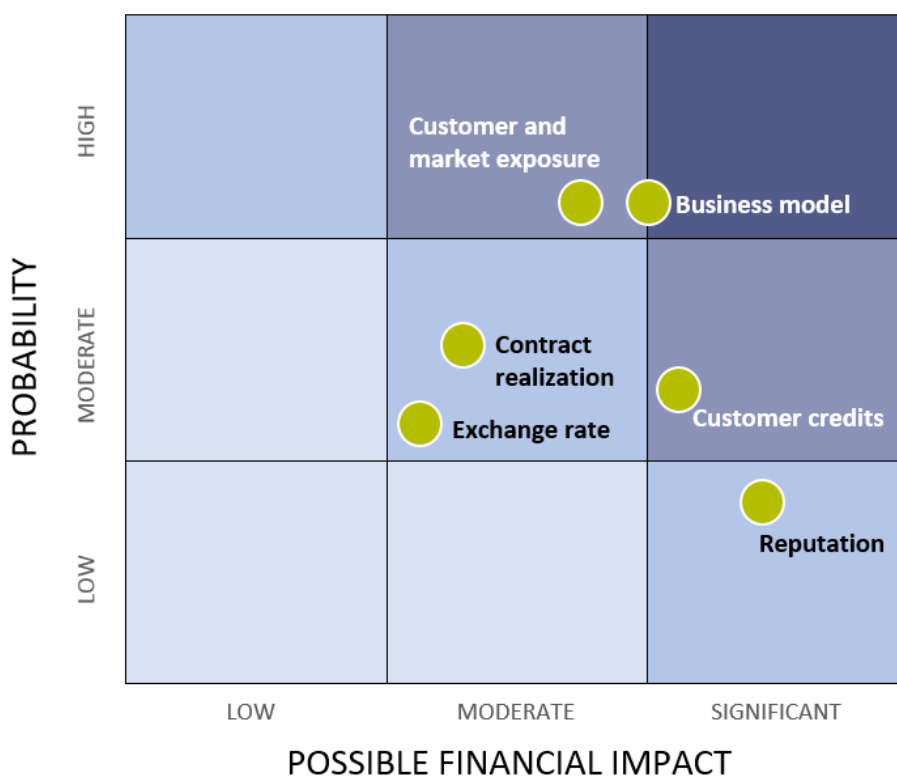
Missionpharma works with a structured internal control scheme as part of its business as well as being subject to internal controls procedures by its parent companies.

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 “customer and market exposure” have, as expected, become more prominent during 2015. Previous strategic initiatives now being operational together with the new strategic initiatives are though expected to reduce the probability and possible impact moving forward.





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
Business model		
<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. 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. Strategic initiatives to diversify the business are in high focus.</p>
Contract realization		
<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. Eventual commitment prior to conclusive contract constitutes a separate risk. 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
Customer and market exposure		
<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"> • Possible changes in customers overall environment which impacts purchase pattern, value and timing of inquiries. • Predicted or unpredicted changes in assumptions for contract realization. • Delays and defaults in customer payments. 	<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>
Customer credits		
<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>
Exchange rates		
<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>
Reputation		
<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

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 during 2015 and that policies have been further developed along with the awareness and efforts to reduce environmental impact. Read more under: 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 2015 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 2015, we have specifically improved waste handling in connection to our facilities in Denmark and India.

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 2015, we have conducted more than 40 inspections at potential and current suppliers. To our satisfaction, no major non-conformities have been identified.

The policies of Missionpharma's parent companies are equally being observed and integrated. Read more under: 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 2015 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 2015, 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
- Incorporated the code of conduct in full in commercial transactions



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 2016.

The continuous efforts to improve working environment resulted, in line with previous years, in a top ranking among comparable sized companies in a Danish employee satisfaction survey during 2015.

During the financial year 2015 Missionpharma has continued its educational engagement by employing trainees in different departments.

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

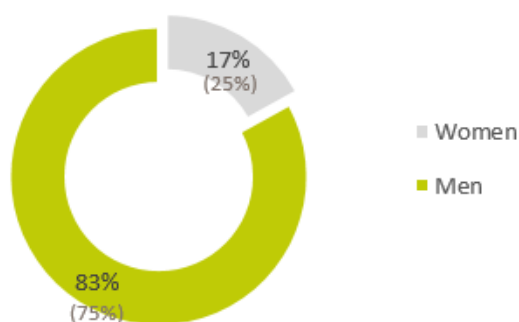
Missionpharma maintains its earlier objective of having one female in the Board before the end of the financial year 2016. There has been no change of Board members during 2015 and the composition remains at 4 male members.

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 2015 one managerial position has been subject to recruitment. The final shortlist of the recruitment contained candidates of both gender, although with the final recruitment of a male candidate. As the position was previously handled by a woman, the ratio worsened during 2015.

Gender composition of “other management levels” at end of 2015 vs. end of 2014 (figures in brackets):





Reports



Statement by the Executive Board and Board of Directors

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 2015.

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 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

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 2016

Executive Board

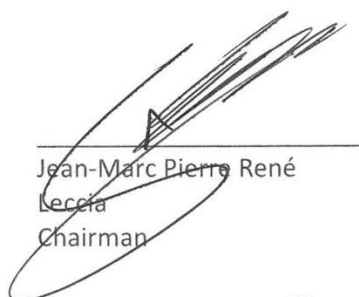


Kim Erik Ginnerup
CEO




Poul Lindof
CFO

Board of Directors



Jean-Marc Pierre René
Lerche
Chairman



Denis Georges Fernand
Maurice



Eric Pierre Jean Muris



Kim Erik Ginnerup



Independent auditors' report on the financial statements

To the Shareholder of Missionpharma A/S

Report on the Financial Statements

We have audited the Financial Statements of Missionpharma A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. 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 whether the Financial Statements are free from material misstatement.

An audit involves performing audit 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 misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 evaluating 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 auditors' report on the financial statements (continued)

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Copenhagen, 30 March 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-nr. 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant

Henrik Ødegaard
State Authorised Public Accountant



Accounts



Income statement

DKK'000	Note	2015	2014
Revenue		753,910	703,768
Goods for resale and consumables		-452,884	-404,926
Other external expenses		-178,255	-169,306
Gross profit		122,771	129,537
Staff costs	1	-40,728	-37,222
Depreciation and impairment of property, plant and equipment	4	-444	-1,476
Other operating costs		-630	-456
Ordinary operating profit		80,969	90,383
Income from investments in subsidiaries	5	14,348	2,053
Other financial income		2,281	4,724
Other financial expenses	2	-5,033	-4,905
Profit before tax		92,565	92,254
Tax on profit/loss	3	-18,720	-23,251
Profit for the year		<u>73,845</u>	<u>69,003</u>
Proposed profit appropriation			
DKK'000		2015	2014
Proposed dividends		54,800	50,600
Reserve for net revaluation under the equity method		14,000	0
Retained earnings		5,045	18,403
		<u>73,845</u>	<u>69,003</u>



Balance sheet - Assets

DKK'000	Note	2015	2014
ASSETS			
Non-current assets			
Plant and equipment	4		
Plant and equipment		654	922
		654	922
Investments	5		
Investments in subsidiaries		15,857	1,632
		15,857	1,632
Total non-current assets		16,511	2,554
Current assets			
Inventories			
Goods for resale		24,122	79,153
		24,122	79,153
Receivables			
Trade receivables		127,946	136,772
Receivables from group companies		43,050	9,165
Income tax receivables		0	258
Other receivables		17,683	4,848
Deferred tax asset		476	1,268
Accrued expenses		4,533	8,902
		193,688	161,213
Cash		76,736	74,721
Total current assets		294,546	315,087
TOTAL ASSETS		311,057	317,641



Balance sheet – Equity and liabilities

DKK'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000	1,000
Net revaluation according to the equity method		14,000	0
Retained earnings		115,668	110,746
Proposed dividends		54,800	50,600
Total equity		185,468	162,346
Liabilities			
Current liabilities			
Current portion of non-current liabilities		0	1,181
Other credit institutions		112	15,520
Prepayments received from customers		17,401	17,313
Trade payable		52,604	60,858
Payables to group entities		39,817	42,362
Other payables		15,655	18,061
Total liabilities other than provisions		125,589	155,294
TOTAL EQUITY AND LIABILITIES		311,057	317,641
Contingent liabilities and other financial obligations			
			6
Related parties			
			7



Statement of changes in equity

DKK'000	Share capital	Revaluation (equity method)*	Retained earnings	Proposed dividends	Total
Equity at 1 January	1,000	0	110,746	50,600	162,346
Dividends paid	0	0	0	-50,600	-50,600
Exchange adjustment	0	0	-123	0	-123
Profit for the year	0	14,000	5,045	54,800	73,845
Equity at 31 December	1,000	14,000	115,668	54,800	185,468

* 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.



Notes to the annual report

1 Staff costs

DKK'000	2015	2014
Wages and salaries	36,095	33,477
Pension costs	2,578	2,224
Other social security costs	327	299
Other staff costs	1,728	1,222
	<u>40,728</u>	<u>37,222</u>
Salaries and fees paid to the Executive Board	<u>5,360</u>	<u>4,191</u>
The Board of Directors did not receive any remuneration		
Average number of employees	<u>49</u>	<u>42</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	2015	2014
Interests payables, group entities	1,554	1,402
Interests payables, exchange losses and similar expenses	3,479	3,503
	<u>5,033</u>	<u>4,905</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	2015	2014
Current tax for the year	17,928	23,335
Change in provision for deferred tax	792	-84
	<u>18,720</u>	<u>23,251</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	13,817
Additions during the year	185
Disposals during the year	-3,698
Cost at 31 December	<u>10,304</u>
Impairment losses and depreciation at 1 January	12,895
Depreciation during the year	444
Depreciation disposal during the year	-3,689
Impairment losses and depreciation at 31 December	<u>9,650</u>
Carrying amount at 31 December	<u><u>654</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
Adjustments at 1 January	-225
Exchange adjustment	-123
Share of profit or loss for the year	14,348
Adjustments at 31 December	14,000
Carrying amount at 31 December	15,857

DKK'000	Ownership	Equity
Name and registered office		
PharmaDanica A/S, Allerød	100%	3,492
Missionpharma Logistics Pvt. Ltd., India	100%	12,365
Carrying amount at 31 December		15,857

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 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 18.4 million.

7 Related parties

Other related parties that the Company has had transactions with

The Company's immediate Danish Parent Company at 31 December 2015 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 2015 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, Nagoya-shi, Aichi-ken, Japan



Accounting policies

Accounting policies not already covered in the report.

General accounting policies

The annual report of Missionpharma A/S for 2015 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 and expenses related to freight, agent commissions, etc.

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

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	$\frac{\text{Current assets}}{\text{Current liabilities}}$