
Norgine Danmark A/S

Lyskær 1, 3. sal, DK-2730 Herlev

Annual Report for 1. January - 31. December 2016

CVR No 29 31 00 25

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/3 2017

Morten Brandt
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Norgine Danmark A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations and cash flows for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herlev, 22 March 2017

Direktion

Peter Legarth Petersen

Bestyrelse

Morten Brandt
Chairman

Paul John Ruelle

Peter Legarth Petersen

Independent Auditor's Report

To the Shareholder of Norgine Danmark 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 operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Norgine Danmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 Statement Act. We did not identify any material misstatement in Management's Review.

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 misstate-

Independent Auditor's Report

ment, 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.
- 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.

Independent Auditor's Report

- 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, 22 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Wright

statsautoriseret revisor

Company Information

The Company

Norgine Danmark A/S
Lyskær 1, 3. sal
DK-2730 Herlev

CVR No: 29 31 00 25

Financial period: 1 January - 31 December

Incorporated: 20 January 2006

Financial year: 11st financial year

Municipality of reg. office: Herlev

Board of Directors

Morten Brandt, Chairman
Paul John Ruelle
Peter Legarth Petersen

Executive Board

Peter Legarth Petersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Key figures					
Profit/loss					
Operating profit/loss	2.254	2.502	2.879	2.922	2.686
Net financials	-1.207	-1.071	-1.222	-615	-584
Net profit/loss for the year	781	1.071	1.231	1.723	1.547
Balance sheet					
Balance sheet total	63.952	57.558	47.566	47.525	37.729
Equity	53.353	15.572	14.501	13.270	11.547
Cash flows					
Cash flows from:					
- operating activities	-5.162	-9.723	5.188	-7.482	3.377
- investing activities	-233	-852	-93	-29	-37
including investment in property, plant and equipment	-233	-852	-93	-29	-37
- financing activities	3.686	9.708	-2.099	6.613	-2.729
Change in cash and cash equivalents for the year	-1.709	-867	2.996	-898	611
Number of employees	19	17	15	16	14
Ratios					
Return on assets	3,5%	4,3%	6,1%	6,1%	7,1%
Solvency ratio	83,4%	27,1%	30,5%	27,9%	30,6%
Return on equity	2,3%	7,1%	8,9%	13,9%	14,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

The principal activities of the Company comprise sale and marketing of pharmaceutical products and related activities.

Development in the year

The income statement of the Company for 2016 shows a profit of DKK 780,818, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 53,352,909. Management consider this year's result to be below expectations and not satisfactory.

On 3rd October 2016 the Board of Directors of Norgine B.V. decided to contribute outstanding advances to Norgine Danmark AS for the amount of DKK 37 million as share premium by waiver of debt. The effective date of the contribution was 1st November 2016 and the contribution was done at face value.

Development in the coming year

It is projected that the revenue development will recover on a higher level in 2017 as we now have full resources in Sweden, Norway and Finland. The new products are projected to have a high uptake in all the 4 markets

Special risks - operating risks and financial risks

Foreign exchange risks

Norgine A/S is to a certain degree exposed to the exchange rates changes for EUR, SEK and NOK.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Gross profit/loss		19.117.929	16.928.416
Staff expenses	1	-16.576.292	-14.262.311
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-287.651</u>	<u>-164.549</u>
Profit/loss before financial items		2.253.986	2.501.556
Financial income	2	61.132	789
Financial expenses	3	<u>-1.268.449</u>	<u>-1.071.850</u>
Profit/loss before tax		1.046.669	1.430.495
Tax on profit/loss for the year	4	<u>-265.851</u>	<u>-359.741</u>
Net profit/loss for the year		<u>780.818</u>	<u>1.070.754</u>

Balance Sheet 31 December

Assets

	Note	2016 DKK	2015 DKK
Software		0	0
Intangible assets	5	0	0
Other plants, tools and equipment		647.940	674.844
Leasehold improvements		92.363	120.408
Property, plant and equipment	6	740.303	795.252
Fixed assets		740.303	795.252
Inventories	7	32.899.733	34.823.127
Trade receivables		22.608.234	19.672.248
Receivables from group enterprises		7.205.725	0
Other receivables		36.000	46.112
Deferred tax asset	8	13.760	9.770
Prepayments	9	29.875	83.043
Receivables		29.893.594	19.811.173
Cash		418.829	2.128.261
Currents assets		63.212.156	56.762.561
Assets		63.952.459	57.557.813

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Share capital		500.000	500.000
Retained earnings		<u>52.852.909</u>	<u>15.072.091</u>
Equity		<u>53.352.909</u>	<u>15.572.091</u>
Trade payables		2.859.331	1.533.703
Payables to group enterprises		2.001.595	35.315.994
Corporation tax		1.888	56.345
Other payables		<u>5.736.736</u>	<u>5.079.680</u>
Short-term debt		<u>10.599.550</u>	<u>41.985.722</u>
Debt		<u>10.599.550</u>	<u>41.985.722</u>
Liabilities and equity		<u>63.952.459</u>	<u>57.557.813</u>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	15.072.091	15.572.091
Contribution from group	0	37.000.000	37.000.000
Net profit/loss for the year	0	780.818	780.818
Equity at 31 December	500.000	52.852.909	53.352.909

Cash Flow Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
Net profit/loss for the year		780.818	1.070.754
Adjustments	11	1.763.638	1.595.352
Change in working capital	12	-6.172.353	-10.934.381
Cash flows from operating activities before financial income and expenses		-3.627.897	-8.268.275
Financial income		61.132	789
Financial expenses		-1.268.449	-1.071.850
Cash flows from ordinary activities		-4.835.214	-9.339.336
Corporation tax paid		-327.116	-383.810
Cash flows from operating activities		-5.162.330	-9.723.146
Purchase of property, plant and equipment		-232.703	-852.293
Cash flows from investing activities		-232.703	-852.293
Repayment of payables to group enterprises		-33.314.399	9.708.241
Waiver of debt		37.000.000	0
Cash flows from financing activities		3.685.601	9.708.241
Change in cash and cash equivalents		-1.709.432	-867.198
Cash and cash equivalents at 1 January		2.128.261	2.995.459
Cash and cash equivalents at 31 December		418.829	2.128.261
Cash and cash equivalents are specified as follows:			
Cash		418.829	2.128.261
Cash and cash equivalents at 31 December		418.829	2.128.261

Notes to the Financial Statements

	<u>2016</u> DKK	<u>2015</u> DKK
1 Staff expenses		
Wages and salaries	15.113.722	12.939.240
Pensions	1.289.853	1.172.378
Other social security expenses	172.717	150.693
	<u>16.576.292</u>	<u>14.262.311</u>
 Average number of employees	 <u>19</u>	 <u>17</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
 2 Financial income		
Other financial income	61.132	789
	<u>61.132</u>	<u>789</u>
 3 Financial expenses		
Interest paid to group enterprises	717.042	732.360
Other financial expenses	551.407	339.490
	<u>1.268.449</u>	<u>1.071.850</u>
 4 Tax on profit/loss for the year		
Current tax for the year	247.888	322.345
Deferred tax for the year	-3.990	35.445
Adjustment of tax concerning previous years	21.953	1.951
	<u>265.851</u>	<u>359.741</u>
 5 Intangible assets		
		<u>Software</u> DKK
Cost at 1 January		<u>797.704</u>
Cost at 31 December		<u>797.704</u>

Notes to the Financial Statements

5 Intangible assets (continued)

	<u>Software</u> DKK
Impairment losses and amortisation at 1 January	797.704
Impairment losses and amortisation at 31 December	<u>797.704</u>
Carrying amount at 31 December	<u>0</u>

6 Property, plant and equipment

	<u>Other plants, tools and equipment</u> DKK	<u>Leasehold improvements</u> DKK
Cost at 1 January	1.120.721	140.222
Additions for the year	<u>232.703</u>	<u>0</u>
Cost at 31 December	<u>1.353.424</u>	<u>140.222</u>
Impairment losses and depreciation at 1 January	445.877	19.815
Depreciation for the year	<u>259.607</u>	<u>28.044</u>
Impairment losses and depreciation at 31 December	<u>705.484</u>	<u>47.859</u>
Carrying amount at 31 December	<u>647.940</u>	<u>92.363</u>

7 Inventories

	<u>2016</u> DKK	<u>2015</u> DKK
Finished goods and goods for resale	<u>32.899.733</u>	<u>34.823.127</u>
	<u>32.899.733</u>	<u>34.823.127</u>

Notes to the Financial Statements

8 Deferred tax asset

Deferred tax asset at 1 January	9.770	45.215
Amounts recognised in the income statement for the year	3.990	-35.445
Deferred tax asset at 31 December	13.760	9.770

Deferred tax asset consists of Property, plant and equipment.

The deferred tax asset of 13.760 kr. are expected to be realised as actual tax in 2017.

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions

10 Distribution of profit

Retained earnings	780.818	1.070.754
	780.818	1.070.754

11 Cash flow statement - adjustments

Financial income	-61.132	-789
Financial expenses	1.268.449	1.071.850
Depreciation, amortisation and impairment losses, including losses and gains on sales	287.651	164.550
Tax on profit/loss for the year	265.851	359.741
Other adjustments	2.819	0
	1.763.638	1.595.352
	2016 DKK	2015 DKK

12 Cash flow statement - change in working capital

Change in inventories	1.923.394	-8.238.820
Change in receivables	-10.078.431	-1.968.116
Change in trade payables, etc	1.982.684	-727.445
	-6.172.353	-10.934.381

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.014.141	766.636
Between 1 and 5 years	1.174.025	804.160
	<u>2.188.166</u>	<u>1.570.796</u>

Tenancy commitments, binding for 18 months	965.020	1.429.591
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Other contingent liabilities

Norgine Danmark A/S has provided a bank guarantee to Ejendomsselskabet Mileparken 38 totaling DKK 284.419.

14 Related parties

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Norgine B.V., Hogehilweg 7, Amsterdam Zuidoost

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Norgine Danmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes, Accounting Policies

Income Statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise distribution, sale, advertising, administration, premises, operating lease expenses etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment as well as gains and losses from current replacement of fixed assets.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Notes, Accounting Policies

Balance Sheet

Intangible assets

Rights and software are measured at the lower of cost less accumulated amortisation and recoverable amount. Right are amortised over a 5 year period and software over the contractual period.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other plants, tools & equipment	3-5 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are measured at the lower of cost under the FEFO method(First Expired First Out) and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Notes, Accounting Policies

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Notes, Accounting Policies

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$