Norgine Danmark A/S

Lyskær 1, 3. sal, DK-2730 Herlev

Annual Report for
1 January - 31 December 2018

CVR No 29 31 00 25

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 3 /6 2019

Paul Ruelle
Chairman of the General Meeting

Contents

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 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 3 June 2019

Executive Board

Erik Niklas Eriksson

Board of Directors

Paul John Ruelle Chairman	Kenneth Eric Scrimgeour	Tara Bussey
Erik Niklas Eriksson		

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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 Financials 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

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 judgement and maintain professional scepticism 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.

- 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.

Hellerup, 3 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Wright
State Authorised Public Accountant
mne10053

Thomas Lauritsen
State Authorised Public Accountant
mne34342

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 Municipality of reg. office: Herlev
Board of Directors	Paul John Ruelle, Chairman Kenneth Eric Scrimgeour Tara Bussey Erik Niklas Eriksson
Executive Board	Erik Niklas Eriksson
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:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Operating profit/loss	674	2.160	2.254	2.502	2.879
Net financials	-232	-1.160	-1.207	-1.071	-1.222
Net profit/loss for the year	322	770	781	1.071	1.231
Balance sheet					
Balance sheet total	67.767	63.018	63.952	57.558	47.566
Equity	54.444	54.122	53.353	15.572	14.501
Investment in property, plant and equipment	-137	-84	-233	-852	-93
Number of employees	17	16	19	17	15
Ratios					
Return on assets	1,0%	3,4%	3,5%	4,3%	6,1%
Solvency ratio	80,3%	85,9%	83,4%	27,1%	30,5%
Return on equity	0,6%	1,4%	2,3%	7,1%	8,9%

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

Key activities

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 2018 shows a profit of TDKK 322, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 54.444. Product sales was an increase by 5,8% vs 2017 sales and similar to the previous year. Overall the product sales was 9,7% below expectations, main reason for this are slower uptake of the launched products in 2017, LYMPHOSEEK and ZIVEREL and the divestment of ENDOCUFF VISION to Olympus.

The re-structure of management and organisation starting in 2017 was completed during 2018, however main part of the year was with several vacant positions also limiting possibilities to grow sales.

On the positive side, XIFAXAN outperformed target and grew 26,1% vs previous year. Also, the launch of PLENVU was a milestone in the Company history and will provide opportunity for further growth in the coming years.

Development in the coming year

The Company has now completed its re-organisation and is running at full capacity, coming back to normal FTE turnover rates. Manpower are now in place to enable full execution on business plans and provides possibilities to accelerate sales of current product portfolio. Also, with the products recently launched, kept focus on the Swedish market as well as other areas with untapped potential future outlook and possibilities to secure long term growth is bright for the Company.

Special risks - operating risks and financial risks

Increased generic competition to our products could negatively impact revenue development.

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

	Note	2018	2017
		TDKK	TDKK
Gross profit/loss		**17.598**	**16.668**
Staff expenses	1	-16.626	-14.190
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-298	-318
Profit/loss before financial items		**674**	**2.160**
Financial income	2	656	327
Financial expenses	3	-888	-1.487
Profit/loss before tax		**442**	**1.000**
Tax on profit/loss for the year	4	-120	-230
Net profit/loss for the year		**322**	**770**

Distribution of profit

Proposed distribution of profit

Retained earnings	322	770
	322	**770**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Other plants, tools and equipment		309	442
Leasehold improvements		36	64
Property, plant and equipment	5	**345**	**506**
Fixed assets		**345**	**506**
Inventories		**30.006**	**33.125**
Trade receivables		24.369	23.568
Receivables from group enterprises		10.702	1.660
Other receivables		41	483
Deferred tax asset	6	54	36
Corporation tax		35	0
Prepayments		0	56
Receivables		**35.201**	**25.803**
Cash		**2.215**	**3.584**
Currents assets		**67.422**	**62.512**
Assets		**67.767**	**63.018**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		500	500
Retained earnings		53.944	53.622
Equity		**54.444**	**54.122**
Trade payables		2.082	2.913
Payables to group enterprises		5.341	1.087
Corporation tax		0	32
Other payables		5.900	4.864
Short-term debt		**13.323**	**8.896**
Debt		**13.323**	**8.896**
Liabilities and equity		**67.767**	**63.018**
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	500	53.622	54.122
Net profit/loss for the year	0	322	322
Equity at 31 December	**500**	**53.944**	**54.444**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

1 Staff expenses

	2018 TDKK	2017 TDKK
Wages and salaries	15.187	12.873
Pensions	1.264	1.173
Other social security expenses	175	144
	16.626	**14.190**
Average number of employees	**17**	**16**

Renumeration to the executive board for 2018 totalled TDKK 1.313.

Renumeration for 2017 is not disclosed in accordance with section 98 B (3) of the Danish Financial Statements Act.

2 Financial income

	2018 TDKK	2017 TDKK
Exchange adjustments	656	327
	656	**327**

3 Financial expenses

	2018 TDKK	2017 TDKK
Other financial expenses	43	13
Exchange adjustments, expenses	845	1.474
	888	**1.487**

4 Tax on profit/loss for the year

	2018 TDKK	2017 TDKK
Current tax for the year	131	254
Deferred tax for the year	-18	-22
Adjustment of tax concerning previous years	7	-2
	120	**230**

Notes to the Financial Statements

5 Property, plant and equipment

	Other plants, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	1.438	140
Additions for the year	137	0
Cost at 31 December	1.575	140
Impairment losses and depreciation at 1 January	996	76
Depreciation for the year	270	28
Impairment losses and depreciation at 31 December	1.266	104
Carrying amount at 31 December	**309**	**36**

6 Deferred tax asset

Deferred tax asset at 1 January	36	14
Amounts recognised in the income statement for the year	21	22
Amounts recognised in equity for the year	-3	0
Deferred tax asset at 31 December	**54**	**36**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

7 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2018	2017
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	758	979
Between 1 and 5 years	296	658
	1.054	**1.637**
Tenancy commitments, binding for 6 months in 2018.	336	326

8 Related parties

Ownership

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., Antonio Vivaldistraat 150, 1083 HP Amsterdam

In accordance with section 98c (7) of the Danish Ginincial Statements Act, all transactions with related parties have been conducted at arm's length.
For the first 4 months of the year, renumeration to the interim CEO was paid by Norgine Ltd.
Consolidated Financial Statements

The financial statements of the company are part of the consilidated financial statements of:

Name	Place of registered office
Norgine B.V.	Antonio Vivaldistraat 150, 1083 HP Amsterdam

The Group Annual Report of Norgine B.V. may be obtained at the following address:

www.norgine.com

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of Norgine Danmark A/S for 2018 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.

The Financial Statements for 2018 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Norgine B.V., the Company has not prepared a cash flow statement.

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.

Notes to the Financial Statements

9 Accounting Policies (continued)

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.

Income Statement

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.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, costs of goods sold and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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.

Notes to the Financial Statements

9 **Accounting Policies** (continued)

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.

Balance Sheet

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.

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.

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

Notes to the Financial Statements

9 Accounting Policies (continued)

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.

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 to the Financial Statements

9 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$