Norgine Danmark A/S

Lyskær 1, 3. sal, DK-2730 Herlev

Annual Report for 1. January - 31. December 2017

CVR No 29 31 00 25

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/4 2018

Kenneth Eric Scrimgeour
Chairman

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 2017.

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 2017 of the Company and of the results of the Company operations and cash flows for 2017.

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, 17 April 2018

Executive Board

Kenneth Eric Scrimgeour

Board of Directors

Paul John Ruelle Chairman	Kenneth Eric Scrimgeour	Tara Bussey

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 2017 and of the results of the Company’s operations and cash flows for the financial year 1 January - 31 December 2017 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 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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.

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-

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 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

Independent Auditor's Report

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, 17 April 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Wright
statsautoriseret revisor
mne10053

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: 12nd financial year Municipality of reg. office: Herlev
Board of Directors	Paul John Ruelle, Chairman Kenneth Eric Scrimgeour Tara Bussey
Executive Board	Kenneth Eric Scrimgeour
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:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Operating profit/loss	2.160	2.254	2.502	2.879	2.922
Net financials	-1.160	-1.207	-1.071	-1.222	-615
Net profit/loss for the year	769	781	1.071	1.231	1.723
Balance sheet					
Balance sheet total	63.018	63.952	57.558	47.566	47.525
Equity	54.122	53.353	15.572	14.501	13.270
Cash flows					
Cash flows from:					
- operating activities	3.249	-5.162	-9.723	5.188	-7.482
- investing activities	-84	-233	-852	-93	-29
including investment in property, plant and equipment	-84	-233	-852	-93	-29
- financing activities	0	3.686	9.708	-2.099	6.613
Change in cash and cash equivalents for the year	3.165	-1.709	-867	2.996	-898
Number of employees	16	19	17	15	16
Ratios					
Return on assets	3,4%	3,5%	4,3%	6,1%	6,1%
Solvency ratio	85,9%	83,4%	27,1%	30,5%	27,9%
Return on equity	1,4%	2,3%	7,1%	8,9%	13,9%

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 2017 shows a profit of DKK 769,455, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 54,122,364. Product sales was an increase by 6% vs 2016 sales which was in line with expectations and similar to the previous year.
Overall the product sales has not increased in line with expectations and the Company decided in 2017 to re-structure management positions and increase geographic focus towards the Swedish market to accelerate growth. Due to this re-structure several key position has been vacant during the year which negatively have impacted the Company´s possibility to grow sales.
Several new products was launched in 2017, LYMPHOSEEK, ZIVEREL and MOVICOL Ready to take, which provides opportunities for coming years to increase product sales.

Development in the comming year

The Company is still impacted by the re-organization and several positions will be vacant during the first half of 2018. Once the turnaround is completed and positions filled, execution will increase and resources to accelerate sales the coming years will be available.
The products launched in 2017 as well as increased focus primarily on the Swedish market are expected to provide fuel for growth the coming years.

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	2017	2016
		DKK	DKK
Gross profit/loss		**16.667.994**	**19.117.929**
Staff expenses	1	-14.189.883	-16.576.292
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-318.273	-287.651
Profit/loss before financial items		**2.159.838**	**2.253.986**
Financial income	2	327.263	61.132
Financial expenses	3	-1.487.370	-1.268.449
Profit/loss before tax		**999.731**	**1.046.669**
Tax on profit/loss for the year	4	-230.276	-265.851
Net profit/loss for the year		**769.455**	**780.818**

Distribution of profit

Proposed distribution of profit

	2017	2016
Retained earnings	769.455	780.818
	769.455	**780.818**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK	DKK
Other plants, tools and equipment		441.690	647.940
Leasehold improvements		64.319	92.363
Property, plant and equipment	5	**506.009**	**740.303**
Fixed assets		**506.009**	**740.303**
Inventories	6	**33.124.545**	**32.899.733**
Trade receivables		23.567.591	22.608.234
Receivables from group enterprises		1.660.447	7.205.725
Other receivables		483.493	36.000
Deferred tax asset	8	35.810	13.760
Prepayments	7	56.367	29.875
Receivables		**25.803.708**	**29.893.594**
Cash		**3.583.577**	**418.829**
Currents assets		**62.511.830**	**63.212.156**
Assets		**63.017.839**	**63.952.459**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		500.000	500.000
Retained earnings		53.622.364	52.852.909
Equity		**54.122.364**	**53.352.909**
Trade payables		2.912.543	2.859.331
Payables to group enterprises		1.086.606	2.001.595
Corporation tax		31.623	1.888
Other payables		4.864.703	5.736.736
Short-term debt		**8.895.475**	**10.599.550**
Debt		**8.895.475**	**10.599.550**
Liabilities and equity		**63.017.839**	**63.952.459**
Contingent assets, liabilities and other financial obligations	11		
Related parties	12		
Accounting Policies	13		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	52.852.909	53.352.909
Net profit/loss for the year	0	769.455	769.455
Equity at 31 December	**500.000**	**53.622.364**	**54.122.364**

Cash Flow Statement 1 January - 31 December

	Note	2017	2016
		DKK	DKK
Net profit/loss for the year		769.455	780.818
Adjustments	9	1.708.656	1.763.638
Change in working capital	10	2.153.313	-6.172.353
Cash flows from operating activities before financial income and expenses		**4.631.424**	**-3.627.897**
Financial income		327.262	61.132
Financial expenses		-1.487.367	-1.268.449
Cash flows from ordinary activities		**3.471.319**	**-4.835.214**
Corporation tax paid		-222.591	-327.116
Cash flows from operating activities		**3.248.728**	**-5.162.330**
Purchase of property, plant and equipment		-83.980	-232.703
Cash flows from investing activities		**-83.980**	**-232.703**
Repayment of payables to group enterprises		0	-33.314.399
Waiver of debt		0	37.000.000
Cash flows from financing activities		**0**	**3.685.601**
Change in cash and cash equivalents		**3.164.748**	**-1.709.432**
Cash and cash equivalents at 1 January		418.829	2.128.261
Cash and cash equivalents at 31 December		**3.583.577**	**418.829**
Cash and cash equivalents are specified as follows:			
Cash		3.583.577	418.829
Cash and cash equivalents at 31 December		**3.583.577**	**418.829**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
1	**Staff expenses**		
	Wages and salaries	12.873.599	15.113.722
	Pensions	1.172.646	1.289.853
	Other social security expenses	143.638	172.717
		14.189.883	**16.576.292**
	Average number of employees	**16**	**19**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

		2017	2016
2	**Financial income**		
	Other financial income	327.263	61.132
		327.263	**61.132**
3	**Financial expenses**		
	Interest paid to group enterprises	0	717.042
	Other financial expenses	1.487.370	551.407
		1.487.370	**1.268.449**
4	**Tax on profit/loss for the year**		
	Current tax for the year	254.672	247.888
	Deferred tax for the year	-22.050	-3.990
	Adjustment of tax concerning previous years	-2.346	21.953
		230.276	**265.851**

Notes to the Financial Statements

5 Property, plant and equipment

	Other plants, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	1.353.424	140.222
Additions for the year	83.980	0
Cost at 31 December	1.437.404	140.222
Impairment losses and depreciation at 1 January	705.484	47.859
Depreciation for the year	290.230	28.044
Impairment losses and depreciation at 31 December	995.714	75.903
Carrying amount at 31 December	**441.690**	**64.319**

	2017	2016
	DKK	DKK

6 Inventories

Finished goods and goods for resale	33.124.545	32.899.733
	33.124.545	**32.899.733**

7 Prepayments

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

8 Deferred tax asset

Deferred tax asset at 1 January	13.760	9.770
Amounts recognised in the income statement for the year	22.050	3.990
Deferred tax asset at 31 December	**35.810**	**13.760**

Deferred tax asset consists of Property, plant and equipment.

Notes to the Financial Statements

		2017	2016
		DKK	DKK
9	**Cash flow statement - adjustments**		
	Financial income	-327.263	-61.132
	Financial expenses	1.487.370	1.268.449
	Depreciation, amortisation and impairment losses, including losses and gains on sales	318.273	287.651
	Tax on profit/loss for the year	230.276	265.851
	Other adjustments	0	2.819
		1.708.656	**1.763.638**

		2017	2016
		DKK	DKK
10	**Cash flow statement - change in working capital**		
	Change in inventories	-224.810	1.923.394
	Change in receivables	3.196.946	-10.078.431
	Change in trade payables, etc	-818.823	1.982.684
		2.153.313	**-6.172.353**

11 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	979.393	1.014.141
Between 1 and 5 years	658.016	1.174.025
	1.637.409	**2.188.166**
Tenancy commitments, binding for 6 months in 2017 and 18 months in 2016	325.784	965.020

Other contingent liabilities

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

Notes to the Financial Statements

12 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 to the Financial Statements

13 Accounting Policies

The Annual Report of Norgine Danmark A/S for 2017 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 2017 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 to the Financial Statements

13 Accounting Policies (continued)

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, revenue has not been disclosed in the Annual Report.

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 to the Financial Statements

13 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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