We accelerate the new Africa

# Missionpharma Group ApS

## Annual report

## 2016

Approved at General Meeting

29/5 - 2017

Chairman:
Jacob Christensen, Plesner Advokatpartnerselskab

MISSIONPHARMA
cfaogroup.com

Missionpharma Group ApS
Vassingeroedvej 9 · 3540 Lynge · Denmark
www.missionpharma.com
CVR No. 29 78 27 92

# Contents

# Company details

**Missionpharma Group ApS**
Vassingeroedvej 9
3540 Lynge
Denmark
www.missionpharma.com

| | |
|---|---|
| CVR no.: | 29 78 27 92 |
| Financial year: | 1 January - 31 December |
| Established: | 4 October 2006 |
| Registered office: | Alleroed, 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

# 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 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.

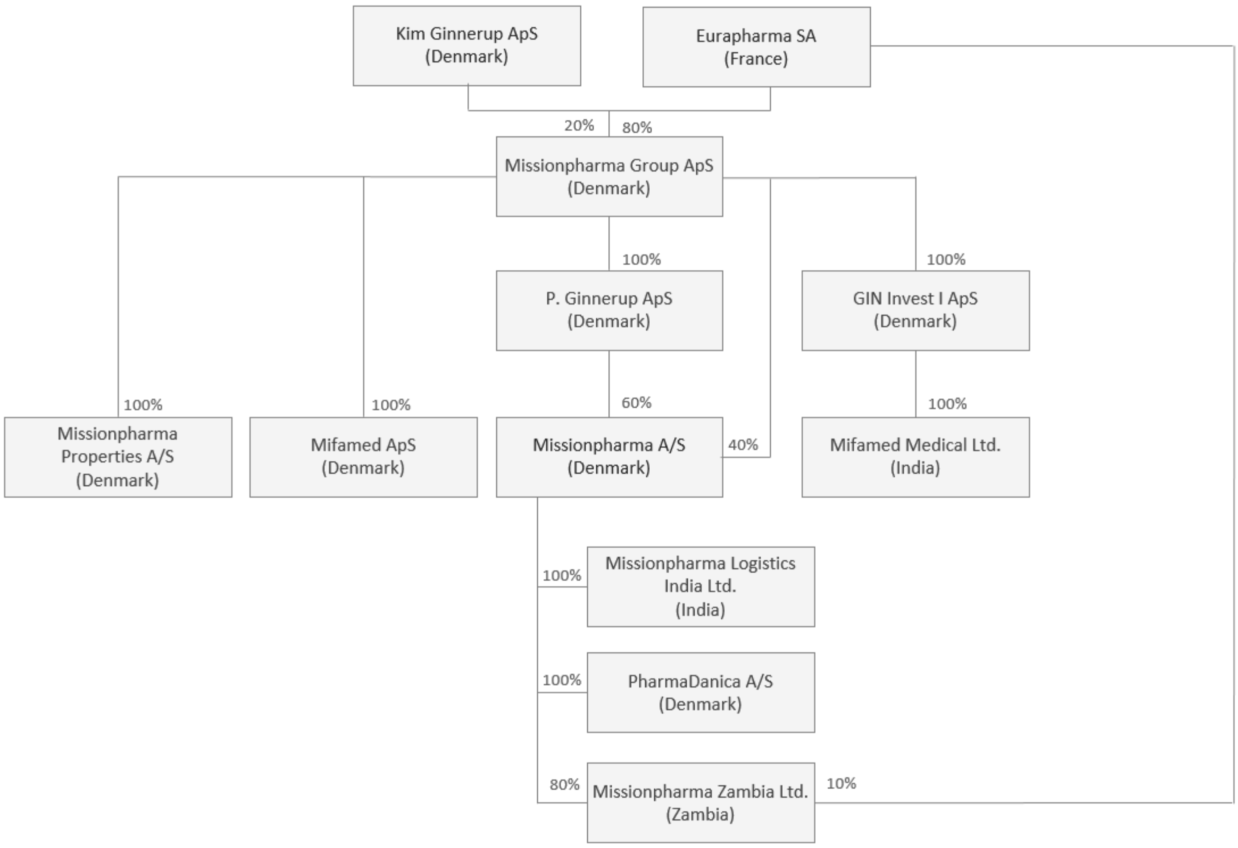
The business model is mainly designed to respond to direct inquiries from the market. The business and overall market position has enabled Missionpharma to operate this market successfully since many years. Missionpharma is focused to continuously improve its market position in relation to customers, 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 companies in Missionpharma Group ApS:



## Group locations



LYNGE, DENMARK


AHMEDABAD, INDIA


SHANGHAI, CHINA


LUSAKA, ZAMBIA


KANDLA, INDIA

# Financial highlights for the Group in DKK

| DKK '000 | 2016 | 2015 | 2014 | 2013 | 2012 (8 months) |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 758,087 | 754,044 | 703,056 | 536,409 | 387,530 |
| Gross profit | 160,942 | 138,947 | 141,518 | 115,279 | 86,349 |
| Ordinary operating profit (EBIT) | 97,808 | 83,210 | 89,807 | 65,373 | 47,187 |
| Net financials | -2,052 | 648 | -1,676 | -11,483 | -547 |
| **Profit for the year** | **73,281** | **68,454** | **63,331** | **39,425** | **30,301** |
| | | | | | |
| Investments for the year | 2,131 | 3,256 | 1,558 | 791 | 98,141 |
| Total assets | 407,146 | 397,081 | 429,277 | 322,315 | 344,777 |
| **Total equity** | **308,852** | **289,849** | **272,006** | **239,453** | **226,018** |
| | | | | | |
| **Net cash flow for the year** | **-56,433** | **26,313** | **47,160** | **27,611** | **-65,197** |
| | | | | | |
| **Financial ratios** | | | | | |
| Operating margin (EBIT) | 12.9% | 11.0% | 12.8% | 12.2% | 12.2% |
| Return on assets | 24.3% | 20.1% | 23.9% | 19.6% | 23.0% |
| Return on equity | 24.5% | 24.4% | 24.8% | 16.9% | 29.9% |
| Equity ratio | 75.9% | 73.0% | 63.4% | 74.3% | 65.6% |
| Liquidity ratio | 3.6 | 3.2 | 2.3 | 3.3 | 2.1 |
| | | | | | |
| **Average number of full-time employees** | **148** | **136** | **111** | **104** | **125** |

# Financial highlights for the Group in USD and EUR

| USD '000 | 2016 | 2015 | 2014 | 2013 | 2012 (8 months) |
|---|---|---|---|---|---|
| Average DKK/100 USD rate (P&L) | 675.83 | 670.49 | 563.45 | 561.66 | 585.58 |
| Closing DKK/100 USD rate (balance sheet) | 705.28 | 683.00 | 612.14 | 541.27 | 565.91 |
| **Key figures** | | | | | |
| Revenue | 112,171 | 112,462 | 124,777 | 95,504 | 66,179 |
| Gross profit | 23,814 | 20,723 | 25,116 | 20,525 | 14,746 |
| Ordinary operating profit (EBIT) | 14,472 | 12,410 | 15,939 | 11,639 | 8,058 |
| Net financials | -304 | 97 | -297 | -2,044 | -93 |
| **Profit of the year** | **10,843** | **10,210** | **11,240** | **7,019** | **5,175** |
| Investments in the year | 315 | 486 | 277 | 141 | 16,760 |
| Total assets | 57,728 | 58,138 | 70,127 | 59,548 | 60,924 |
| **Total equity** | **43,791** | **42,438** | **44,435** | **44,239** | **39,939** |
| **Net cash flow for the year** | **-8,350** | **3,924** | **8,370** | **4,916** | **-11,134** |
| **Financial ratios** | | | | | |
| Operating margin (EBIT) | 12.9% | 11.0% | 12.8% | 12.2% | 12.2% |
| Return on assets | 24.3% | 20.1% | 23.9% | 19.6% | 23.0% |
| Return on equity | 24.5% | 24.4% | 24.8% | 16.9% | 29.9% |
| Equity ratio | 75.9% | 73.0% | 63.4% | 74.3% | 65.6% |
| Liquidity ratio | 3.6 | 3.2 | 2.3 | 3.3 | 2.1 |
| **Average number of full-time employees** | **148** | **136** | **111** | **104** | **125** |

| EUR '000 | 2016 | 2015 | 2014 | 2013 | 2012 (8 months) |
|---|---|---|---|---|---|
| Average DKK/100 EUR rate (P&L) | 744.64 | 745.92 | 745.49 | 745.78 | 744.80 |
| Closing DKK/100 EUR rate (balance sheet) | 743.44 | 746.25 | 744.36 | 746.03 | 746.04 |
| **Key figures** | | | | | |
| Revenue | 101,806 | 101,089 | 94,308 | 71,926 | 52,031 |
| Gross profit | 21,613 | 18,628 | 18,983 | 15,458 | 11,594 |
| Ordinary operating profit (EBIT) | 13,135 | 11,155 | 12,047 | 8,766 | 6,336 |
| Net financials | -276 | 87 | -225 | -1,540 | -73 |
| **Profit of the year** | **9,841** | **9,177** | **8,495** | **5,286** | **4,068** |
| Investments in the year | 286 | 437 | 209 | 106 | 13,177 |
| Total assets | 54,765 | 53,210 | 57,671 | 43,204 | 46,214 |
| **Total equity** | **41,544** | **38,841** | **36,542** | **32,097** | **30,296** |
| **Net cash flow for the year** | **-7,579** | **3,528** | **6,326** | **3,702** | **-8,754** |
| **Financial ratios** | | | | | |
| Operating margin (EBIT) | 12.9% | 11.0% | 12.8% | 12.2% | 12.2% |
| Return on assets | 24.3% | 20.1% | 23.9% | 19.6% | 23.0% |
| Return on equity | 24.5% | 24.4% | 24.8% | 16.9% | 29.9% |
| Equity ratio | 75.9% | 73.0% | 63.4% | 74.3% | 65.6% |
| Liquidity ratio | 3.6 | 3.2 | 2.3 | 3.3 | 2.1 |
| **Average number of full-time employees** | **148** | **136** | **111** | **104** | **125** |

# Performance 2016

## Financials

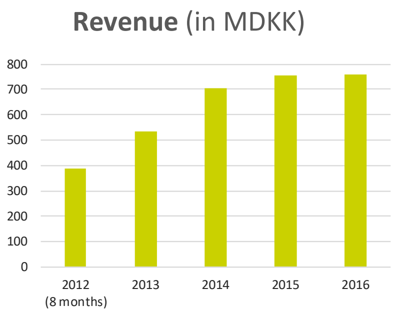
The financial year ended at 31 December 2016 with a consolidated profit of DKK 73,281 thousand.
The consolidated total equity as at 31 December 2016 amounts to DKK 308,852 thousand.
The consolidated cash flow for the financial year 2016 was negative with DKK 56,433 thousand.

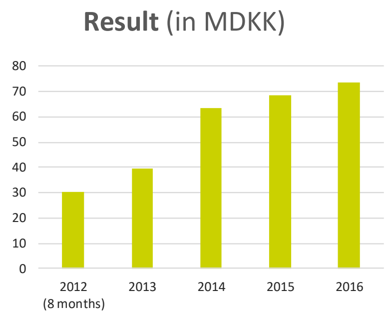
The financial performance for the financial year 2016 exceeds the expectations of the Management and is considered very satisfactory.

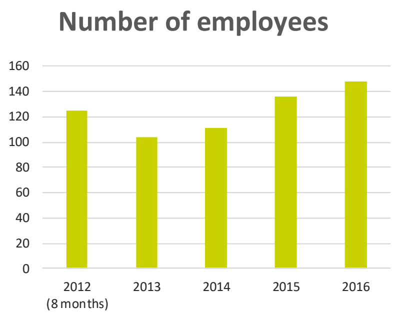
Activities of 2016 have led to a revenue below expectations while a higher than expected efficiency in contract realization has affected the result positively. During 2016, the macro-economic development in certain market has aggravated and has, due to defaulted timely customer payments, led to a negative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

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

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




## Operations

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

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

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

# Outlook 2017

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

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

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

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

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

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

No major investments are foreseen for 2017.

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

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

At the upcoming General Assembly it is expected that the following planned mergers are approved:

- A merger between the two subsidiaries Missionpharma A/S and Missionpharma Properties A/S. The merger shall leave Missionpharma A/S as the continuing entity.
- A merger between this entity Missionpharma Group ApS and its subsidiary P. Ginnerup ApS. The merger shall leave Missionpharma Group ApS as the continuing entity.

The mergers shall be effective from January 1, 2017 and have no financial impact on 2017.

# Risk management

## Overall

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

## Internal control

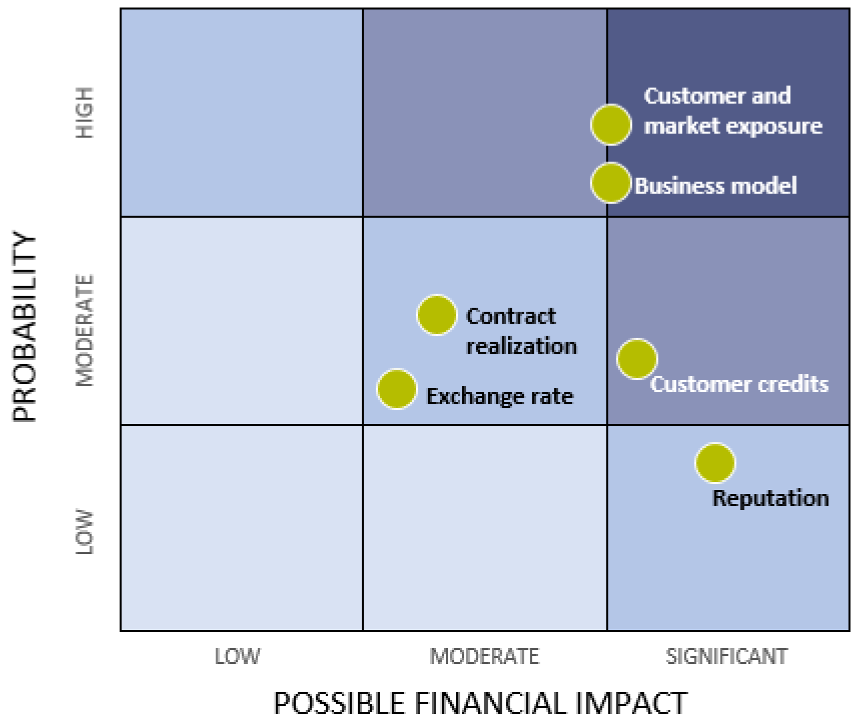
Missionpharma works with a structured internal control scheme as part of its business as well as being subject to internal controls procedures by its parent companies.

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

## Primary risk areas - mapping

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

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



## Primary risk areas - description

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

| Risk description | Possible impact | Risk mitigation |
|---|---|---|
| **Business model** | | |
| 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. | 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.<br>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. | 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.<br>Strategic initiatives to diversify the business are in high focus. |
| **Contract realization** | | |
| 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. | 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.<br>Each risk represents a possible short and medium term impact on financial performance. | 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. |

Continues…

| Risk description | Possible impact | Risk mitigation |
|---|---|---|
| **Customer and market exposure** | | |
| 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. | The ability to predict short and long term financial performance on revenue, earning and cash flow is affected by:<br>• Possible changes in customers overall environment which impacts purchase pattern, value and timing of inquiries.<br>• Predicted or unpredicted changes in assumptions for contract realization.<br>• Delays and defaults in customer payments. | 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.<br>No appropriate insurance possibilities are available.<br>Internal processes secure proper and transparent risk exposures. |
| **Customer credits** | | |
| In line with contractual terms Missionpharma grants credits to customers. | Defaulted payments from customers have a short term impact on cash flow and possibly earnings through increased provision for losses.<br>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. | 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.<br>No appropriate insurance possibilities are available. |
| **Exchange rates** | | |
| 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) | 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. | 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. |
| **Reputation** | | |
| Loss of reputation through inadequate contract realization or breach of business ethics represents a risk. | 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. | By ensuring high standards and clear processes throughout operations, maximum focus is secured on performance.<br>Internal control and compliance measures including Corporate Social responsibility programs are in place to minimize risk. |

# 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 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 2016 continued to encourage to plan and execute distribution in the most environment-friendly way by optimizing shipments and logistical routing.

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

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

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

The policies of Missionpharma´s parent companies are equally being observed and integrated. Read more under: www.cfaogroup.com

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

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

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

**Anti-corruption program**
The Missionpharma’s Code of Conduct aims to:

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

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

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

In 2016, Missionpharma has:

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

## Working environment and employees

The Missionpharma 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 focus on training and career programs among employees. A focus which shall continue and further strengthen during 2017.

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

## Goal and politics for gender equality

Policies for gender equality are entirely established for Missionpharma Group ApS and the subsidiary Missionpharma A/S. Policies are not established at group level or for any other Danish or foreign subsidiary. The information given below entirely relates to Missionpharma Group ApS and Missionpharma A/S.

### Board of Directors

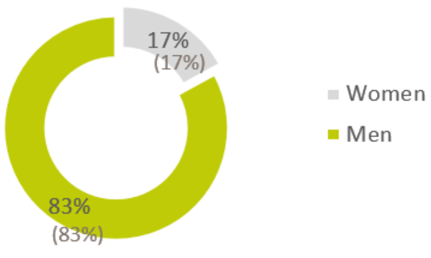
Missionpharma maintains its overall objective of having one female in the Board. An earlier objective of reaching this by end of financial year 2016 has although been revised to end of financial year 2019. Missionpharma shall although maintain focus to recommend qualified female candidates for the Board.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

### Other management levels

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

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

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



# Reports

Warehouse at Missionpharma Zambia Ltd.

# Statement by the Executive Board and Board of Directors

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

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

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

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

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

Lynge, 30 March 2017

**Executive Board**

| | |
|---|---|
| Kim Erik Ginnerup<br>CEO | Poul Lindof<br>CFO |

**Board of Directors**

| | | |
|---|---|---|
| Jean-Marc Pierre René Leccia<br>Chairman | Denis Georges Fernand Maurice | Eric Pierre Jean Muris |
| Kim Erik Ginnerup | | |

# Independent Auditor's Report

To the Shareholders of Missionpharma Group ApS

**Opinion**

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Missionpharma Group ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group 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 Consolidated Financial Statements and the Parent Company 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.

# Independent Auditor's Report (continued)

**Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Group's and the Parent 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 Group or the Parent 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

# Independent Auditor's Report (continued)

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 30 March 2017
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR-nr. 33 77 12 31*

| | |
|---|---|
| ________________________ | ________________________ |
| Rasmus Friis Jørgensen | Henrik Ødegaard |
| State Authorised Public Accountant | State Authorised Public Accountant |

# Group and parent accounts

# Income statement

| DKK'000 | Note | Consolidated 2016 | Consolidated 2015 | Parent company 2016 | Parent company 2015 |
|---|---|---|---|---|---|
| **Revenue** | | 758,087 | 754,044 | 0 | 0 |
| Goods for resale and consumables | | -420,362 | -449,568 | 0 | 0 |
| Other external expenses | | -176,783 | -165,529 | -51 | -99 |
| **Gross profit** | | 160,942 | 138,947 | -51 | -99 |
| Staff costs | 1 | -52,267 | -45,256 | 0 | 0 |
| Amortization/depreciation and impairment of intangible assets & property, plant and equipment | 5,6 | -10,867 | -10,481 | 0 | 0 |
| **Ordinary operating profit** | | 97,808 | 83,210 | -51 | -99 |
| Income from investments in subsidiaries | 7 | 0 | 0 | 73,239 | 68,735 |
| Financial income | 2 | 1,071 | 2,753 | 15 | 0 |
| Financial expenses | 3 | -3,123 | -2,105 | -46 | -219 |
| **Profit before tax** | | 95,756 | 83,858 | 73,157 | 68,417 |
| Tax on profit | 4 | -22,475 | -15,404 | 18 | 25 |
| **Profit for the year** | | 73,281 | 68,454 | 73,175 | 68,442 |

**Proposed profit appropriation**

| DKK'000 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Proposed dividends | 58,600 | 54,800 | 58,600 | 54,800 |
| Reserve for net revaluation under the equity method | 0 | 0 | 18,379 | 18,135 |
| Retained earnings | 14,575 | 13,642 | -3,804 | -4,493 |
| Minority interests | 106 | 12 | 0 | 0 |
| | 73,281 | 68,454 | 73,175 | 68,442 |

# Balance sheet - Assets

| DKK'000 | Note | Consolidated 2016 | Consolidated 2015 | Parent company 2016 | Parent company 2015 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| **Intangible assets** | 5 | | | | |
| Goodwill | | 35,988 | 43,882 | 0 | 0 |
| IT projects in progress | | 5,500 | 0 | 0 | 0 |
| | | 41,488 | 43,882 | 0 | 0 |
| **Property, plant and equipment** | 6 | | | | |
| Land and buildings | | 30,341 | 31,781 | 0 | 0 |
| Other fixtures and fittings, tools and | | | | 0 | 0 |
| equipment | | 4,480 | 3,737 | 0 | 0 |
| | | 34,821 | 35,518 | 0 | 0 |
| **Investments** | | | | | |
| Investments in subsidiaries | 7 | 0 | 0 | 308,708 | 289,881 |
| Other investments | | 2,687 | 2,687 | 0 | 0 |
| | | 2,687 | 2,687 | 308,708 | 289,881 |
| **Total non-current assets** | | 78,996 | 82,087 | 308,708 | 289,881 |
| **Current assets** | | | | | |
| **Inventories** | | | | | |
| Goods for resale | | 64,157 | 52,612 | 0 | 0 |
| | | 64,157 | 52,612 | 0 | 0 |
| **Receivables** | | | | | |
| Trade receivables | | 194,669 | 127,956 | 0 | 0 |
| Receivables from subsidiaries | | 0 | 0 | 1,259 | 613 |
| Income tax receivables | | 0 | 0 | 0 | 1,233 |
| Other receivables | | 32,251 | 41,163 | 0 | 0 |
| | | 226,920 | 169,119 | 1,259 | 1,846 |
| **Cash** | | 37,073 | 93,263 | 1,955 | 907 |
| **Total current assets** | | 328,150 | 314,994 | 3,214 | 2,753 |
| **TOTAL ASSETS** | | 407,146 | 397,081 | 311,922 | 292,634 |

## Balance sheet – Equity and liabilities

| DKK'000 | Note | Consolidated 2016 | Consolidated 2015 | Parent company 2016 | Parent company 2015 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | | 125 | 125 | 125 | 125 |
| Net revaluation according to the equity method | | 0 | 0 | 106,176 | 87,360 |
| Retained earnings | | 249,924 | 234,912 | 143,748 | 147,552 |
| Proposed dividends | | 58,600 | 54,800 | 58,600 | 54,800 |
| **Equity attributable to shareholders in Missionpharma Group ApS** | | 308,649 | 289,837 | 308,649 | 289,837 |
| Minority interests | | 203 | 12 | 0 | 0 |
| **Total shareholders' equity** | | 308,852 | 289,849 | 308,649 | 289,837 |
| **Provisions** | | | | | |
| Deferred tax | 8 | 3,952 | 4,220 | 0 | 0 |
| | | 3,952 | 4,220 | 0 | 0 |
| **Liabilities other than provisions** | | | | | |
| **Non-current liabilities other than provisions** | | | | | |
| Mortgage debt | 9,10,11 | 3,222 | 4,798 | 0 | 0 |
| | | 3,222 | 4,798 | 0 | 0 |
| **Current liabilities other than provisions** | | | | | |
| Current portion of non-current liabilities other than provisions | 10,11 | 1,407 | 1,407 | 0 | 0 |
| Other credit institutions | | 355 | 112 | 0 | 0 |
| Prepayment received from customers | | 989 | 17,401 | 0 | 0 |
| Trade payables | | 58,409 | 54,158 | 0 | 0 |
| Payables to subsidiaries | | 0 | 0 | 622 | 2,722 |
| Corporation tax | | 12,530 | 7,381 | 2,600 | 0 |
| Other payables | | 17,430 | 17,755 | 51 | 75 |
| | | 91,120 | 98,214 | 3,273 | 2,797 |
| **Total liabilities other than provisions** | | 94,342 | 103,012 | 3,273 | 2,797 |
| **TOTAL EQUITY AND LIABILITIES** | | 407,146 | 397,081 | 311,922 | 292,634 |

| | |
|---|---|
| Security for loans | 11 |
| Contingent assets and liabilities and other financial obligations | 12 |
| Related parties | 13 |
| Auditors' fees | 14 |

# Statement of changes in equity

| DKK'000 | Parent company: Share capital | Revaluation (equity method)* | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|---|
| Equity at 1 January | 125 | 87,360 | 147,552 | 54,800 | 289,837 |
| Dividends distributed | 0 | 0 | 0 | -54,800 | -54,800 |
| Exchange adjustment | 0 | 437 | 0 | 0 | 437 |
| Profit for the year | 0 | 18,379 | -3,804 | 58,600 | 73,175 |
| **Equity at 31 December** | 125 | 106,176 | 143,748 | 58,600 | 308,649 |

* Reserve for net revaluation according to the equity method.

| DKK'000 | Consolidated: Share capital | Retained earnings | Proposed dividends | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|
| Equity at 1 January | 125 | 234,912 | 54,800 | 289,837 | 12 | 289,849 |
| Dividends distributed | 0 | 0 | -54,800 | -54,800 | 0 | -54,800 |
| Exchange adjustment | 0 | 437 | 0 | 437 | 85 | 522 |
| Profit for the year | 0 | 14,575 | 58,600 | 73,175 | 106 | 73,281 |
| **Equity at 31 December** | 125 | 249,924 | 58,600 | 308,649 | 203 | 308,852 |

**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.

| **Share capital of the parent company** | 2016 | 2015 |
|---|---|---|
| Number of shares | 125 | 125 |
| Share capital in DKK | 125,000 | 125,000 |

No shares have specific rights.

# Cash flow statement

| DKK'000 | Note | Consolidated 2016 | Consolidated 2015 |
|---|---|---|---|
| Profit for the year | | 73,281 | 68,442 |
| Changes of non-cash operating items | 15 | 36,783 | 25,110 |
| Cash generated from operations (operating activities) before changes in working capital | | 110,064 | 93,551 |
| Changes in working capital | 16 | -81,832 | 12,312 |
| Cash generated from operations (operating activities) | | 28,232 | 105,863 |
| Financial income received | | 851 | 2,753 |
| Financial expense paid | | -3,123 | -2,105 |
| Cash flow from operations before tax | | 25,960 | 106,511 |
| Corporation tax paid | | -18,801 | -24,704 |
| **Cash flows from operating activities** | | 7,159 | 81,807 |
| Additions of property, plant and equipment | | -2,131 | -3,256 |
| Disposals of property, plant and equipment | | 196 | 7 |
| Additions of IT development costs | | -5,500 | 0 |
| **Cash flows from investing activities** | | -7,436 | -3,249 |
| Mortgage debt, installment | | -1,356 | -1,644 |
| Dividend distributed | | -54,800 | -50,600 |
| **Cash flows from financing activities** | | -56,156 | -52,244 |
| **Net cash flows from operating, investing and financing activities** | | -56,433 | 26,314 |
| Cash and cash equivalents at 1 January 2016 | | 93,151 | 66,838 |
| **Cash and cash equivalents at 31 December 2016** | 17 | 36,718 | 93,151 |

**Accounting policies**

**Cash flows from operating activities** are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

**Cash flows from investing activities** comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

**Cash flows from financing activities** comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

**Cash and cash equivalents** comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

# Notes to the annual report

## 1 Staff costs

| DKK'000 | Consolidated 2016 | Consolidated 2015 |
|---|---|---|
| **Group** | | |
| Wages and salaries | 46,892 | 40,333 |
| Pension costs | 2,940 | 2,578 |
| Other social security costs | 466 | 330 |
| Other staff costs | 1,969 | 2,015 |
| | 52,267 | 45,256 |
| Salaries and fees paid to the Executive Board | 5,627 | 5,360 |
| The Board of Directors did not receive any remuneration. | | |
| Average number of employees | 148 | 136 |

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

| DKK'000 | Consolidated 2016 | Consolidated 2015 | Parent company 2016 | Parent company 2015 |
|---|---|---|---|---|
| **2 Financial income** | | | | |
| Other interest receivables, exchange gains and similar income | 1,071 | 237 | 15 | 0 |
| Revaluation of shares | 0 | 2,516 | 0 | 0 |
| | 1,071 | 2,753 | 15 | 0 |
| **3 Financial expenses** | | | | |
| Other interest payable, exchange losses and similar expenses | 3,123 | 2,105 | 46 | 219 |
| | 3,123 | 2,105 | 46 | 219 |

**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 losses on securities and foreign currency transactions, amortization of mortgage loans and surcharges and allowances under the advance-payment-of-tax- scheme, etc.

Shares are valued at market price.

## 4 Tax on the profit for the year

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| DKK'000 | 2016 | 2015 | 2016 | 2015 |
| Current tax for the year | 22,749 | 20,398 | -18 | -25 |
| Change in provision for deferred tax | -268 | 560 | 0 | 0 |
| Prior year adjustments | -6 | -5,554 | 0 | 0 |
| | 22,475 | 15,404 | -18 | -25 |

**Accounting policies**
**Tax on profit/loss for the year** comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity.

The parent company is covered by the Danish rules on compulsory joint taxation of the Missionpharma Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

## 5 Intangible assets

**Group**

| DKK'000 | Goodwill | IT dev. costs |
|---|---|---|
| Cost at 1 January | 78,940 | 0 |
| Additions for the year | 0 | 5,500 |
| Cost at 31 December | 78,940 | 5,500 |
| Amortization at 1 January | 35,058 | 0 |
| Amortization and impairments during the year | 7,894 | 0 |
| Amortization at 31 December | 42,952 | 0 |
| **Carrying amount at 31 December** | 35,988 | 5,500 |

**Accounting policies**
**Goodwill** is amortized over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortized on a straight-line basis over an amortization period of 10 years.

Goodwill is tested for impairment whenever there is an indication that it might be impaired. The impairment test is performed for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or the business to which the goodwill relates.

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

## 6 Property, plant and equipment

**Group**

| | Consolidated | | |
|---|---|---|---|
| DKK'000 | Land and buildings | Other fixtures and fittings, tools and equipment | Total |
| Cost at 1 January | 38,138 | 19,272 | 57,410 |
| Currency revaluation of prior year cost | 32 | 342 | 374 |
| Additions during the year | 0 | 2,131 | 2,131 |
| Disposals during the year | 0 | -501 | -501 |
| Cost at 31 December | 38,170 | 21,244 | 59,414 |
| Revaluation at 1 January | 13,377 | 0 | 13,377 |
| Revaluation at 31 December | 13,377 | 0 | 13,377 |
| Impairment losses and depreciation 1 January | 19,734 | 15,535 | 35,269 |
| Revaluation of prior year cost | 16 | 62 | 78 |
| Depreciation during the year | 1,456 | 1,517 | 2,973 |
| Depreciation disposal during the year | 0 | -350 | -350 |
| Impairment losses and depreciation at 31 December | 21,206 | 16,764 | 37,970 |
| **Carrying amount at 31 December** | 30,341 | 4,480 | 34,821 |
| **Carrying amount at 31 December without revaluation** | 22,136 | 0 | 22,136 |

**Accounting policies**
**Property, plant and equipment** include land and buildings, other fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write-downs.

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

Leased property, plant and equipment qualifying for recognition as assets held under finance leases are accounted for as acquired property, plant and equipment.

Land and buildings are revalued at fair value on the basis of an external assessment. Revaluations and reversals hereof, less deferred tax, are taken directly to equity.

Property, 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 asset or group of assets (recoverable amount) if it is lower than the carrying amount.

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

| | |
|---|---|
| Buildings | 25 years |
| IT equipment | 3-5 years |
| Fixtures and fittings, tools and equipment | 5 years |

Gains and losses on the disposal of property, 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 "Amortization/depreciation".

## 7 Investments in subsidiaries

**Parent**

| DKK'000 | Total |
|---|---|
| Cost at 1 January | 202,532 |
| Cost at 31 December | 202,532 |
| **Adjustments** | |
| Adjustments at 1 January | 87,349 |
| Foreign exchange rate adjustment | 437 |
| Adjustment of previous year | -49 |
| Share of profit for the year | 73,239 |
| Dividend distributed | -54,800 |
| Adjustments at 31 December | 106,176 |
| **Carrying amount at 31 December** | 308,708 |

**Specification of the company's share of the profit or loss for the year**

| | |
|---|---|
| Share of profit for the year | 81,133 |
| Amortization of goodwill | -7,894 |
| Adjustments at 31 December | 73,239 |

**Specification of the carrying amount at 31 December**

| | |
|---|---|
| Share of the equity in group entities | 272,720 |
| Goodwill | 35,988 |
| Carrying amount at 31 December | 308,708 |

| Name | Registered office | Ownership |
|---|---|---|
| P. Ginnerup ApS | Alleroed, Denmark | 100 % |
| Missionpharma A/S | Alleroed, Denmark | 40% * |
| Mifamed ApS | Alleroed, Denmark | 100 % |
| GIN INVEST I ApS | Alleroed, Denmark | 100 % |
| Missionpharma Properties A/S | Alleroed, Denmark | 100 % |

* Full ownership through 100% shares in P. Ginnerup ApS

**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.

## 8 Deferred tax provisions

**Group**

| | 2016 | 2015 |
|---|---|---|
| Provision for deferred tax at 1 January 2016 | 4,220 | 3,659 |
| Provisions during the year | -268 | 561 |
| **Deferred tax at 31 December 2016** | 3,952 | 4,220 |

**Accounting policies**

**Deferred tax** is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity and jurisdiction.

## 9 Mortgage debt

**Group**

This item includes the interest swap agreement with Nordea. The fair value amounts to a liability of DKK 555 thousand at 31 December 2016.

## 10 Long-term liabilities

**Group**

Breakdown of certain liabilities by long-term and short-term liabilities:

| | Falling due between 1 and 5 years | Falling due after more than 5 years | Total long-term liabilities | Falling due within 1 year | Total |
|---|---|---|---|---|---|
| Mortgage debt, interestswap, and deposit payable | 3,222 | 0 | 3,222 | 1,407 | 4,629 |

## 11 Security for loans

**Group**

Land and building in Missionpharma Properties A/S with a carrying amount of DKK 28,398 thousand have been put up as security for mortgage debt totaling DKK 4,629 thousand.

## 12 Contingent assets and liabilities and other financial obligations

**Group**

The Group has not assumed any guarantee obligations except for the guarantees issued in connection with operations for a total amount of DKK 61,849 thousand.

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

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.

Rental commitments for land and buildings amount to DKK 3.9 million.

## 13 Related parties

**Group**

The Company's immediate Parent Company at 31 December 2016 that prepares Group Annual Report in which the Company is included as a subsidiary is Eurapharma SA, France.
The Group Annual Report can be obtained at the following address:
Eurapharma SA, 18 rue Troyon, 92316 Sèvres Cedex, France.

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

## 14 Auditors' fees

**Group**

| | Consolidated | |
|---|---|---|
| DKK'000 | 2016 | 2015 |
| Fee for statutory audit | 284 | 276 |
| Tax assistance | 10 | 10 |
| Fee for non-audit services | 55 | 20 |
| | 349 | 306 |

| DKK'000 | | Consolidated 2016 | 2015 |
|---|---|---|---|
| 15 | **Changes of non-cash operating items, cash flow statement** | | |
| | Amortization/depreciation | 10,867 | 10,481 |
| | Net profit on sale of fixed assets | 43 | 0 |
| | Financial income | -1,071 | -2,753 |
| | Financial expenses | 3,123 | 2,105 |
| | Tax for the year | 22,475 | 15,404 |
| | Provision and other non-cash operating items, net | 1,346 | -127 |
| | | 36,783 | 25,110 |
| 16 | **Changes in working capital, cash flow statement** | | |
| | Change in inventories | -11,545 | 53,399 |
| | Change in trade receivables | -66,713 | 8,822 |
| | Change in other receivables | 8,912 | -8,980 |
| | Change in trade payables | 4,251 | -24,187 |
| | Change in other payables | -325 | -15,713 |
| | Change in prepayments received from customers | -16,412 | 88 |
| | Other liabilities | 0 | -1,118 |
| | | -81,832 | 12,312 |
| 17 | **Cash and cash equivalents, cash flow statement** | | |
| | Cash and cash equivalent at 31 December 2016 consist of: | | |
| | Other credit institutions | -355 | -112 |
| | Cash | 37,073 | 93,263 |
| | | 36,718 | 93,151 |

# Accounting policies

Accounting policies not already covered in the report.

## General accounting policies

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

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

**Reporting currency**
The financial statements for 2016 are presented in Danish kroner (DKK).

**Consolidated financial statements**
The consolidated financial statements comprise the parent company, Missionpharma Group ApS, and subsidiaries in which Missionpharma Group ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the parent. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

**Foreign currency translation**
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognized directly in equity.

### General accounting policies (continued)

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognized directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognized directly in equity.

**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.

Changes in fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognized as other receivables or other payables and in equity until the realization of the hedged transaction. If the future transaction results in the recognition of assets or liabilities, amounts which were previously recognized in equity are transferred to the cost of the asset or liability. If the future transaction results in income or costs, amounts which were previously recognized in equity are transferred to the income statement for the period when the hedged item affects the income statement.

## Income statement

**Revenue**
Income from the sale of goods held for sale and finished goods is recognized in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognized in revenue.

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

**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 in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.
Goods held for sale are measured at cost, comprising purchase price plus delivery costs.

**Receivables**
Receivables are measured at amortized cost.
Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired.

**Prepayments**
Prepayments comprise costs incurred concerning subsequent financial years.

**Corporation tax**
Current tax payable and receivable are recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Joint taxation contribution payable and receivable is recognized in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

**Financial liabilities**
Financial liabilities are recognized on the raising of the loan at the proceeds received net of transactions transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost, using the effective interest rate method.

**Other payables**
Other liabilities are measured at net realizable value.

# Definition of financial ratios

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

| | |
|---|---|
| Operating margin (EBIT margin) | Operating profit x 100 / Revenue |
| Return on assets | Operating profit x 100 / Average total assets |
| Return on equity | Profit from ordinary activities after tax x 100 / Average equity |
| Equity ratio | Equity x 100 / Total assets |
| Liquidity ratio | Current assets / Current liabilities |