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VJ Investment ApS

Tømrervej 9
6710 Esbjerg V
Central Business Registration
No 30526872

Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

Chairman of the General Meeting

Name: Frederik Bloch Jørgensen

Contents

Entity details

Entity
VJ Investment ApS
Tømrervej 9
6710 Esbjerg V

Central Business Registration No (CVR): 30526872
Registered in: Esbjerg
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Dennis Vad Lauridsen, chairman
Martin Busk Andersen
Henrik Bisgaard Jensen
Toke Værndal

Executive Board
Toke Værndal, CEO
Torben Børsting, COO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of VJ Investment ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 24.04.2018

Executive Board

Toke Værndal
CEO

Torben Børsting
COO

Board of Directors

Dennis Vad Lauridsen
chairman

Martin Busk Andersen

Henrik Bisgaard Jensen

Toke Værndal

Independent auditor's report

To the shareholders of VJ Investment ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of VJ Investment ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Other matterManagement's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- 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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 24.04.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jannick Kjersgaard
State Authorised Public Accountant
Identification No (MNE) mne29440

Lasse Lynggaard Wolff
State Authorised Public Accountant
Identification No (MNE) mne35802

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	700,627	634,172	462,799	522,444	464,800
Gross profit/loss	77,781	98,180	64,579	71,682	59,922
Operating profit/loss	11,361	29,273	11,834	20,182	20,580
Net financials	(1,722)	(4,473)	(2,862)	(3,524)	(5,086)
Profit/loss for the year	7,265	19,284	6,474	12,571	11,430
Total assets	325,393	281,363	217,835	214,438	204,051
Investments in property, plant and equipment	1,873	6,597	1,277	1,986	4,624
Equity	66,412	82,984	64,820	76,843	67,349
Average numbers of employees	224	170	157	129	91
Ratios					
Net margin (%)	1.0	3.0	1.4	2.4	2.5
Return on equity (%)	9.7	26.1	9.1	17.4	17.1
Equity ratio (%)	20.4	29.5	29.8	35.8	33.0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The company's main activity to the develop, import, production, distribution and exportation of medical products and thus naturally related business.

Development in activities and finances

Profit for the year after tax 2017 amounts to DKKm 7,3 (2016: DKKm 19,3). The profit for the year is considered not to be satisfying, and does not meet the expectations for 2017, due to lack of capacity for 2. Half of 2017.

Outlook

For the financial year 2018 the company expect a growth in activity around 20%, and a profit between 20 and 30 DKKm.

Particular risks

General risk

When launching new products the group is very dependent on the processing time partly at the healthcare authorities in the countries where the products are sold and partly the central European registration authority, EMA, in London. In a number of countries the processing time still remains long, which limit a fast introduction of new parallel imported goods.

Financial risks

The group is exposed to fluctuations in interest rate levels and foreign exchange rates.

Control of the financial risk and cash flow of the group is conducted from the headquaters of the group.
The group pursues a low risk profile within this area.

Equivalently, a tight control of the credit policy is implemented. Thus, the group only has a very limited risk towards customers or co-operators. The majority of sales is done to consolidated pharmaceutical wholesalers.

Intellectual capital resources

The business philosophy of the company contains 3 major thrusts: Innovation, Quality and mutual respects towards business partners in the market. It impose large demands to knowledge resources regarding employees and business processes.

In order to continue delivering solutions it is vital that the company can recruit and maintain employees with a high level of education. It is our aim that our group possesses state-of-the-art knowledge as well as a quick adaptability.

The results of the group are to a great extent impacted by competencies and engagement of the employees. The group continually works on developing knowledge and competencies of the employees with the purpose of supporting the results and developing culture of the group.

Management commentary

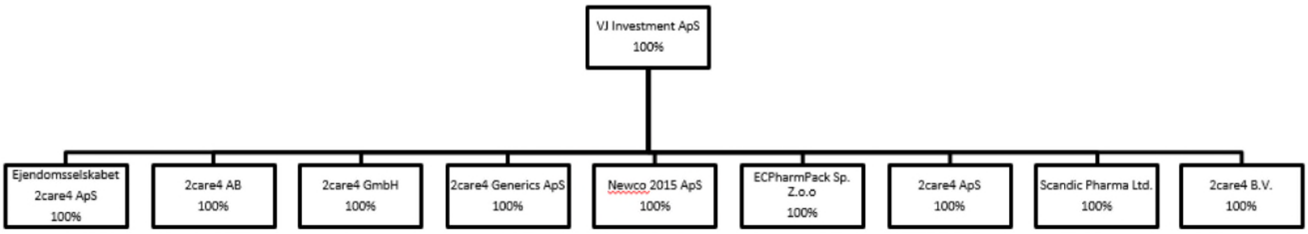
Environmental performance

The group is environmentally responsible and continually works with reducing the environmental impact from the business activities. Pharmaceutical products which are not sold are destructed by a qualified and approved company. Redundant packaging is to the greatest extent sorted and reused in alignment with existing rules in the area.

Research and development activities

The development of the group includes implemented measures that within a few years is expected to generate increased revenue for the group.

Group relations



Foreign branches

2care4 ApS, filial, Ulkomaat Finland.

Statutory report on corporate social responsibility

The group does not have formal policies for voluntary integration of community responsibility as part of the strategy and activities of the group. Besides, no policies exist for human rights and climate impacts. No separate statement is given for community responsibility.

Statutory report on the underrepresented gender

VJ Investment ApS and its subsidiary 2care4 ApS believe in diversity among employees, including the distribution of the sexes, having a positive work environment effect and strengthens the performance and competitiveness.

VJ Investment ApS is focused on increasing the share of women in management, and therefore has applied goals and a policy to increase the share of the underrepresented gender.

In consequence, VJ Investment ApS has in 2013 stated that 20% of the board members in 2017 should be women. Today, none of the board members are women, due to no changes in the board since 2015.

VJ Investments ApS has set a new goal, stating that 20% of the board members in 2020 should be women, equal to one woman. The policy is when changes in the board is needed, both male and female candidates shall be represented.

Management commentary

Other management levels in the group consists of executive board, mid-level managers as well as division managers and head of departments. There is no underrepresented gender in these other managementlevels, because 43% are women and 57% are men.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	2	700,627	634,172
Changes in inventories of finished goods and work in progress		17,067	10,903
Cost of sales		(607,246)	(524,250)
Other external expenses	3	(32,667)	(22,645)
Gross profit/loss		**77,781**	**98,180**
Staff costs	4	(54,275)	(55,499)
Depreciation, amortisation and impairment losses	5	(12,145)	(13,408)
Operating profit/loss		**11,361**	**29,273**
Other financial income		1,053	12
Other financial expenses		(2,775)	(4,485)
Profit/loss before tax		**9,639**	**24,800**
Tax on profit/loss for the year	6	(2,374)	(5,516)
Profit/loss for the year	7	**7,265**	**19,284**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		4,081	1,233
Acquired licences		10,798	11,070
Development projects in progress		8,882	10,064
Intangible assets	8	**23,761**	**22,367**
Land and buildings		18,665	16,513
Other fixtures and fittings, tools and equipment		4,183	4,571
Leasehold improvements		2	3
Property, plant and equipment in progress		280	1,626
Prepayments for property, plant and equipment		0	266
Property, plant and equipment	9	**23,130**	**22,979**
Other receivables		42	14
Fixed asset investments	10	**42**	**14**
Fixed assets		**46,933**	**45,360**
Raw materials and consumables		102,430	82,027
Work in progress		5,027	4,484
Manufactured goods and goods for resale		54,762	37,889
Prepayments for goods		18,517	13,656
Inventories		**180,736**	**138,056**
Trade receivables		90,336	82,430
Deferred tax	13	0	44
Other receivables	11	2,588	1,043
Income tax receivable		471	1,469
Prepayments	12	473	285
Receivables		**93,868**	**85,271**
Cash		**3,856**	**12,676**
Current assets		**278,460**	**236,003**
Assets		**325,393**	**281,363**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		125	125
Reserve for development expenditure		8,582	8,332
Retained earnings		57,705	50,527
Proposed dividend		0	24,000
Equity		**66,412**	**82,984**
Deferred tax	13	510	0
Other provisions	14	16,266	18,960
Provisions		**16,776**	**18,960**
Mortgage debt		8,456	8,456
Bank loans		7,257	8,018
Finance lease liabilities		978	1,353
Non-current liabilities other than provisions	15	**16,691**	**17,827**
Current portion of long-term liabilities other than provisions	15	1,136	1,152
Bank loans		177,748	122,693
Prepayments received from customers		727	0
Trade payables		25,934	20,510
Other payables		19,969	17,237
Current liabilities other than provisions		**225,514**	**161,592**
Liabilities other than provisions		**242,205**	**179,419**
Equity and liabilities		**325,393**	**281,363**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
Assets charged and collateral	18		
Transactions with related parties	19		
Subsidiaries	20		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	125	8,332	50,527	24,000
Ordinary dividend paid	0	0	0	(24,000)
Exchange rate adjustments	0	0	163	0
Transfer to reserves	0	250	(250)	0
Profit/loss for the year	0	0	7,265	0
Equity end of year	**125**	**8,582**	**57,705**	**0**

	Total DKK'000
Equity beginning of year	82,984
Ordinary dividend paid	(24,000)
Exchange rate adjustments	163
Transfer to reserves	0
Profit/loss for the year	7,265
Equity end of year	**66,412**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		11,361	28,502
Amortisation, depreciation and impairment losses		12,145	13,408
Other provisions		(2,694)	6,129
Working capital changes	16	(43,435)	(44,680)
Cash flow from ordinary operating activities		**(22,623)**	**3,359**
Financial income received		1,053	12
Financial income paid		(2,775)	(3,714)
Income taxes refunded/(paid)		(793)	(6,527)
Cash flows from operating activities		**(25,138)**	**(6,870)**
Acquisition etc of intangible assets		(12,698)	(17,215)
Sale of intangible assets		1,386	39
Acquisition etc of property, plant and equipment		(1,873)	(6,597)
Sale of property, plant and equipment		125	139
Acquisition of fixed asset investments		(29)	0
Currency changes of subsidiaries		(465)	146
Cash flows from investing activities		**(13,554)**	**(23,488)**
Loans raised		0	4,992
Repayments of loans etc		(1,152)	(1,033)
Dividend paid		(24,000)	0
Cash flows from financing activities		**(25,152)**	**3,959**
Increase/decrease in cash and cash equivalents		**(63,844)**	**(26,399)**
Cash and cash equivalents beginning of year		(110,017)	(83,528)
Currency translation adjustments of cash and cash equivalents		(31)	(90)
Cash and cash equivalents end of year		**(173,892)**	**(110,017)**
Cash and cash equivalents at year-end are composed of:			
Cash		3,856	12,676
Short-term debt to banks		(177,748)	(122,693)
Cash and cash equivalents end of year		**(173,892)**	**(110,017)**

Notes to consolidated financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2017 DKK'000	2016 DKK'000
2. Revenue		
Revenue by geographical market		
EU	632,551	583,216
Other world	68,076	50,956
	700,627	**634,172**
Revenue by activity		
Human	700,574	634,071
Veterinay	53	101
	700,627	**634,172**

	2017 DKK'000	2016 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	132	113
Tax services	32	8
Other services	280	101
	444	**222**

	2017 DKK'000	2016 DKK'000
4. Staff costs		
Wages and salaries	45,263	49,461
Pension costs	2,998	3,211
Other social security costs	3,815	1,295
Other staff costs	2,199	1,532
	54,275	**55,499**
Average number of employees	**224**	**170**

Notes to consolidated financial statements

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	2,042	2,735
	2,042	**2,735**

	2017 DKK'000	2016 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	8,640	8,335
Impairment losses on intangible assets	0	3,342
Depreciation of property, plant and equipment	2,348	1,829
Profit/loss from sale of intangible assets and property, plant and equipment	1,157	(98)
	12,145	**13,408**

	2017 DKK'000	2016 DKK'000
6. Tax on profit/loss for the year		
Current tax	1,778	5,732
Change in deferred tax	554	(24)
Adjustment concerning previous years	42	(192)
	2,374	**5,516**

	2017 DKK'000	2016 DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	24,000
Retained earnings	7,265	(4,716)
	7,265	**19,284**

Notes to consolidated financial statements

	Completed develop-ment projects DKK'000	Acquired licences DKK'000	Develop-ment projects in progress DKK'000
8. Intangible assets			
Cost beginning of year	5,911	39,736	10,064
Exchange rate adjustments	0	(1)	0
Transfers	3,963	0	(3,963)
Additions	411	7,459	4,828
Disposals	(99)	(1,340)	(2,047)
Cost end of year	**10,186**	**45,854**	**8,882**
Amortisation and impairment losses beginning of year	(4,678)	(28,666)	0
Amortisation for the year	(1,427)	(7,213)	0
Reversal regarding disposals	0	823	0
Amortisation and impairment losses end of year	**(6,105)**	**(35,056)**	**0**
Carrying amount end of year	**4,081**	**10,798**	**8,882**

Development projects

Development projects in progress

Development projects in progress comprise development and registration of generic pharmaceutical products. Costs essentially consist of external costs to business partners. Costs are registrated in an internal project tool. The individual pharmaceutical product will be finished in the years 2018-2021. Afterwards, sales will start up. Overall, the products are expected to contribute with significant competitive advantages and therefor a increase in activity level and result from 2018.

The management has completed impairment test of the current book value of the assets. The recoverable amount, value in-use, for the remaining assets, exceeds the book value. Value in-use is calculated from expected cashflows based on management approved budgets through 2018-2021.

Completed development projects

Completed development projects include development and registration of pharmaceutical products for humans. Each product has a 3 year depreciation period starting from when the products is launched in the market. The management has not established any indications for impairment of the current book value of the assets.

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000	Property, plant and equipment in progress DKK'000
9. Property, plant and equipment				
Cost beginning of year	21,984	9,125	8	1,626
Exchange rate adjustments	511	154	0	54
Transfers	1,674	0	0	(1,400)
Additions	825	1,048	0	0
Disposals	0	(422)	0	0
Cost end of year	**24,994**	**9,905**	**8**	**280**
Depreciation and impairment losses beginning of year	(5,471)	(4,554)	(5)	0
Exchange rate adjustments	(39)	(57)	0	0
Transfers	(22)	22	0	0
Depreciation for the year	(797)	(1,550)	(1)	0
Reversal regarding disposals	0	417	0	0
Depreciation and impairment losses end of year	**(6,329)**	**(5,722)**	**(6)**	**0**
Carrying amount end of year	**18,665**	**4,183**	**2**	**280**
Recognised assets not owned by entity	**-**	**1,345**	**-**	**-**

Notes to consolidated financial statements

	Prepay-ments for property, plant and equipment DKK'000
9. Property, plant and equipment	
Cost beginning of year	266
Exchange rate adjustments	8
Transfers	(274)
Additions	0
Disposals	0
Cost end of year	**0**
Depreciation and impairment losses beginning of year	0
Exchange rate adjustments	0
Transfers	0
Depreciation for the year	0
Depreciation and impairment losses end of year	0
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**0**
Recognised assets not owned by entity	**-**

	Other receivables DKK'000
10. Fixed asset investments	
Cost beginning of year	14
Exchange rate adjustments	(1)
Additions	29
Cost end of year	**42**
Carrying amount end of year	**42**

11. Other receivables

The group has entered currency forward contracts to hedge future cashflow in Swedish and Norwegian kroner, totalling SEK 45,0m and NOK 17,3m for January 2018. Compared to the forward exchange rates the contracts hold a positive value of DKK 1,3m. The hedging does not meet the accounting criterias for hedging, and the profit is therefore booked in the income statement under financial income.

12. Prepayments

Prepayments consist of prepaid expenses regarding operational leasing expenses, staff cost, etc.

Notes to consolidated financial statements

	2017 DKK'000
13. Deferred tax	
Changes during the year	
Beginning of year	(44)
Recognised in the income statement	554
End of year	**510**

Deferered tax primarily comprise on inventories, intangible and tangible assets and other provisions.

14. Other provisions

The recognized provision amounts to DKK’000 16,266 (2016: DKK’000 18,960) to cover the expected guarantee costs with regard to guaranteed balances with bank institutions for HTO Trading ApS, to cover the estimated reimbursement of price reductions to customers and to cover items at customers and profit on goods that probably will be returned according to cooperation agreements. The provision is recognized based on previous experience regarding the extend of these liabilities.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Mortgage debt	0	0	8,456	6,253
Bank loans	938	1,080	7,257	3,361
Finance lease liabilities	198	72	978	0
	1,136	**1,152**	**16,691**	**9,614**

	2017 DKK'000	2016 DKK'000
16. Change in working capital		
Increase/decrease in inventories	(42,680)	(48,498)
Increase/decrease in receivables	(9,638)	(7,716)
Increase/decrease in trade payables etc	8,883	11,534
	(43,435)	**(44,680)**

	2017 DKK'000	2016 DKK'000
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**1,056**	**705**

The group has entered into operation leases in the period 2018-2021. DKK’000 383 falls due payment next year.

Notes to consolidated financial statements

18. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK'000 1,500k nominal.

The carrying amount of mortgaged properties is DKK'000 8,647.

As collateral for bank loans DKK'000 184,949, the group has issued a floating company charge at nominal value DKK'000 98,000 including the following assets, which on the 31st of December 2017 amounts to DKK'000:

Trade receiveables	86,015
Inventories	177,599
Fixture and fittings, tools and equipment (excl. finance leasing)	983
Intangible assets	14,807

Certain other fixtures etc have been financed by means of finance leases. The carrying amount of assets held under finance leases is DKK'000 1,345.

19. Transactions with related parties

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's-length related party transactions are disclosed. However, all transactions have been made on arm's length basis in the financial year.

20. Subsidiaries	Registered in	Corporate form	Equity interest %
2care4 ApS	Esbjerg	ApS	100.0
Ejendomsselskabet 2care4 ApS	Esbjerg	ApS	100.0
2care4 AB	Nacka Strand, Sweden	AB	100.0
2care4 Generics ApS	Esbjerg	ApS	100.0
Newco 2015 ApS	Esbjerg	ApS	100.0
2care4 GmbH	Heppenheim, Germany	GmbH	100.0
Scandic Pharma, LTD	Riga, Latvia	LTD	100.0
ECPharmPack sp. z o.o.	Pabianice, Poland	sp. z o.o.	100.0
2care4 BV	Groningen, The Netherlands	BV	100.0

Parent income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Other external expenses		(278)	(110)
Gross profit/loss		**(278)**	**(110)**
Staff costs	2	(464)	(793)
Operating profit/loss		**(742)**	**(903)**
Income from investments in group enterprises		7,001	19,085
Other financial income	3	1,113	1,118
Other financial expenses		(30)	0
Profit/loss before tax		**7,342**	**19,300**
Tax on profit/loss for the year	4	(77)	(16)
Profit/loss for the year	5	**7,265**	**19,284**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Investments in group enterprises		35,019	48,577
Fixed asset investments	6	**35,019**	**48,577**
Fixed assets		**35,019**	**48,577**
Receivables from group enterprises		30,893	31,934
Deferred tax	7	1,034	1,012
Other receivables		0	100
Income tax receivable		19	771
Joint taxation contribution receivable		3,313	7,908
Prepayments	8	97	98
Receivables		**35,356**	**41,823**
Cash		**2,625**	**421**
Current assets		**37,981**	**42,244**
Assets		**73,000**	**90,821**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		125	125
Reserve for net revaluation according to the equity method		15,167	28,725
Retained earnings		51,120	30,134
Proposed dividend		0	24,000
Equity		**66,412**	**82,984**
Other provisions	9	4,700	4,600
Provisions		**4,700**	**4,600**
Joint taxation contribution payable		1,868	2,739
Other payables		20	498
Current liabilities other than provisions		**1,888**	**3,237**
Liabilities other than provisions		**1,888**	**3,237**
Equity and liabilities		**73,000**	**90,821**

Events after the balance sheet date	1
Contingent liabilities	10
Assets charged and collateral	11
Transactions with related parties	12

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	125	28,725	30,134	24,000
Ordinary dividend paid	0	0	0	(24,000)
Exchange rate adjustments	0	163	0	0
Profit/loss for the year	0	(13,721)	20,986	0
Equity end of year	**125**	**15,167**	**51,120**	**0**

	Total DKK'000
Equity beginning of year	82,984
Ordinary dividend paid	(24,000)
Exchange rate adjustments	163
Profit/loss for the year	7,265
Equity end of year	**66,412**

Notes to parent financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	449	771
Other social security costs	15	22
	464	**793**
Average number of employees	**0**	**0**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	449	771
	449	**771**

	2017 DKK'000	2016 DKK'000
3. Other financial income		
Financial income arising from group enterprises	1,113	1,118
	1,113	**1,118**

	2017 DKK'000	2016 DKK'000
4. Tax on profit/loss for the year		
Current tax	100	59
Change in deferred tax	(22)	0
Adjustment concerning previous years	(1)	(43)
	77	**16**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	24,000
Transferred to reserve for net revaluation according to the equity method	(13,721)	(1,344)
Retained earnings	20,986	(3,372)
	7,265	**19,284**

	Invest-ments in group enterprises DKK'000
6. Fixed asset investments	
Cost beginning of year	19,852
Cost end of year	**19,852**
Revaluations beginning of year	28,725
Exchange rate adjustments	163
Share of profit/loss for the year	7,001
Dividend	(20,722)
Revaluations end of year	**15,167**
Carrying amount end of year	**35,019**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	2017 DKK'000
7. Deferred tax	
Changes during the year	
Beginning of year	1,012
Recognised in the income statement	22
End of year	**1,034**

Deferred tax primarily comprise on other provisions.

8. Prepayments

Prepayments consist of prepaid expenses regarding staff cost.

9. Other provisions

The recognized provision amounts to DKK’000 4,700 (2016: DKK’000 4,600) to cover expected guarantee costs with regard to guaranteed balances with bank institutions for HTO Trading ApS.

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
10. Contingent liabilities		
Recourse and non-recourse guarantee commitments	185,943	121,789
Contingent liabilities in total	**185,943**	**121,789**
Recourse and non-recourse guarantee commitments	185,943	121,789
Contingent liabilities to group enterprises	**185,943**	**121,789**

The parent company has guaranteed balances with bank institutions for subsidiaries. The guarantee comprises net bank debt at the end of 31st of December 2017 and amounts to DKK’000 185,943.

The parent company has given a letter of support to 2care4 Generics ApS, to support the future operation with required financial resources. In March 2018 VJ Investment ApS has provided 3 mioDKK in capital.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities. The totalt known net liability of the jointly taxed entities under the joint taxation arrangement is evident in the parent balance sheet.

11. Assets charged and collateral

The parent company has provided the share capital in 2care4 ApS, Ejendomsselskabet 2care4 ApS and 2care4 Generics ApS as collateral for balances with bank institutions of the parent company as well as payment guarantee, cf. note 10. The guarantee comprisess net bank debt at the end of 31st of December 2017 and amounts to DKK’000 185,772.

12. Transactions with related parties

According to section 98c(7) of the Danish Financial Statements Act, only non-arm’s-length related party transactions are disclosed. However, all transactions have been made on arm’s length basis in the financial year.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Changes in accounting policies
Capitalized costs and indirects production costs have previosly been set off in staff costs and the changes in inventories of finished goods and work in progress have not previously been stated. Both circumstances are not corrected so that capitalized costs and indirect production costs are displayed in cost of sales, and changes in inventories of finished goods and work in progress is inserted.

The comparative figures are adjusted in the annual report. Gross profit for 2016 has increased with DKK'000 14,087, whereas the profit before tax is unchanged.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Accounting policies

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries’ equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. All discounts granted are recognised in revenue.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff. Refunds received from public authorities are deducted from staff costs.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with Danish subsidiaries. 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 income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, patents and licenses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 10 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, other fixtures and fittings, tools and equipment and leasehold are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised goodwill and plus or minus unrealised intra-group profits and losses

Investments in subsidiaries with negative net asset values are measured at DKK 0, 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 recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report are not recognised in the reserve for net revaluation.

Accounting policies

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale and determined taking into account marketability, obsolescence and development in expected selling price.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions
Other provisions comprise price reductions to customers and profit on goods returned.

Other provisions are recognised, when, as a result of a past event, implies a legal or constructive obligation and it is probable that the obligation will cause an outflow of financial resources.

Other provisions are measured as the best estimate of the expenses required to settle the liabilites as the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured as their discounted value.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.