

NUTRICIA A/S

Rørmosevej 2
3450 Allerød

Annual report
1 January 2016 - 31 December 2016

**The annual report has been presented and
approved on the company's general meeting the**

23/05/2017

**Finance Manager Ann Jensen
Chairman of general meeting**

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Company information

Reporting company NUTRICIA A/S
Rørmosevej 2
3450 Allerød

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CVR-nr: 73128110
Reporting period: 01/01/2016 - 31/12/2016

Auditor ERNST & YOUNG GODKENDT REVISIONSPARTNERSELSKAB
Osvald Helmuths Vej 4
2000 Frederiksberg
DK Danmark

CVR-nr: 30700228
P-number: 1013415044

Statement by Management

Statement by Management on the annual report

We have today presented the annual report of Nutricia A/S for the financial year 1 January - 31 December 2016.

The annual report has been presented in accordance with the Danish Financial Statements Act. We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Company's financial position and results.

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

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

Allerød, the 23/05/2017

Management

Ellen Suzan Leah Brasser
Chief Executive officer

Board of directors

Ann Jensen
Finance Manager

Ellen Suzan Leah Brasser
Chief Executive officer

Sven Pflęging
Chairman

The independent auditor's report on financial statements

To the shareholders of Nutricia A/S

Opinion

We have audited the financial statements of Nutricia A/S for the financial year 1 January – 31 December 2016, which comprise, accounting policies, an income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or

error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Frederiksberg, 23/05/2017

Søren Skov Larsen
State Authorised Public Accountant

Allan Nørgaard
State Authorised Public Accountant

ERNST & YOUNG GODKENDT
REVISIONSPARTNERSELSKAB
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Management's Review

Management's review

Primary activities

Nutricia A/S sells and distributes medical nutrition. Our focus is to add value to end users via stakeholders in the hospitals, nursing homes, wholesalers and pharmacies. They ensure our products reach people in need of advanced medical nutrition solutions.

We also deliver product directly to individual patients via NutriciaDirekte.

The majority of our portfolio is subject to reimbursement, meaning patients pay 40% and 60% is being financed by the health insurance.

Development in activities and finances

Revenue increased by 1,4 % in 2016.

Profit for the year is kDKK 3,348 (2015: kDKK 1,874), which is considered satisfactory.

Market overview

The annual market growth rate in 2016 has been between 2 and 3% according to industry association FMF (Foods for Medical Purposes). Nutricia is market leader in Denmark. The objective of Nutricia is to strengthen its leading position through new product introductions.

In Iceland, Nutricia's portfolio of clinical nutrition products is marketed by a distributor, Icepharma.

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.

Expected development

The Management expects a positive development for the next year.

Key figures and Financial Ratios

Financial Highlights	2016	2015	2014	2013	2012
	kDKK	kDKK	kDKK	kDKK	kDKK
Revenue	128,242	126,427	127,995	119,637	114,862
Profit/loss from primary activities	56,638	52,200	52,736	52,360	50,570
Operationg profit/loss	3,175	2,277	3,191	3,447	4,142
Net financials	1,036	296	310	-196	-424

Profit/loss for the year	3,348	1,874	1,874	2,447	2,780
Equity	8,290	4,942	3,067	2,947	3,280
Balance Sheet total	38,652	42,450	33,672	41,021	38,988
Investment in fixed assets	4,304	2,334	1,598	1,853	2,103

Key Figures

Gross margin (%)	44,0 %	39,6 %	41,2 %	43,8 %	44,0 %
Profit margin	2,5 %	1,8 %	2,5 %	2,9 %	3,6 %
Solvency ratio	21,4 %	11,4 %	9,4 %	7,2 %	8,4 %
Return on equity (%)	40,4 %	39,9 %	83,7 %	83,0 %	84,8 %

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B. Accounting policies are changed from previous period.

Accounting policies

The annual report of Nutricia A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following area:

- In future, residual values of property, plant and equipment will be subject to annual reassessment.

The above change does not impact the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

The functional currency is Danish kroner.

Recognition and measurement

The financial statements have been prepared under the historical cost method.

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 company, and the value of the assets can be measured reliably.

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

Liabilities are recognised in the balance sheet when the Company 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 Company, and the value of the liabilities 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.

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 one in effect at the payment date and the rate at the balance sheet date are recognized 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.

Income Statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognized in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials

Costs of raw materials recognized in the income statement are costs that are directly attributable to the revenue.

Other operating income and expenses

Other operating income and expenses comprise in-come and expenses of a secondary nature as viewed in relation to the Company's primary activities, including subsidies, rental income, license income, etc.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet. In addition, provisions for loss on contract work in progress are recognized.

Staff expenses

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc. for the Company's staff.

Financial income and expenses

These items comprise interest income and expenses, realized and unrealized capital gains and losses on securities, payables and transactions in foreign currencies, amortization premium or allowance on mortgage debt, etc. as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly on equity by the portion attributable to entries directly on equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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

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

Balance Sheet

Intangible assets

Intangible assets comprise uncompleted and completed development projects with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of intangible assets are calculated as the difference between selling price minus selling costs and the carrying amount at the time of sale. Profits or losses are recognized in the income statement as an adjustment to amortization and impairment losses, or under other operating income if the selling price exceeds original cost.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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:

Other fixtures and fittings, tools and equipment 3-5 years.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount. Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are recognized in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Assets with an acquisition value of less than DKK 12,900 are subject to immediate write-off.

Inventories

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

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortized cost, usually equalling nominal value less provisions for bad debts.

Equity

Reserve for development costs - The reserve for development costs comprises recognised development costs. The reserve will be reduced or dissolved if the recognised development costs are amortized or if they are no more part of the company's operations by a transfer directly to distributable reserves under equity.

Dividends - Dividends are recognized as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item in equity.

Lease commitments

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

Financial highlights

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

Income statement 1 Jan 2016 - 31 Dec 2016

	Disclosure	2016 kr.	2015 kr.
Revenue	1	128,242,424	126,427,153
Cost of sales		-71,805,596	-76,341,558
Other operating income		200,876	2,114,503
Other external expenses		-30,454,654	-25,853,715
Gross Result		26,183,050	26,646,383
Employee expense	2	-20,204,345	-21,382,788
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets	3	-2,803,799	-2,687,057
Profit (loss) from ordinary operating activities		3,174,906	2,276,538
Other finance income	4	1,296,528	478,092
Other finance expenses	5	-260,912	-182,038
Profit (loss) from ordinary activities before tax		4,210,522	2,572,591
Tax expense	6	-862,458	-698,348
Profit (loss)		3,348,064	1,874,243
Proposed distribution of results			
Proposed dividend recognised in equity		750,000	3,879,000
Retained earnings		2,598,064	-2,004,757
Proposed distribution of profit (loss)		3,348,064	1,874,243

Balance sheet 31 December 2016

Assets

	Disclosure	2016 kr.	2015 kr.
Acquired licences		3,491,511	2,911,073
Intangible assets	7	3,491,511	2,911,073
Fixtures, fittings, tools and equipment		2,752,262	1,857,887
Property, plant and equipment	8	2,752,262	1,857,887
Total non-current assets		6,243,773	4,768,960
Manufactured goods and goods for resale		9,836,211	8,388,604
Inventories		9,836,211	8,388,604
Trade receivables		19,288,076	16,037,479
Receivables from group enterprises		1,960,944	1,232,995
Current deferred tax assets		0	122,098
Other receivables		1,316,279	3,443,577
Receivables		22,565,299	20,836,150
Cash and cash equivalents		6,606	9,456,583
Current assets		32,408,116	38,681,336
Total assets		38,651,889	43,450,297

Balance sheet 31 December 2016

Liabilities and equity

	Disclosure	2016 kr.	2015 kr.
Contributed capital		500,000	500,000
Other reserves		2,030,715	0
Retained earnings		5,008,891	562,542
Proposed dividend		750,000	3,879,000
Total equity		8,289,606	4,941,542
Provisions for deferred tax	9	149,997	0
Provisions, gross		149,997	0
Trade payables		1,772,099	6,011,092
Payables to group enterprises		16,724,303	18,547,491
Tax payables		184,479	1,671,216
Other payables, including tax payables, liabilities other than provisions		11,531,405	12,278,955
Short-term liabilities other than provisions, gross		30,212,286	38,508,755
Liabilities other than provisions, gross		30,212,286	38,508,755
Liabilities and equity, gross		38,651,889	43,450,297

Statement of changes in equity 1 Jan 2016 - 31 Dec 2016

	Contributed capital	Reserve for development expenditure	Retained earnings	Proposed dividend recognised in equity	Total
	kr.	kr.	kr.	kr.	kr.
Equity, beginning balance	500,000		562,542	3,879,000	4,941,542
Dividend			-750,000	750,000	0
Equity transfers to reserves		2,031,000	-2,031,000		0
Profit (Loss)			3,348,064		3,348,064
Contribution from group			3,879,000	-3,879,000	0
Equity, ending balance	500,000	2,031,000	5,008,606	750,000	8,289,606

Share capital is made up of 1,000 shares of DKK 500. All Shares rank equally.

Disclosures

1. Revenue

	2016	2015
	DKK	kDKK
Domestic	122,190,768	120,278
Export	6,051,656	6,149
	<u>128,242,424</u>	<u>126,427</u>

2. Employee expense

	2016	2015
	DKK	kDKK
Salaries and wages	18,115,184	18,326
Pension costs	1,211,436	1,642
Other social costs	181,275	159
Other staff costs	696,450	1,257
	<u>20,204,345</u>	<u>21,383</u>
Average number of employees	<u>27</u>	<u>28</u>

Pursuant to section 98b of the Danish Financial Statements act, information concerning management remuneration has been omitted

3. Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets

	2016	2015
	DKK	kDKK
Software	-1,690,261	-1,377
Other fixtures and fittings, tolls and equipment	-1,113,538	-1,310
	<u>-2,803,799</u>	<u>-2,687</u>

4. Other finance income

	2016	2015
	DKK	kDKK
Exchange rate adjustments	156,059	0
Other financial income	1,140,469	478
	<u>1,296,528</u>	<u>478</u>

5. Other finance expenses

	2016	2015
	DKK	kDKK
Exchange rate adjustments	-19,597	-2
Financial expenses, ect from group enterprises	-98,897	-84
Other financial expenses	-142,418	-96
	<u>-260,912</u>	<u>-182</u>

6. Tax expense

	2016	2015
	DKK	kDKK
Current tax	-419,847	-762
Changes in deferred tax	-272,095	66
Adjustment concerning previous years	-170,516	2
Adjustment on deferred taxes concerning previous years	0	-4
	<u>-862,458</u>	<u>-698</u>

7. Intangible assets

	Intangible assets kDKK
Cost at 1 January 2016	18,076
Additions	2,271
Disposals	-12,443
Cost at 31 December 2016	<u>6,904</u>
Depreciation and impairment losses at 1 January 2016	14,165
Disposals	-12,443
Depreciation for the year	1,690
Depreciation and impairment losses at 31 December 2016	<u>3,412</u>
Intangible assets at 31 December 2016	<u><u>3,492</u></u>

8. Property, plant and equipment

	Property, plant and equipment kDKK
Cost at 1 January 2016	10,442
Additions	2,033
Disposals	-3,403
Cost at 31 December 2016	9,072
Depreciation and impairment losses at 1 January 2016	8,584
Disposals	-3,378
Depreciation for the year	1,114
Depreciation and impairment losses at 31 December 2016	-6.320
Property, plant and equipment at 31 December 2016	2,572

9. Provisions for deferred tax

	2016 DKK	2015 kDKK
Deferred tax is incumbent on the following financial statement item:		
Property, plant and equipment	230,061	-35
Receivables	-12,100	-22
Other provisions	-67,964	-65
Decrease in taxation	0	0
	149,997	-122

Net value is recognised in the balance sheet as follows:

Deferred tax assets/liabilities	-149,997	122
	-149,997	122
Deferred tax at 1 January 2016	122,098	60
Decrease in taxation	0	-4
Changes for the year	-272,095	66
	-149,997	122

10. Disclosure of contingent liabilities

Contractual obligations

The company has entered into a non-terminable contract on rental premises until 1 February 2018. The obligation has a value of kDKK 1,776.

Operating lease liabilities

The company has entered into operational lease contracts at a value of kDKK 2,449.

Other contingent liabilities

The company participates in a Danish joint taxation arrangement with International Nutrition Co. Ltd. A/S, Dumex Nutrition Ltd. A/S, INC Shanghai (Holding) Ltd. A/S, Danone Denmark - branch of Danone Sweden AB and Aqua D'or Mineral Water A/S as management company, and has a joint and several liability for payment of income taxes and withholding taxes on interest, royalties and dividends.

11. Disclosure of ownership

Related parties

During the year, no transactions, except for intercompany transactions eliminated in the consolidated financial statements and payments of the management's remuneration, have been carried out with the Supervisory Board, Executive Board, senior employees, group companies or other related parties.

Related parties with a controlling interest - The following related parties have a controlling interest:

Name:

Nutricia International B.V.

Registered office:

Holland

Luchthaven Schiphol

Netherlands

Basis of influence:

100%

Consolidation

Nutricia A/S and subsidiaries are included in the consolidated financial statements of Nutricia International B.V.

The consolidated accounts for Nutricia International B.V. can be requested at:

Nutricia International B.V.

WTC Schiphol Airport, Tower E

Schiphol Boulevard 105

Luchthaven Schiphol

1119 BG, Netherlands

