Xellia Group ApS

CVR no 31 08 95 06

Dalslandsgade 11, 2300 Copenhagen S

Annual report for 2016

Adopted at the annual general meeting on 30 May 2017
Mikkel Lyager Olsen Chairman

Contents

Statement by Management on the annual report

The Executive Board has today discussed and approved the annual report of Xellia Group ApS for the financial year 1. januar - 31. december 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31. december 2016 and of the results of the the Company's operations for the financial year 1. januar - 31. december 2016.

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 its financial position.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 30 May 2017

Executive Board

Carl-Åke Carlsson | Mads Bodenhoff | Mikkel Lyager Olsen

Bente Schmidt Nielsen

Independent auditor's report

To the shareholder of Xellia Group ApS

Opinion

We have audited the financial statements of Xellia Group ApS for the financial year 1. januar - 31. december 2016, which comprise an income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

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

Management's Responsibilities for the financial Statements

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

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

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

Independent auditor's report

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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 Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 30 May 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Kim Füchsel
State Authorised Public Accountant

Company details

Xellia Group ApS
Dalslandsgade 11
2300 Copenhagen S

Telephone:	+45 32 64 55 00
CVR-no.	31 08 95 06
Financial year:	1. januar - 31. december
Domicile:	Copenhagen

Executive Board
Carl-Åke Carlsson
Mads Bodenhoff
Mikkel Lyager Olsen
Bente Schmidt Nielsen

Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Group annual report:

The Company is included in the group annual report of Novo Nordisk Foundation

The group annual report of Novo Nordisk Foundation may be obtained at the following address:

Novo Nordisk Foundation, Tuborg Havnevej 19, DK-2900 Hellerup.

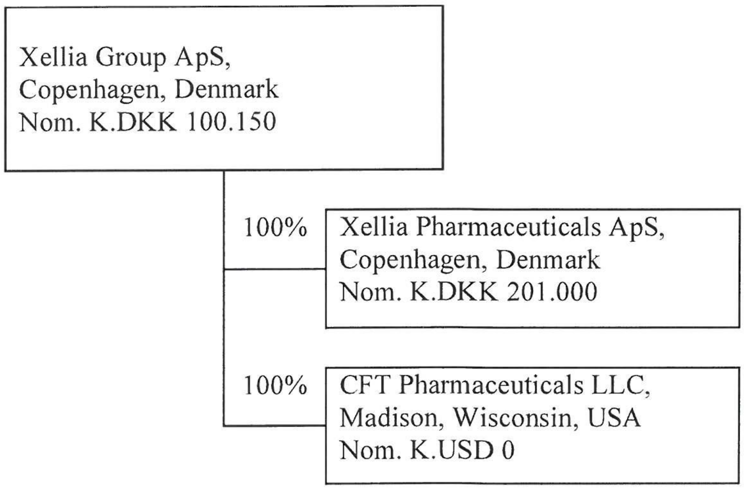
The Company's Parent Company is:

Xellia Group AS, Norway

Group chart

Parent Company

Subsidiaries



Financial highlights

5-year summary:

	2016	2015	2014	2013	2012
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Revenue	113	90	79	101	100
Operating profit/loss	-6	-5	-1	-15	-4
Net financials	-110	-122	-124	143	-96
Profit/loss for the year	-88	-99	-91	169	-99
Balance sheet					
Fixed assets	1.980	1.980	1.980	1.979	1.473
Current assets	104	26	42	69	30
Balance sheet total	2.084	2.006	2.022	2.048	1.503
Equity	319	407	506	597	7
Long-term debt	1.611	1.443	1.395	1.339	1.232
Short-term debt	154	156	113	96	264
Financial ratios					
Gross margin	5%	2%	-6%	-11%	-2%
EBIT margin	-5%	-6%	-1%	-15%	-4%
Return on assets	0%	0%	0%	-1%	0%
Solvency ratio	15%	20%	25%	29%	0%
Return on equity	-24%	-22%	-17%	56%	-172%
Average number of full-time employees	78	74	60	62	59

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business activities
The activities of Xellia Group ApS are to hold shares in the 100% owned subsidiary Xellia Pharmaceuticals ApS and to provide among other services management and system wise services to subsidiaries and other group companies.

Recognition and measurement uncertainties
The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters
The Company's financial position at 31. december 2016 and the results of its operations for the financial year ended 31. december 2016 are not affected by any unusual matters.

Development in activities and financial position
The Company's income statement for the year ended 31 December shows a loss of TDKK 87.718, and the balance sheet at 31 December 2016 shows equity of TDKK 318.859.

Loan from Group companies has increased from 1.443,6 MDKK at 31 December 2015 to 1.668,2 MDKK at 31 December 2016. Short term part of loan from Group companies amount to 61,1 MDKK at 31 December 2016 compared to 123,4 MDKK at 31 December 2015.

Net profit (loss) relation to expected development assumed in previous report
Even though the profit before financial items does not fulfill previously expressed expectations, the increase in revenue is considered satisfactory.

Special risks apart from generally occurring risks in industry
Currency risks
As a significant part of the Company's debts are in foreign exchange, the Company's result depends on the development in the USD and NOK exchange rate.

Outlook
The exchange rate of the USD and NOK exchange rates has significant impact on the Company's result for 2017. The expectations for 2017 for the subsidiary are increased revenue and improvement of operating profit compared to 2016.

Statutory report on corporate governance
In 2016, the Xellia Group ApS Executive Board held one meeting, on which the main focus was on the Company's financial situation. The meetings have all been held with representative from the Company's finance department.

Xellia Group complies with the Companies Act, Accounting Act and other laws in all countries the Group operates. The Xellia Group has ethical guidelines in order to act responsibly beyond the law.

Income statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue		**113.184**	**89.567**
Cost of sales		-107.537	-87.083
Gross profit		**5.647**	**2.484**
Administrative costs		-11.341	-7.733
Operating profit/loss		**-5.694**	**-5.249**
Financial income	1	183	343
Financial costs	2	-110.672	-122.713
Profit/loss before tax		**-116.183**	**-127.619**
Tax on profit/loss for the year	3	28.465	28.225
Net profit/loss for the year		**-87.718**	**-99.394**

Proposed distribution of profit

Retained earnings	-87.718	-99.394
	-87.718	**-99.394**

Balance sheet at 31 December

	Note	2016 TDKK	2015 TDKK
Assets			
Investments in subsidiaries	4	1.980.032	1.980.032
Fixed asset investments		**1.980.032**	**1.980.032**
Fixed assets total		**1.980.032**	**1.980.032**
Receivables from group companies		81.233	10.317
Loan to group companies		0	6.000
Other receivables		278	222
Deferred tax asset	6	21.472	8.228
Corporation tax		219	307
Receivables		**103.202**	**25.074**
Cash at bank and in hand		**539**	**1.117**
Current assets total		**103.741**	**26.191**
Assets total		**2.083.773**	**2.006.223**

Balance sheet at 31 December

	Note	2016 TDKK	2015 TDKK
Liabilities and equity			
Share capital		100.150	100.150
Retained earnings		218.709	306.428
Equity	5	**318.859**	**406.578**
Payables to group companies		1.610.764	1.443.609
Long-term debt	7	**1.610.764**	**1.443.609**
Short-term part of long-term debt	7	61.135	123.368
Trade payables		276	114
Payables to group companies		45.846	9.416
Other payables		46.893	23.138
Short-term debt		**154.150**	**156.036**
Debt total		**1.764.914**	**1.599.645**
Liabilities and equity total		**2.083.773**	**2.006.223**

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Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2016	100.150	306.427	406.577
Net profit/loss for the year	0	-87.718	-87.718
Equity at 31 December 2016	**100.150**	**218.709**	**318.859**

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2015	100.150	405.822	505.972
Net profit/loss for the year	0	-99.394	-99.394
Equity at 31 December 2015	**100.150**	**306.428**	**406.578**

Notes

		2016	2015
		TDKK	TDKK
1	**Financial income**		
	Interest received from group companies	10	108
	Foreign exchange adjustments	173	0
	Dividend	0	235
		183	**343**

2	**Financial costs**		
	Interest paid to group companies	44.637	41.363
	Foreign exchange adjustments	66.035	81.350
		110.672	**122.713**

3	**Tax on profit/loss for the year**		
	Current tax for the year	-219	-12.223
	Deferred tax for the year	-13.244	-16.226
	Adjustment of tax concerning previous years	-15.002	224
		-28.465	**-28.225**

Notes

		2016	2015
		TDKK	TDKK
4	**Investments in subsidiaries**		
	Cost at 1 January 2016	1.980.032	1.980.032
	Additions for the year	0	0
	Cost at 31 December 2016	1.980.032	1.980.032
	Carrying amount at 31 December 2016	**1.980.032**	**1.980.032**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Xellia Pharmaceuticals ApS	Denmark	KDKK 201.000	100%	758.845	33.769
CFT Pharmaceuticals LLC,	USA	KUSD 0	100%	125	-9

5 Equity

The share capital has developed as follows:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	100.150	100.150	100.150	150	150
Additions for the year	0	0	0	100.000	0
Share capital	**100.150**	**100.150**	**100.150**	**100.150**	**150**

Notes

	2016	2015
	TDKK	TDKK
6 Provision for deferred tax		
Provision for deferred tax at 1 January 2016	-8.228	7.998
Provision in year	-13.244	-16.226
Transferred to assets	21.472	8.228
Currency exchange losses	-20.272	-8.177
Provisions	-1.200	-51
Transferred to deferred tax asset	21.472	8.228
	0	**0**
Deferred tax asset		
Calculated tax asset	21.472	8.228
Carrying amount	**21.472**	**8.228**

7 Long term debt

	Debt at 1 January 2016	Debt at 31 December 2016	Payment within 1 year	Debt after 5 years
Payables to group companies	1.443.609	1.610.764	61.135	1.403.032
	1.443.609	**1.610.764**	**61.135**	**1.403.032**

Notes

		2016	2015
		TDKK	TDKK
8	**Staff**		
	Wages and Salaries	73.584	67.327
	Pensions	7.967	6.467
	Other social security expenses	511	855
		82.062	**74.649**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
	Cost of sales	82.062	74.649
		82.062	**74.649**
	Average number of employees	78	74

According to the Danish Financial Statement Act section 98B(3), renumeration to the Executive Board has not been disclosed.

9 Subsequent events

There has been no significant events after the balance sheet date.

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities
The Company is jointly taxed, together with other Danish entities controlled by Novo A/S.
Under the Danish tax regime all Danish entities are jointly and severally liable to the Danish tax Group's tax payments.

Operating lease obligations
Lease obligations (operating leases) falling due within 3 year total TDKK 198 (2015: TDKK 672)

Notes

11 Related parties and ownership

Controlling interest

Xellia Group AS holds the majority of the share capital in the Company.
Otnortopco AS holds the majority of the share capital in Xellia Group AS, Norway.
New Xellia Group A/S holds the majority of the share capital in Otnortopco AS, Norway.
Xellia Holdco A/S holds the majority of the share capital in New Xellia Group A/S.
Novo A/S holds the majority of the share capital in Xellia Holdco A/S.
Novo Nordisk Foundation holds the majority of the share capital in Novo A/S.

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Xellia Group AS
Silurveien 2, N-0380 Oslo,
Norway

Accounting policies

The annual report of Xellia Group ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning medium-sized reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2016 is presented in TDKK

Basis of recognition and measurement
Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue
Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Cost of sales
Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Accounting policies

Administrative costs
Administrative costs comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year
Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet
Investments
Investments in subsidiaries are recognised and measured in the Annual Report of the Parent Company at purchase price.

Declared dividend is included in the income statement.

The carrying amounts are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use.

Receivables
Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

Equity
Dividend
Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Accounting policies

Income tax and deffered tax
Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities
Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

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 the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Accounting policies

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

Cash flow statement

Pursuant to section 86 (4) of the Danish financial Statment Act, the company has not prepared a cash flow statement. The financial statement of Xellia Group ApS are included in the cash flow statement of a higher group company.

Financial Highlights

Definitions of financial ratios.

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