

**Xellia Group ApS**  
**Dalslandsgade 11**  
**DK-2300 Copenhagen S**

## Annual Report 2015

The Annual Report has been  
presented and adopted at the  
Annual General Meeting of the  
company on <sup>27</sup>/<sub>5</sub> 2016

**Chairman**



Mikkel Lyager Olsen

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## Management's Statement

The Executive Board have today discussed and approved the Annual Report of Xellia Group ApS for the financial year 1 January – 31 December 2015.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

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.

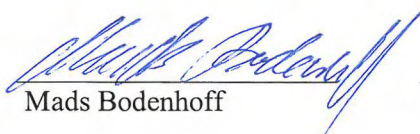
We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, May 27, 2016

Executive Board:



Mikkel Lyager Olsen



Mads Bodenhoff



Carl-Åke Carlsson



Bente Schmidt Nielsen

# Independent Auditor's Report

## To the Shareholders of Xellia Group ApS

### Report on the Financial Statements

We have audited the Financial Statements of Xellia Group ApS for the financial year 1 January – 31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

#### *Management's responsibility 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

#### *Opinion*

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

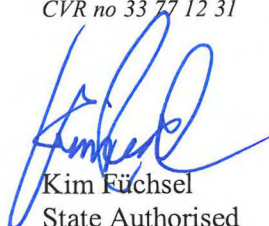
#### *Statement on the Management's review*

We have read the Management's review in accordance with the Danish Financial Statements Act. We have not performed any other procedures additional to the audit of the financial statements. On this basis, in our opinion the information provided in the Management's review is consistent with the Financial Statements.

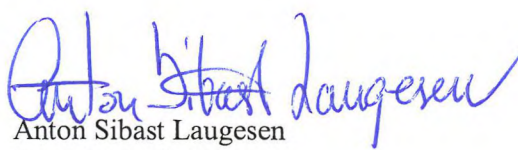
Copenhagen, May 27, 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no 33 77 12 31



Kim Fuchs  
State Authorised  
Public Accountant



Anton Sibast Laugesen  
State Authorised  
Public Accountant

## **Management's review**

### **Company details**

Xellia Group ApS  
Dalslandsgade 11  
DK-2300 Copenhagen S

Telephone:	+45 32 64 55 00
CVR no.:	31 08 95 06
Registered office:	Copenhagen
Financial year:	1 January – 31 December

### **Executive Board**

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

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## **Group Chart**

Xellia Group ApS consists of the following subsidiaries:

Xellia Pharmaceuticals ApS, Denmark (nominal capital kDKK 201,000), 100%

CFT Pharmaceuticals LLC, USA (nominal capital kUSD 0), 100%

The Company's Parent Company is:

Xellia Group AS, Norway

The ultimate owner of Xellia Group ApS is Novo Nordisk Foundation.

The only company who prepares Group Annual Report is Novo Nordisk Foundation.

The Group Annual Report for Novo Nordisk Foundation may be obtained from the address mentioned below:

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

## Financial highlights

mDKK	2015	2014	2013	2012	2011
<b>Key figures</b>					
Revenue	90	79	101	100	82
Ordinary operating profit/(loss)	-5	-1	-15	-4	-4
Profit/(loss) from financial income and expenses	-128	-124	143	-96	26
<b>Profit/(loss) for the year</b>	<b>-99</b>	<b>-91</b>	<b>169</b>	<b>-99</b>	<b>25</b>
<b>Balance sheet</b>					
Non-current assets	1,980	1,980	1,979	1,473	1,473
Current assets	26	42	69	30	127
<b>Total assets</b>	<b>2,006</b>	<b>2,022</b>	<b>2,048</b>	<b>1,503</b>	<b>1,600</b>
<b>Equity</b>	<b>407</b>	<b>506</b>	<b>597</b>	<b>7</b>	<b>108</b>
Non-current liabilities other than provisions	1,443	1,395	1,339	1,232	1,325
Current liabilities other than provisions	156	113	96	264	167
<b>Financial ratios</b>					
Gross margin	3%	6%	-11%	2%	3%
Profit margin	-6%	-1%	-15%	-4%	-4%
Return on assets	0%	0%	-1%	0%	0%
Solvency ratio	20%	25%	29%	0%	7%
Return on equity	-22%	-17%	56%	-173%	28%
<b>Average number of full-time employees</b>					
	74	60	62	59	52

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.



## **Operating review**

The Annual Report of Xellia Group ApS for 2015 is prepared in accordance with the Danish Financial Statements Act applying to middle sized companies of reporting class C and consistent with last year's accounting policies.

### **Principal activities of the Company**

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

### **Development in activities and financial position**

For the year ended 31 December 2015, Xellia Group ApS achieved a loss of 99.4 MDKK. The loss for the year is as expected taking foreign exchange rate fluctuation into account.

Loan from Group companies has increased from 1,395.1 MDKK at 31 December 2014 to 1,443.6 MDKK at 31 December 2015. Short term part of loan from Group companies amount to 123.4 MDKK at 31 December 2015 compared to 88.7 MDKK at 31 December 2014.

### **Post balance sheet events**

No events have occurred after the balance sheet date which may materially affect the Company's financial position.

### **Outlook**

The exchange rate of the USD and NOK exchange rates has significant impact on the Company's result for 2016.

The expectations for 2016 for the subsidiary are increased revenue and improvement of profit before financial items compared to 2015.

### **Particular risks**

#### ***Currency Exposure***

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.

### **Knowledge resources**

The Company asks all employees to participate in employee surveys at regular intervals, usually on a biannual basis. These surveys address a number of areas such as motivation, satisfaction and communication. The survey is followed up both at a senior management level and in each function and department.

The 2015 employee survey showed an improvement in the overall index of employees responding positively about their experience at Xellia to 72% compared to 67% in 2014.

The Company also uses the surveys to identify potential areas for improvement. The company has established a long term target to further improve the overall index to 75% responding positively in 2020.

### **Corporate Governance**

In 2015, the Xellia Group ApS Executive Board held 3 meetings, 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.

The 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.



## **Financial statements for the period 1 January – 31 December**

### **Accounting policies**

The Annual Report of Xellia Group ApS for 2015 has been prepared in accordance with the provisions applying to middle size enterprises of reporting class C enterprises under the Danish Financial Statements Act.

The Annual Report is in DKK 1,000.

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

### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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.

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

### **Derivative financial instruments**

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

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast 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 profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

### **Basis of consolidation**

With reference to the Danish Financial Statements Act § 112, pgh. 1, no. 2 group financial statements have not been prepared.

### **Income statement**

#### **Revenue**

Income from the sale of services is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received. Revenue is measured at fair value of the agreed consideration ex. VAT and taxes. All discounts granted are recognised in revenue.

#### **Cost of sales**

Cost of sales comprise costs, incurred in generating the revenue for the year. Such costs include wages and salaries, rent and leases.

## **Administrative expenses**

Administrative expenses comprise expenses incurred during the year for Company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

## **Financial income and expenses**

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

## **Tax on profit/loss for the year**

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised 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.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

### **Equity – dividends**

Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with the companies within the Novo A/S group. The tax effect of the joint taxation is allocated to both profit and loss making companies in proportion to their taxable income (full allocation with reimbursement as regards tax losses).

## **Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

## **Cash flow statement**

A separate cash flow statement is omitted, as the Parent Company's cash flow is included in the cash flow statement of a higher Group Company.

## **Financial ratios**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

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

Gross margin	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$
Profit margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$

## Financial statements for the period 1 January – 31 December

### Income statement

DKK'000	Note	2015	2014
<b>Revenue</b>		89,567	78,899
Cost of sales	1	-87,083	-74,487
<b>Gross profit</b>		2,484	4,412
Administrative expenses	1	-7,733	-4,964
<b>Ordinary operating profit/(loss)</b>		-5,249	-552
Financial income	2	343	501
Financial expenses	3	-122,713	-124,859
<b>Profit/(loss) before tax</b>		-127,619	-124,910
Tax on profit/(loss) for the year	4	28,225	33,762
<b>Profit/(loss) for the year</b>		-99,394	-91,148

### Proposed distribution of profit/(loss)

Retained earnings	-99,394	-91,148
	-99,394	-91,148



## Financial statements for the period 1 January – 31 December

### Balance sheet

DKK'000	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Investments</b>	5		
Investments in subsidiaries		1,980,032	1,980,032
		<u>1,980,032</u>	<u>1,980,032</u>
<b>Total non-current assets</b>		<u>1,980,032</u>	<u>1,980,032</u>
<b>Current assets</b>			
<b>Receivables</b>	6		
Receivables from group companies		10,317	6,801
Loans to group companies		6,000	19,933
Corporation tax	10	307	5,894
Deferred tax	8	8,228	-
Other receivables		222	222
		<u>25,074</u>	<u>32,850</u>
<b>Cash at bank and in hand</b>		<u>1,117</u>	<u>8,858</u>
<b>Total current assets</b>		<u>26,191</u>	<u>41,708</u>
<b>TOTAL ASSETS</b>		<u>2,006,223</u>	<u>2,021,740</u>

## Financial statements for the period 1 January – 31 December

### Balance sheet

DKK'000	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	100,150	100,150
Retained earnings		306,428	405,822
<b>Total equity</b>		<b>406,578</b>	<b>505,972</b>
<b>Provisions</b>			
Deferred tax	8	-	7,998
<b>Total provisions</b>		<b>-</b>	<b>7,998</b>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>			
Loans from group companies	9	1,443,609	1,395,068
		1,443,609	1,395,068
<b>Current liabilities other than provisions</b>			
Loans from group companies	9	123,368	88,726
Trade payables		114	88
Payables to group companies		9,416	8,229
Other payables		23,138	15,659
		156,036	112,702
<b>Total liabilities other than provisions</b>		<b>1,599,645</b>	<b>1,507,770</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,006,223</b>	<b>2,021,740</b>
 <b>Related party disclosures</b>			
	11		
<b>Disclosure of events after the balance sheet date</b>	12		
<b>Contingent liabilities</b>	13		



## Financial statements for the period 1 January – 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	100,150	496,970	0	597,120
Transferred, see distribution of profit/(loss)	0	-91,148	0	-91,148
<b>Equity at 1 January 2015</b>	100,150	405,822	0	505,972
Transferred, see distribution of profit/(loss)	0	-99,394	0	-99,394
<b>Equity at 31 December 2015</b>	100,150	306,428	0	406,578

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

DKK'000	2015	2014
<b>1 Costs</b>		
Wages and salaries	-69,327	-57,375
Pensions	-6,467	-4,461
Other social security costs	-855	-771
	<u>-76,649</u>	<u>-62,607</u>
Average number of full-time employees	<u>74</u>	<u>60</u>

### Management remuneration

The executive board are remunerated by Xellia Group ApS or by another group company.

The remuneration of the executive board consists of the remuneration expensed in Xellia Group ApS and an estimated amount based on time spend by members of the executive board who are employed by another group company:

Wages and salaries	-2,354	-2,466
Pensions	-3	-3
Other social security costs	0	0
	<u>-2,357</u>	<u>-2,469</u>

### 2 Financial income

Dividend	235	0
Interest income from group companies	108	501
	<u>343</u>	<u>501</u>

### 3 Financial expenses

Interest expense, group companies	-41,362	-47,479
Foreign exchange losses	-81,350	-77,380
	<u>-122,712</u>	<u>-124,859</u>

### 4 Tax on the profit/(loss) for the year

Current tax for the year	12,223	21,887
Deferred tax adjustment for the year	16,226	8,199
Adjustment prior years	-224	3,677
	<u>28,225</u>	<u>33,763</u>

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

	DKK'000				Investments in subsidiaries	
5	<b>Investments</b>					
	Cost at 1 January 2015				1,980,032	
	Additions				0	
	<b>Cost at 31 December 2015</b>				<b>1,980,032</b>	
	Investment in subsidiaries are specified as follows:					
	Name and place of registered office	Votes and ownership	Share capital	Equity	Result for the year	
	Xellia Pharmaceuticals ApS, Denmark	100 %	kDKK 201,000	kDKK 729,235	kDKK -74,009	
	CFT Pharmaceuticals LLC, USA	100 %	kUSD 0	kUSD 134	kUSD -8	
	DKK'000			2015	2014	
6	<b>Receivables</b>					
	Amounts falling due more than one year after the balance sheet date			0	0	
7	<b>Share capital</b>					
	DKK'000	2015	2014	2013	2012	2011
	Share capital at 1 January	100,150	100,150	150	150	150
	Capital increase	0	0	100,000	0	0
		100,150	100,150	100,150	150	150
	DKK'000				2015	2014
8	<b>Deferred tax</b>					
	Deferred tax liability (asset) at 1 January				7,998	16,197
	Deferred tax adjustment for the year				-16,226	-8,199
	<b>Deferred tax liability (asset) at 31 December</b>				<b>-8,228</b>	<b>7,998</b>
	Deferred tax relates to:					
	Currency exchange losses				-8,177	8,056
	Provisions				-51	-58
					-8,228	7,998

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

DKK'000

2015

2014

#### 9 Loans from group companies

##### Group companies

0-1 year

123,368

88,726

1-5 years

470,739

204,164

>5 years

972,870

1,190,904

1,566,977

1,483,794

The liabilities are recognised in the balance sheet as follows:

Non-current liabilities other than provisions

1,443,609

1,395,068

Current liabilities other than provisions

123,368

88,726

1,566,977

1,483,794

#### 10 Corporation tax payable

Corporation tax payable/(receivable) at 1 January

5,894

-2,447

Adjustment prior year

-224

3,677

Current tax for the year

12,223

21,887

Corporation tax received during the year

-17,586

-17,223

Corporation tax payable/(receivable) at 31 December

307

5,894

#### 11 Related party disclosures

##### Parties exercising control

Xellia Group AS holds the majority of the share capital in the Company.

Otnortopco AS holds the majority of the share capital in the Xellia Group AS, Norway.

New Xellia Group A/S holds the majority of the share capital in the Otnortopco AS, Norway.

Xellia Holdco A/S holds the majority of the share capital in the New Xellia Group A/S.

Novo A/S holds the majority of the share capital in the Xellia Holdco A/S.

Novo Nordisk Foundation holds the majority of the share capital in the Novo A/S.

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Xellia Group AS  
 Silurveien 2, N-0380 Oslo

#### 12 Disclosure of events after the balance sheet date

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

## **Financial statements for the period 1 January – 31 December**

### **Notes to the financial statements**

#### **13 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 DKK 672 thousand (2014: DKK 1,146 thousand).