

Annual Report 2016

January 1 - December 31, 2016



Xellia Holdco A/S

Reg. no. 34 88 05 49
Dalslandsgade 11, 2300 Copenhagen S

The Annual Report has been presented and adopted at the Annual General Meeting of the Company on 31/5 2017

Chairman Jakob Hans Johansen

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Management's review

General information and principal activities of the Company

Xellia Holdco A/S (the Company) was incorporated on December 6, 2012 and established the subsidiary New Xellia Group A/S on May 2, 2013. On July 17, 2013 New Xellia Group A/S (together, the Group) purchased the shares in Otrnortopco AS, Norway. The Group is a leading specialty pharmaceutical Group, focusing on the anti-infective market, operating under the name Xellia Pharmaceuticals. The main activity of the Group is to develop, manufacture and market life-saving pharmaceutical drugs. The Group specializes in difficult to make fermented antibiotics and injectable finished products.

The Company's main activity is holding the investment in New Xellia Group A/S.

Xellia Holdco A/S is a limited liability company domiciled in Denmark. The address of its registered office is Dalslandsgade 11, 2300 Copenhagen S.

Development in activities and financial position

During 2016 Xellia Holdco A/S has had financing activities in respect to the investment in New Xellia Group A/S but as a consequence of a transfer of the IC loan to Novo A/S, the only activity remaining is holding the investment in New Xellia Group A/S. A result of the transfer has been a capital increase at 24,500,000 shares to a value at 3,434,310 USD in Xellia Holdco A/S.

For the year ended 31 December 2016, Xellia Holdco A/S achieved a loss of 6.7 MUSD. The loss for the year is as expected.

Post balance sheet events

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

Income statement

	Note	2016	2015
		TUSD	TUSD
Administrative costs	2	(13)	(15)
Operating profit (loss) / EBIT		(13)	(15)
Financial income	3	1.044	1.071
Financial expenses	4	(10.737)	(10.258)
Profit (loss) before income taxes		(9.706)	(9.202)
Income taxes	5	3.048	4.326
Profit (loss) for the year		(6.658)	(4.876)
Attributable to:			
Retained earnings		(6.658)	(4.876)
		(6.658)	(4.876)

Balance sheet

	Note	2016 TUSD	2015 TUSD
ASSETS			
Investment in subsidiary		235.020	235.020
Loan to group company	7	-	35.200
Deferred taxes		-	5.184
Total non-current assets		235.020	275.404
Receivable from group company		21	270
Income tax receivable		8.289	647
Receivables		8.310	917
Cash at bank		7.415	5.909
Total current assets		15.725	6.826
Total assets		250.745	282.230
EQUITY AND LIABILITES			
Share capital	6	20.998	17.564
Retained earnings		229.680	90.606
Total equity		250.678	108.170
Deferred taxes		57	-
Total provisions		57	-
Loan from group company	7	-	174.047
Total non-current liabilities		-	174.047
Other liabilities		10	13
Total current liabilities		10	13
Total liabilities		10	174.060
Total equity and liabilities		250.745	282.230
Contingent liabilities	8		

Notes

1 Accounting policies

Basis of preparation

The Financial statements of Xellia Holdco A/S for the period January 1, 2016 – December 31 2016, have been prepared in accordance with Danish Financial Statements Act applying to small companies in reporting class B and presented in TUSD.

The accounting policies are unchanged from last year.

In general

The Financial statements have been prepared under the historical cost method. All expenses incurred to achieve the earnings for the year are recognized in the Income Statement.

Assets are recognized in the Balance Sheet when it is probable that the company will receive future economic advantages and the assets value can be measured reliably.

Liabilities are recognized in the Balance Sheet when it is probable that future economical disadvantages will accrue to the company and the value of the liability can be measured reliably.

Consolidation

In accordance with the Danish Financial Statements Act § 112, 1, no. 2 Xellia Holdco A/S has not prepared consolidated financial statements. Reference is made to the consolidated financial statements of Novo Nordisk Foundation, registered office: Tuborg Havnevej 19, 2900 Hellerup, Denmark.

Novo A/S owns 100% of the shares in Xellia Holdco A/S, which is controlled by the Novo Nordisk Foundation.

Foreign currency translation

Financial items for the company are measured in the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of company is US dollar (USD).

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognized in the income statement under financial income or financial expenses.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. The following cross rate has been applied USD/DKK, 0.141 (2015: 0.146). The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the date when the receivable or payable arose or the exchange rate applied in the most recent financial statements is recognized in the income statement under financial income or financial expenses.

Administrative costs

Administrative costs comprise expenses incurred for the management and administration of the company. This includes costs relating to the company's management and related professional fees.

Dividends from subsidiaries

Dividends from subsidiaries are recognized as income in the Income Statement of the company in the year in which the dividend is declared.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies.

Financial assets and liabilities

Financial assets and liabilities are non-derivatives with fixed or determinable payments that are not listed on an active market.

Loans and receivables are entered in the balance sheet under the following items: Loans to group companies, loans from group companies.

Financial liabilities are entered in the balance sheet under the following items: Loans from group companies and current income tax payable.

Taxes

Corporation taxes, comprising the current taxes liability, change in deferred taxes for the year, and possible adjustments relating to previous years.

The current income taxes charge is calculated on the basis of the tax laws at the balance sheet date in Denmark. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are measured using the balance sheet liability method and comprises all temporary differences between the accounting and tax values of assets and liabilities. The tax value of tax-loss carry-forwards is included in the calculation of deferred taxes to the extent that the tax losses can be expected to be utilized in the future. Deferred taxes is measured according to current tax rules and at the tax rate expected to be in force on elimination of the temporary differences. Changes in deferred taxes due to tax rate changes are recognized in the income statement.

Notes

1 Accounting policies (continued)

Investment in subsidiary

Investment in subsidiary is measured at cost. If the cost exceeds the recoverable amount, it is written down. The carrying amount of the investment is annually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Loans to group companies

Loans to group companies are recorded in the balance sheet at the lower of amortized cost and net realizable value, which normally corresponds to nominal value.

Loans from group companies

Loans from group companies are recognized initially at fair value. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Loans from group companies are classified as current liability unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Income tax receivables/payables

Income tax receivables and payables are measured at amortized cost.

Other liabilities

Other liabilities are measured at amortized cost.

2 Administrative costs

The Board of Directors has not received any remuneration for their services. The Company has no employees.

3 Financial income

	2016	2015
	TUSD	TUSD
Interest income from group company	1.044	1.071
	1.044	1.071

4 Financial expenses

	2016	2015
	TUSD	TUSD
Interest expense to group company	(10.559)	(10.197)
Foreign exchange losses	(162)	(49)
Other interest expenses	(16)	(12)
	(10.737)	(10.258)

5 Taxes

	2016	2015
	TUSD	TUSD
Current tax on profit for the year	8.289	1.923
Change in deferred tax	(5.241)	2.403
	3.048	4.326

6 Share capital

The Company's share capital consists of 125,000,000 shares.

All shares are held by Novo A/S and carries equal voting rights.

	Number of shares	Total, value TUSD
Establishment 2012	500.000	87
Additions 2013	100.000.000	17.477
January 1, 2016	100.500.000	17.564
Additions	24.500.000	3.434
December 31, 2016	125.000.000	20.998

7 Loans

Maturities	2016			Carrying total
	TUSD			
	0 - 1 year	1 < 5 years	> 5 years	
Loan to group company	0	0	0	0
Financial asset	0	0	0	0
Loan from group company	0	0	0	0
Financial liability	0	0	0	0

Maturities	2015			Carrying total
	TUSD			
	0 - 1 year	1 < 5 years	> 5 years	
Loan to group company	0	35.200	0	35.200
Financial asset	0	35.200	0	35.200
Loan from group company	0	174.047	0	174.047
Financial liability	0	174.047	0	174.047

8 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.

Management's statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Xellia Holdco A/S for the financial year January 1, 2016 – December 31, 2016.

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

In our opinion, the Financial Statements of the company give a true and fair view of the financial position at 31 December 2016 of the company and of the results of company operations in the period January 1, 2016 – December 31, 2016.

In our opinion, Management's Review includes the required description and information about significant changes in the year in accordance with Danish Financial Statements Act.

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

Copenhagen, May 31, 2017

Executive Management

Morten Aleksandr Engel
President and CEO

Board of Directors

Michael Shalmi
Chairman

Morten Aleksandr Engel

Jørgen Rønnow

Independent Auditor's Report

To the Shareholders of Xellia Holdco A/S

Opinion

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.

We have audited the Financial Statements of Xellia Holdco A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

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, in our view, 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 in Management's Review.

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.
- 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 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.

Copenhagen, 31 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kim Fücksel
State Authorised Public Accountant