

# Annual Report 2018

January 1 - December 31, 2018



## New Xellia Group A/S

Reg. no. 35 23 52 99

Dalslandsgade 11, 2300 Copenhagen S

The Annual Report has been presented  
and adopted at the Annual General  
Meeting of the Company on 26<sup>th</sup> 2019

Chairman

A handwritten signature in blue ink, appearing to read "Marie L. [unclear]", is written over a horizontal line.

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## Management's review

### **General information and principal activities of the Company**

New Xellia Group A/S (the Company) was incorporated on May 2, 2013 and on July 17, 2013 New Xellia Group A/S purchased the shares in Otrortopco AS, Norway (together, the Group). The Group is a leading specialty pharmaceutical company, 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 activities of New Xellia Group A/S are to hold shares in the 100% owned subsidiary Otrortopco AS and to provide management services to the group companies.

New Xellia Group 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**

For the year ended 31 December 2018, New Xellia Group A/S achieved a profit of 3.2 MUSD.

The (long-term) loans to group companies have increased from 383.6 MUSD at December 31, 2017 to 439.6 MUSD at December 31, 2018. The increase of 56.0 MUSD relates to finance investments made by the US subsidiary through an increased borrowings of 56.0 MUSD.

### **Share capital**

Three new participants in the Management Investment Program subscribed 214,842 B shares, of which 172,650 were newly issued shares. 1,000 new shares were issued in connection with exercise of warrants.

### **Treasury shares**

The number of treasury shares increased by 22,260 in 2018 to 794,092 with a value at 3.2 MUSD. The treasury shares make up 0.8% (2017: 0.8%) of the total share capital per December 31, 2018.

### **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	2018 TUSD	2017 TUSD
<b>Gross profit (loss)</b>	2	497	356
Administrative costs		(1,125)	(1,086)
Operating profit (loss) / EBIT		(628)	(730)
Financial income	3	18,411	12,630
Financial expenses	4	(13,362)	(10,822)
Profit (loss) before income taxes		4,421	1,078
Income taxes	5	(1,186)	(504)
<b>Profit (loss) for the year</b>		<b>3,235</b>	<b>574</b>
<b>Attributable to:</b>			
Retained earnings		3,235	574
		3,235	574

## Balance sheet

	Note	2018 TUSD	2017 TUSD
<b>ASSETS</b>			
Investment in subsidiary		237,706	237,706
Loans to group companies	7	439,550	383,585
<b>Total non-current assets</b>		<b>677,256</b>	<b>621,291</b>
Receivables from group companies		2,014	30,779
Receivables		2,014	30,779
Cash at bank		3,480	5,334
<b>Total current assets</b>		<b>5,494</b>	<b>36,113</b>
<b>Total assets</b>		<b>682,750</b>	<b>657,404</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	6	17,930	17,903
Retained earnings		256,497	248,799
<b>Total equity</b>		<b>274,427</b>	<b>266,702</b>
Deferred taxes		2,247	590
<b>Total provisions</b>		<b>2,247</b>	<b>590</b>
Loans from group companies	7	192,233	185,200
Loans		139,000	83,000
<b>Total non-current liabilities</b>		<b>331,233</b>	<b>268,200</b>
Payables to group companies		70,177	115,570
Other liabilities		2,494	4,709
Income tax payable		2,172	1,633
<b>Total current liabilities</b>		<b>74,843</b>	<b>121,912</b>
<b>Total liabilities</b>		<b>406,076</b>	<b>390,112</b>
<b>Total equity and liabilities</b>		<b>682,750</b>	<b>657,404</b>
Contingent liabilities	8		

## Notes

### 1 Accounting policies

#### Basis of preparation

The Financial statements of New Xellia Group A/S for the period January 1, 2018 – December 31 2018, 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 New Xellia Group 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.

Xellia Holdco A/S owns 98% of the shares in New Xellia Group A/S and Xellia Holdco A/S is 100% owned by Novo Holdings 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 the 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, 0.153 (2017: 0.159). 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.

#### Gross profit (Revenue and Cost of sales)

In accordance with the Danish Financial Statements Act § 32, Revenue and Cost of sales are presented net in the income statement line item named "Gross profit (loss)". Revenue covers sales of management services for the year. Sales are recognized when the service has been rendered, provided that the revenue can be measured on a reliable basis and is expected to be received. Cost of sales comprises the cost of services sold. Cost includes direct labor and operating costs.

#### 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.

#### Share-based payment

Equity settled share based payments schemes are recognized at the fair value of the employee services received in exchange for the grant of warrants computed by using the value of the granted warrants. The fair value of the granted warrants is calculated using a valuation model. The fair value of warrants on the grant date is recognized as an employee cost over the period in which the warrants are vested to the extent that the employee does not pay the full fair value of the granted warrants. In measuring the fair value, account is taken of the number of employees expected to gain entitlement to the warrants as well as the number of warrants the employees are expected to gain. This estimate is adjusted at the end of each period such that only the number of warrants to which employees are entitled, or expected to be entitled, is recognized. The value of the scheme is offset against equity attributable to shareholders of the company. Adjustments related to prior years are included in the Income statement in the year of adjustment.

Warrants that are subscribed to employees at fair value and paid in full are recognized in equity. When the warrants are exercised the Group will issue new shares in the company.

#### 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.

## Notes

### 1 Accounting policies (continued)

#### 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.

#### 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 Employee benefit expenses

	2018	2017
Number of employees	23	20

## 3 Financial income

	2018	2017
	TUSD	TUSD
Interest income from group companies	16,310	12,568
Foreign currency gains, net	1,981	-
Other interest income	120	62
<b>Total financial income</b>	<b>18,411</b>	<b>12,630</b>

## 4 Financial expenses

	2018	2017
	TUSD	TUSD
Interest expenses to group companies	(9,363)	(5,633)
Foreign currency losses, net	-	(3,195)
Other interest expenses	(3,980)	(1,973)
Other financial expenses	(19)	(21)
<b>Total financial expenses</b>	<b>(13,362)</b>	<b>(10,822)</b>

## 5 Income taxes

	2018	2017
	TUSD	TUSD
Current tax on profit for the year	502	(1,633)
Change in deferred tax	(1,657)	1,237
Exchange rate impact on change in deferred tax	(21)	241
Adjustments prior years	(9)	(349)
<b>Total income taxes</b>	<b>(1,186)</b>	<b>(504)</b>

## 6 Development in share capital

	2018	2017
Number of shares in the beginning of the year	102,542,022	102,418,946
Additions	173,650	123,076
<b>Number of shares in the end of the year</b>	<b>102,715,672</b>	<b>102,542,022</b>



## 7 Loans

2018				
TUSD				
Maturities	0 - 1 year	1 < 5 years	> 5 years	Carrying total
Loans to group companies	0	439,550	0	439,550
<b>Financial asset</b>	<b>0</b>	<b>439,550</b>	<b>0</b>	<b>439,550</b>
Loans from group companies	0	192,233	0	192,233
Loans	0	139,000	0	139,000
<b>Financial liability</b>	<b>0</b>	<b>331,233</b>	<b>0</b>	<b>331,233</b>

  

2017				
TUSD				
Maturities	0 - 1 year	1 < 5 years	> 5 years	Carrying total
Loans to group companies	0	383,585	0	383,585
<b>Financial asset</b>	<b>0</b>	<b>383,585</b>	<b>0</b>	<b>383,585</b>
Loans from group companies	0	185,200	0	185,200
Loans	0	83,000	0	83,000
<b>Financial liability</b>	<b>0</b>	<b>268,200</b>	<b>0</b>	<b>268,200</b>

## 8 Contingent liabilities

The company is jointly taxed with the Danish companies in the Novo Holdings A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

## Management's statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of New Xellia Group A/S for the financial year January 1, 2018 – December 31, 2018.

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 December 31, 2018 of the company and of the results of company operations in the period January 1, 2018 – December 31, 2018.

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, 28/3 2019

### Executive Management



Carl-Ake Carlsson  
President and CEO

### Board of Directors



Steen Riisgaard  
Chairman



Barbara Ann Purcell



Henrik Kjaer-Jensen



Benny D. Loft



Per Valstorp



Julie McHugh



Andreas Rummelt

## Independent Auditor's Report

To the Shareholders of New Xellia Group 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 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of New Xellia Group A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet 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.
- 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.

## Independent Auditor's Report

- 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, March 28, 2019  
**PricewaterhouseCoopers**  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31



Kim Fuchsel  
State Authorised Public Accountant  
mne9291



Conrad Matrup Lundsgaard  
State Authorised Public Accountant  
mne34529