

## **New Xellia Group A/S**

Reg. no. 35 23 52 99

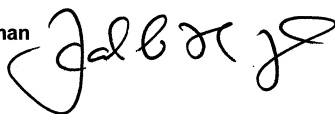
Dalslandsgade 11, 2300 Copenhagen S

### **Annual report 2015**

January 1 - December 31, 2015

The Annual Report has been presented and adopted at the Annual General Meeting of the Company on **31/3** 2016

Chairman



## **Contents**

Income Statement	2
Balance Sheet	3
Notes	4
Management's statement	10
Independent Auditor's Report	11

## Income Statement

	Note	2015 TUSD	2014 TUSD
Gross profit (loss)	3	256	399
Administrative costs		(878)	(2,305)
Impairment loss, investment in subsidiary	7	-	(208,703)
Currency translation adjustment		-	(52,573)
Operating profit (loss) / EBIT		(622)	(263,182)
Financial income	4	6,162	6,125
Financial expenses	5	(5,812)	(5,635)
Profit (loss) before income taxes		(272)	(262,692)
Income taxes	6	(797)	(68)
<b>Profit (loss) for the year</b>		<b>(1,069)</b>	<b>(262,760)</b>
<b>Attributable to:</b>			
Retained earnings		(1,069)	(262,760)
		(1,069)	(262,760)

## Balance sheet

	Note	2015 TUSD	2014 TUSD
<b>ASSETS</b>			
Investment in subsidiary	7	237,706	237,706
Loans to group companies	9	239,655	209,655
<b>Total non-current assets</b>		<b>477,361</b>	<b>447,361</b>
Loans to group companies		1,098	-
Receivables from group companies		2,855	1,922
Other receivables		-	22
Income tax receivables		-	214
Receivables		3,954	2,158
Cash at bank		1,600	2,050
<b>Total current assets</b>		<b>5,554</b>	<b>4,208</b>
<b>Total assets</b>		<b>482,915</b>	<b>451,569</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		17,848	17,794
Retained earnings		243,972	244,060
<b>Total equity</b>	8	<b>261,820</b>	<b>261,854</b>
Deferred taxes		1,091	93
<b>Total provisions</b>		<b>1,091</b>	<b>93</b>
Loans from group companies	9	185,200	185,200
Loans		30,000	-
<b>Total non-current liabilities</b>		<b>215,200</b>	<b>185,200</b>
Payables to group companies		3,270	2,810
Other liabilities		1,473	1,612
Income tax payable		61	-
<b>Total current liabilities</b>		<b>4,804</b>	<b>4,422</b>
<b>Total liabilities</b>		<b>220,004</b>	<b>189,622</b>
<b>Total equity and liabilities</b>		<b>482,915</b>	<b>451,569</b>
Contingent liabilities	10		

## Notes

### 1 General information

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 Otnortopco 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 Company's main activity is holding the investment in Otnortopco AS and rendering services to 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.

### 2 Accounting policies

#### Basis of preparation

The Financial statements of New Xellia Group A/S for the period January 1, 2015 – December 31 2015, 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 99% of the shares in New Xellia Group A/S and Xellia Holdco A/S is 100% owned by Novo 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, 0.146 (2014: 0.163). 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.

## Notes

### 2 Accounting policies (continued)

#### 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.

#### 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.

## Notes

<b>3 Employee benefit expenses</b>	<b>2015</b>	<b>2014</b>
	TUSD	TUSD
Number of employees	17	14

<b>4 Financial income</b>	<b>2015</b>	<b>2014</b>
	TUSD	TUSD
Interest income	-	5
Interest income from group companies	5,873	6,120
Foreign currency gains	289	-
<b>Total financial income</b>	<b>6,162</b>	<b>6,125</b>

<b>5 Financial expenses</b>	<b>2015</b>	<b>2014</b>
	TUSD	TUSD
Interest expenses to group companies	(5,633)	(5,633)
Foreign currency losses	-	(2)
Other interest expenses	(179)	-
<b>Total financial expenses</b>	<b>(5,812)</b>	<b>(5,635)</b>

<b>6 Income taxes</b>	<b>2015</b>	<b>2014</b>
	TUSD	TUSD
Current tax on profit for the year	201	229
Change in deferred tax	(998)	(300)
Adjustments prior years	-	3
<b>Total income taxes</b>	<b>(797)</b>	<b>(68)</b>

## 7 Investment in subsidiary

The investment in subsidiary relate to the Company's shareholding in Otnortopco AS. The most recently available annual report of Otnortopco AS is for the period covering 2014 (1 January - 31 December) and therefore the figures set out below is from this period.

Name	Voting rights	Registered office	Share Capital	Profit for the year	Equity
			TNOK	TNOK	TNOK
Otnortopco AS	100%	Silurveien 2, Oslo, Norway	163,149	(79)	2,081,739

On July 17, 2013 New Xellia Group A/S (the Company) purchased the shares in Otnortopco AS, Norway (together, the Group).

## Notes

### 8 Equity

2015				
TUSD				
	Share capital	Share premium	Retained earnings	Total equity
January 1	17,794	-	244,060	261,854
Profit (loss) for the year	-	-	(1,069)	(1,069)
Proceeds from shares issued	54	-	-	933
Transfers	-	(879)	879	-
Purchase of treasury shares	-	-	(1,056)	(1,056)
Share-based payments	-	-	1,158	1,158
<b>December 31</b>	<b>17,848</b>	<b>-</b>	<b>243,972</b>	<b>261,820</b>

2014				
TUSD				
	Share capital	Share premium	Retained earnings	Total equity
January 1	17,750	-	506,292	524,042
Profit (loss) for the year	-	-	(262,760)	(262,760)
Proceeds from shares issued	44	1,306	-	1,350
Transfers	-	(1,306)	1,306	-
Purchase of treasury shares	-	-	(778)	(778)
<b>December 31</b>	<b>17,794</b>	<b>-</b>	<b>244,060</b>	<b>261,854</b>

#### Share capital

The Company's total share capital consists of 102,166,292 shares (nom. 1 DKK). The share capital is split into A shares and B shares, with a total of 100,500,000 A-shares and 1,666,292 B-shares. One A-share carries 10 votes whereas a B-share carries one.

All A-shares are held by Xellia Holdco A/S.

The Company has increased the share capital by issuing new shares. The capital increases are set out below:

2015					
	Share capital			Treasury shares	
	A-shares issued	B-shares issued	Warrants issued	Treasury shares	Total, value
TUSD					
Beginning of the year	100,500,000	1,295,214	6,153,991	146,609	(778)
Additions	-	371,078	201,666	378,620	(1,147)
Cancellations	-	-	(300,597)	(34,023)	90
<b>Total end of the year</b>	<b>100,500,000</b>	<b>1,666,292</b>	<b>6,055,060</b>	<b>491,206</b>	<b>(1,835)</b>

2014					
	Share capital			Treasury shares	
	A-shares issued	B-shares issued	Warrants issued	Treasury shares	Total, value
TUSD					
Beginning of the year	100,500,000	1,056,875	5,779,892	-	-
Additions	-	238,339	374,099	146,609	(778)
<b>Total end of the year</b>	<b>100,500,000</b>	<b>1,295,214</b>	<b>6,153,991</b>	<b>146,609</b>	<b>(778)</b>

New Xellia Group A/S hold own shares representing 0.5% of the total outstanding shares, compared with 0.1% at the beginning of the years. The holding of own shares is related to the share-based payment programme.



## Notes

### 8 Equity (continued)

#### Development in share capital

	2015	2014	2013
Number of shares in the beginning of the year	101,795,214	101,556,875	-
Establishment	-	-	500,000
Additions	371,078	238,339	101,056,875
<b>Number of shares in the end of the year</b>	<b>102,166,292</b>	<b>101,795,214</b>	<b>101,556,875</b>

### 9 Loans

	2015			Carrying total
	TUSD			
Maturities	0 - 1 year	1 < 5 years	> 5 years	
Loans to group companies	0	239,655	0	239,655
<b>Financial asset</b>	<b>0</b>	<b>239,655</b>	<b>0</b>	<b>239,655</b>
Loans from group companies	0	185,200	0	185,200
Loans	0	30,000	0	30,000
<b>Financial liability</b>	<b>0</b>	<b>215,200</b>	<b>0</b>	<b>215,200</b>

	2014			Carrying total
	TUSD			
Maturities	0 - 1 year	1 < 5 years	> 5 years	
Loans to group companies	0	209,655	0	209,655
<b>Financial asset</b>	<b>0</b>	<b>209,655</b>	<b>0</b>	<b>209,655</b>
Loans from group companies	0	185,200	0	185,200
<b>Financial liability</b>	<b>0</b>	<b>185,200</b>	<b>0</b>	<b>185,200</b>

### 10 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 New Xellia Group A/S for the financial year January 1, 2015 – December 31, 2015.

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

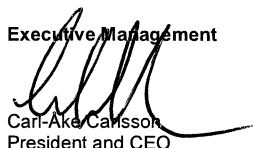
In our opinion, the Financial Statements of the company give a true and fair view of the financial position at December 31, 2015 of the company and of the results of company operations in the period January 1, 2015 – December 31, 2015.

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, February 25, 2016

### Executive Management



Carl-Ake Carlsson  
President and CEO

### Board of Directors



Steen Riisgaard  
Chairman



Benny D. Loft



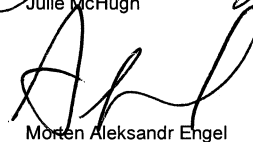
Julie McHugh



Andreas Rummelt



Per Valstorp



Morten Aleksandr Engel

## Independent Auditor's Report

To the Shareholders of New Xellia Group A/S

### Report on the Financial Statements

We have audited the Financial Statements of New Xellia Group A/S for the financial year January 1 – December 31, 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. 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 under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 procedures selected depend on the auditor's judgment, 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 auditor considers 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.

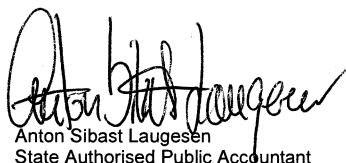
#### Opinion

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

Copenhagen, February 25, 2016  
PriceWaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab



Kim Fichsel  
State Authorised Public Accountant



Anton Sibast Laugesen  
State Authorised Public Accountant