



New Xellia Group A/S

CVR no. 35 23 52 99

Dalslandsgade 11, DK-2300 Copenhagen S

Annual report for 2019

Adopted at the annual general meeting on

22 April 2020

A handwritten signature in blue ink, appearing to be "Jørgen Jørgensen", written over a horizontal line.

chairman

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Statement by management on the annual report

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, 2019 - December 31, 2019.

The annual report is 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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

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.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 25 February 2020

Executive Management




Carl-Ake Carlsson
President and CEO


Board of Directors



Steen Riisgaard
chairman




Barbara Ann Purcell




Henrik Kjaer Hansen



Benny Dalgaard Loft



Per Valstorp



Julie McHugh



Andreas Rummelt

Independent auditor's report

To the shareholder 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 2019, and of the results of the company's operations for the financial year 1 January - 31 December 2019 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 2019, 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, 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 Statements Act. We did not identify any material misstatement of 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

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:

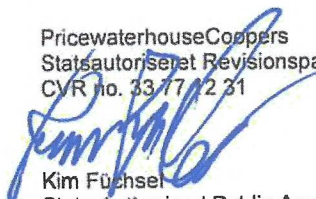
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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.

Independent auditor's report

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, 25 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 42 31



Kim Fuchsøl
State Authorised Public Accountant
MNE no. 9291



Conrad Mattup Lundsgaard
State Authorised Public Accountant
MNE no. 34529

Company details

The company	New Xellia Group A/S Dalslandsgade 11 DK-2300 Copenhagen S
	Telephone: +45 32 64 55 00
	CVR no.: 35 23 52 99
	Reporting period: 1 January - 31 December
	Domicile: Copenhagen
Board of Directors	Steen Riisgaard Benny Dalgaard Loft Julie McHugh Barbara Ann Purcell Per Valstorp Andreas Rummelt Henrik Kjær Hansen
Executive Management	Carl-Åke Carlsson, president and ceo
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

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 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 activities of New Xellia Group A/S are to hold shares in the 100% owned subsidiary Otnortopco 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 2019, New Xellia Group A/S achieved a profit of 3.2 MUSD.

The (long-term) loans to group companies have increased from 439.6 MUSD at December 31, 2018 to 469.4 MUSD at December 31, 2019. The increase of 29.8 MUSD relates to finance investments made by the US subsidiary through an increased borrowings of 29.8 MUSD.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> TUSD	<u>2018</u> TUSD
Gross profit		258	497
Administrative costs		-337	-1,125
Operating profit/loss		-79	-628
Financial income	2	24,569	20,098
Financial expenses	3	-17,972	-15,049
Profit/loss before tax		6,518	4,421
Tax on profit/loss for the year	4	-3,289	-1,186
Net profit/loss for the year		<u>3,229</u>	<u>3,235</u>
 Proposed distribution of profit			
Retained earnings		<u>3,229</u>	<u>3,235</u>
		<u>3,229</u>	<u>3,235</u>

Balance sheet 31 December

	Note	2019 TUSD	2018 TUSD
Assets			
Investments in subsidiaries		237,706	237,706
Loans to group companies	5	469,394	439,550
Fixed asset investments		707,100	677,256
Total non-current assets		707,100	677,256
Receivables from group companies		70,845	14,347
Other receivables		595	0
Prepayments		39	0
Receivables		71,479	14,347
Cash at bank		9,169	3,480
Total current assets		80,648	17,827
Total assets		787,748	695,083

Balance sheet 31 December

	Note	2019 TUSD	2018 TUSD
Equity and liabilities			
Share capital		17,930	17,930
Retained earnings		258,581	256,497
Equity	6	276,511	274,427
Deferred taxes		4,070	2,247
Total provisions		4,070	2,247
Loans		164,000	139,000
Loans from group companies		205,116	192,233
Other payables		135	0
Total non-current liabilities	7	369,251	331,233
Payables to group companies		134,237	82,510
Income tax payable		1,507	2,172
Other liabilities		2,172	2,494
Total current liabilities		137,916	87,176
Total liabilities		507,167	418,409
Total equity and liabilities		787,748	695,083
Staff	8		
Contingent liabilities	9		

Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January 2019	17,930	256,497	274,427
Share based payment	0	-1,145	-1,145
Net profit/loss for the year	0	3,229	3,229
Equity at 31 December 2019	17,930	258,581	276,511

	Share capital	Retained earnings	Total
Equity 1 January 2018	17,903	248,673	266,576
Additions	27	0	27
Share based payment	0	4,589	4,589
Net profit/loss for the year	0	3,235	3,235
Equity 31 December 2018	17,930	256,497	274,427

Notes

1 Accounting policies

The financial statements of New Xellia Group A/S for the period January 1, 2019 - December 31, 2019, have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises.

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

The financial statements for 2019 is presented in TUSD.

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.

Asset 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.

Consolidated financial statements

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.

Loans to/from 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 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.

1 Accounting policies

Income statement

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.

Financial income and expenses

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

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, is recognized in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Investments in subsidiaries

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.

Equity

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.

Income tax and deferred tax

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

1 Accounting policies

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 tax 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.

Liabilities

Other liabilities are measured at amortized cost.

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, 0.1499 (2018: 0.1534). 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.

	2019	2018
	TUSD	TUSD
2 Financial income		
Interest received from group companies	23,037	16,311
Other financial income	131	119
Foreign currency gains	1,401	3,668
	24,569	20,098

	2019	2018
	TUSD	TUSD
3 Financial expenses		
Interest expenses to group companies	12,883	9,363
Other financial expenses	5,068	3,999
Foreign currency losses	21	1,687
	<u>17,972</u>	<u>15,049</u>
4 Tax on profit/loss for the year		
Current tax on profit / loss for the year	1,598	-501
Change in deferred tax	1,874	1,657
Adjustments of tax prior years	-183	9
Adjustments of deferred tax prior years	0	21
	<u>3,289</u>	<u>1,186</u>
5 Loans to group companies		
Cost at 1 January 2019	439,550	383,585
Additions for the year	29,844	55,965
Cost at 31 December 2019	<u>469,394</u>	<u>439,550</u>
Carrying amount at 31 December 2019	<u>469,394</u>	<u>439,550</u>

6 Equity

The share capital consists of 102,715,672 shares of a nominal value of TUSD 17,930.

The share capital has developed as follows:

	2019	2018	2017	2016	2015
	TUSD	TUSD	TUSD	TUSD	TUSD
Share capital at 1 January 2019	17,930	17,903	17,884	17,848	17,794
Additions for the year	0	27	19	36	54
Share capital at 31 December 2019	<u>17,930</u>	<u>17,930</u>	<u>17,903</u>	<u>17,884</u>	<u>17,848</u>

Notes

7 Non-current liabilities

	Debt at 1 January 2019	Debt at 31 December 2019	Instalment next year	Debt outstanding after 5 years
Loans	139,000	164,000	0	0
Loans from group companies	192,233	205,116	0	0
Other payables	0	135	0	135
	<u>331,233</u>	<u>369,251</u>	<u>0</u>	<u>135</u>

8 Staff

Average number of employees	<u>22</u>	<u>23</u>
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9 Contingent liabilities

The company are jointly taxed with the Danish companies owned by Novo Holdings A/S. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and severally 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.