Xellia Pharmaceuticals 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 30/3 2016

Chairman

Mikkel Lyager Olsen

CVR no. 61 09 46 28

Contents

Management's Statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Xellia Pharmaceuticals 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, March 30, 2016
Executive Board:

Carl-Åke Carlsson

Board of Directors:

Mikkel Lyager Olsen Chairman	Mads Bodenhoff	Carl-Åke Carlsson
Bente Schmidt Nielsen	Jan Bergmann	Thomas Schou

Independent Auditor's Report

To the Shareholders of Xellia Pharmaceuticals ApS

Report on the Financial Statements

We have audited the Financial Statements of Xellia Pharmaceuticals 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 201 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, March 30, 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

Kim Füchsel
State Authorised
Public Accountant

Anton Sibast Laugesen
State Authorised
Public Accountant

Management's review

Company details

Xellia Pharmaceuticals ApS
Dalslandsgade 11
DK-2300 Copenhagen S

Telephone:	+45 32 64 55 00
CVR no.:	61 09 46 28
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Mikkel Lyager Olsen
Mads Bodenhoff
Carl-Åke Carlsson
Bente Schmidt Nielsen
Jan Bergmann
Thomas Schou

Executive Board

Carl-Åke Carlsson

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's review

Company details

Group Chart

Xellia Pharmaceuticals ApS consists of the following subsidiaries:

Xellia Pharmaceuticals Ltd., Hungary (nominal capital kHUF 5,260,200), 100%
Nippon Axellia Co. Ltd., Japan (nominal capital kJPY 10,000), 100%
Xellia Pharmaceuticals Inc., USA (nominal capital kUSD 20,000), 100%
Xellia Hong Kong Limited, Hong Kong (nominal capital kHDK 10), 100%
Xellia d.o.o., Croatia (nominal capital kHRK 20), 100%
Xellia Pharmaceuticals Private Ltd., India (nominal capital kINR 100) 100%

Xellia Pharmaceuticals ApS consists of the following associated companies:

Pharmaero ApS, Denmark (nominal capital kDKK 5,212), 50%

The Company's Parent Company is:

Xellia Group ApS, Denmark

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

Management's review

Financial highlights

mDKK	2015	2014	2013	2012	2011
Key figures					
Revenue	1,216	916	884	918	762
Ordinary operating profit/(loss)	-15	-113	65	147	22
Profit/(loss) from financial income and expenses	-87	-8	61	50	-44
Profit/(loss) for the year	**-74**	**-385**	**114**	**163**	**-25**
Non-current assets	1,084	1,028	1,267	1,221	1,042
Current assets	610	573	474	396	356
Total assets	**1,694**	**1,601**	**1,741**	**1,617**	**1,398**
Equity	**729**	**803**	**1,188**	**689**	**520**
Provisions	62	40	116	104	71
Non-current liabilities other than provisions	478	381	106	382	112
Current liabilities other than provisions	425	378	331	442	695
Financial ratios					
Gross margin	30%	20%	36%	40%	34%
Profit margin*	-1%	-12%	7%	16%	3%
Return on assets*	-1%	-32%	4%	9%	2%
Solvency ratio	43%	50%	68%	43%	37%
Return on equity	-10%	-39%	12%	26%	-4%
Average number of full-time employees	479	444	391	361	348

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.

* = Financial ratios based on operating profit do not include other operating costs

Management's review

Operating review

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

Principal activities of the Company

Xellia is the Danish operating company in the Xellia Group. The company operates a manufacturing plant located in Copenhagen, Denmark.

Xellia is a specialty pharmaceutical company, focusing on development and supply of important anti-infective treatments against serious and often life-threatening infections. As a leading supplier to the pharmaceutical industry our business is built to meet the immediate and long term requirements of our customers.

Our vertical integration strategy enables us to supply our customers with multiple product forms, supply security from multiple sites and provide a "one-stop- shop" offering both the API (Active Pharmaceutical Ingredients) and the FDF (Finished Dosage Form).

We are a global business and our customers include branded, speciality and generic pharmaceutical companies in more than 70 countries around the world.

Development in activities and financial position

Xellia made good progress during 2015 resolving the productions issues from previous years by investing in new equipment, systems and capabilities in addition to expansion of the injectable anti-infective manufacturing facility through investment in process improvements. The combination of these improvements and the restoration of full production enabled the company to deliver the annual planned product output.

For the year ended 31 December 2015, the Company achieved revenues of 1.215,7 MDKK and loss of MDKK 74, 0. The result was affected by continues investment in R&D and production and by financial charges. Although significant improvements have been made the result is deemed not satisfactory.

In 2015, Xellia invested 63, 2 MDKK in intangible assets. Xellia also capitalized investment in tangible assets of 53,6 MDKK to increase and improve its production capacity.

Post balance sheet events

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

Outlook

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

The exchange rate of the USD and other exchange rates might, however, influence the profit/loss for 2016. Any changes in authorizations by public authorities may also influence the result of the Company considerably.

Particular risks

Market risks

The Company sells products in a global market characterized by an overall increasing price competition. The Company continuously optimizes production and purchase processes in order to maintain the Company's competitive power.

The Company expects to keep its strong market position.

Currency Exposure

As the Company has significant activities in foreign countries, the Company is affected by trends in exchange rates of a number of currencies. The Company's currency policy is to hedge expected net cash flow risk from currency exposures. The hedging is made primarily by forward exchange contracts for the next 12 -24 months.

Research and Development

The Company bears expenses to development of existing and new products.

Management's review

Development costs are capitalized if there is adequate certainty that future earnings will cover not only manufacturing, sales and administration costs but also the development costs. The Company estimates that adequate certainty has been reached on some products so development cost has been capitalized. Development costs on other products have been charged to the profit and loss account.

Knowledge resources

Safety for the patients is crucial for the Company. It is therefore of vital importance that the Company can recruit and retain employees with a high education level and knowledge of GMP (Good Manufacturing Practice) regarding manufacture of pharmaceuticals.

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 Social Responsibility

A CSR Report has been published and is available at

http://xellia.com/#!CorporateReports. This meets the requirements of section 99a of the Danish Financial Statements Acts.

Corporate Governance

In 2015, the Board of Directors of the Company held 3 meetings. The meetings focus on the Company's financial performance and situation as well as environment, health and safety (EHS) aspects of the business. The meetings are all held with representatives from the Company's finance and EHS departments.

Xellia complies with the Danish Companies Act, Danish Accounting Act and applicable laws in the countries where the Company operates.

According to the requirements of section 99b of the Danish Financial Statements Acts Xellia aim to ensure that in 2017 each gender make up at least 40% of the members of the Board of Directors chosen by the shareholders. As for the next level of leaders Xellia has adopted a policy which is aimed at accomplishing a more equal composition between the genders at management level, such that female managers represent at least 40% before the end of 2017.

Financial statements for the period 1 January – 31 December

Accounting policies

The Annual Report of Xellia Pharmaceuticals ApS for 2015 has been prepared in accordance with the provisions applying to reporting class C enterprises (large) 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.

Changes in the fair value of financial instruments concerning loans that are designated and qualify as hedges of net investments in independent foreign subsidiaries are recognised directly in equity.

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 goods for resale and finished goods 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 recognized in revenue.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant.

Financial statements for the period 1 January – 31 December

Accounting policies

Research and development costs

Research and development costs comprise research and development costs that do not qualify for capitalisation and depreciation.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

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.

Other operating costs

Other operating costs comprise items secondary to the activities of the Company, including losses on disposal of property, plant and equipment, together with impairment losses related to property, plant and equipment and intangible assets.

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

Intangible assets

On initial recognition, intangible assets are measured at cost.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is not to exceed 15 years.

Gains and losses on the disposal of development projects are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements for the period 1 January – 31 December

Accounting policies

Goodwill, goodwill on consolidation, production and sales rights are amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 20 years, the longest period applying to companies/rights acquired for strategic purposes with a strong market position and a long earnings profile.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

Interest expense on loans to finance the production of property, plant and equipment which concerns the production period is included in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	13-40 years
Plant and machinery	5-13 years
Fixtures and fittings, tools and equipment	3-13 years

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Assets with a purchase value below kDKK 35 are recognised in the year of purchase.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Investments

Investments in subsidiaries and associates are recognised and measured in the Annual Report 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Financial statements for the period 1 January – 31 December

Accounting policies

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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 realizable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Leases

Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. 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 carry forwards, 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).

Financial statements for the period 1 January – 31 December

Accounting policies

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.

Deferred income

Deferred income comprises invoiced revenue in relation to subsequent years.

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.

Segment information

The Company has only one segment and no information is presented in respect of this but only geographical segments are shown based on the Company's internal financial reporting system.

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

Financial statements for the period 1 January – 31 December

Income statement

DKK'000	Note	2015	2014
Revenue	1	1,215,664	915,649
Production costs	2	-851,487	-731,284
Gross profit		364,177	184,365
Research and development costs	2	-131,967	-105,855
Distribution costs	2	-61,856	-44,901
Administrative expenses	2	-185,919	-146,520
Ordinary operating profit/(loss)		-15,565	-112,911
Other operating costs	3	0	-392,344
Operating profit/(loss)		-15,565	-505,255
Financial income	4	1,666	12,214
Financial expenses	5	-89,047	-19,998
Profit/(loss) before tax		-102,946	-513,039
Tax on profit/(loss) for the year	6	28,937	128,345
Profit/(loss) for the year		-74,009	-384,694

Proposed distribution of profit/(loss)

Proposed dividends	0	0
Retained earnings	-74,009	-384,694
	-74,009	-384,694

Financial statements for the period 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets	7		
Goodwill		6,728	7,629
Productions and sales rights		177,714	191,558
Technology and development costs		83,374	15,075
Software		26,806	8,532
Intangibles under construction		124,560	158,693
Total intangible assets		419,182	381,487
Property, plant and equipment	8		
Land and buildings		68,478	67,351
Plant and machinery		175,616	157,438
Fixtures and fittings, tools and equipment		12,104	5,413
Property, plant and equipment under construction		65,808	83,555
Total property, plant and equipment		322,006	313,757
Investments	9		
Investments in subsidiaries		310,209	305,360
Investments in associate company		32,578	27,590
Total investments		342,787	332,950
Total non-current assets		1,083,975	1,028,194
Current assets			
Inventories			
Raw materials and consumables		28,553	36,947
Work in progress		37,718	47,009
Finished goods and goods for resale		206,257	115,486
Total inventories		272,528	199,442
Receivables	10		
Trade receivables		173,321	201,130
Receivables from group companies		82,312	83,068
Loans to group companies		52,306	50,423
Corporation tax	11	19,460	31,836
Other receivables		1,573	558
Prepayments	12	7,381	6,243
Total receivables		336,353	373,258
Cash at bank and in hand		665	96
Total current assets		609,546	572,796
TOTAL ASSETS		1,693,521	1,600,990

Financial statements for the period 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital	13	201,000	201,000
Retained earnings		528,235	602,244
Total equity		729,235	803,244
Provisions			
Deferred tax	14	61,994	39,097
Total provisions		61,994	39,097
Liabilities other than provisions			
Non-current liabilities other than provisions			
Loans from group companies	15	317,539	284,875
Bank loans		145,000	90,000
Other liabilities		15,150	6,126
Total non-current liabilities other than provisions		477,689	381,001
Current liabilities other than provisions			
Loans from group companies	15	24,749	29,123
Bank loans		88,443	57,973
Trade payables		72,989	90,899
Payables to group companies		54,431	69,017
Other payables		175,026	105,733
Deferred income		8,965	24,903
Total current liabilities other than provisions		424,603	377,648
Total liabilities other than provisions		902,292	758,649
TOTAL EQUITY AND LIABILITIES		1,693,521	1,600,990

Contractual obligations and contingencies, etc.	16
Currency and interest rate risks and the use of derivative financial instruments	17
Related party disclosures	18
Disclosure of events after the balance sheet date	19

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	201,000	986,938	0	1,187,938
Transferred, see distribution of profit/(loss)	0	-384,694	0	-384,694
Equity at 1 January 2015	201,000	602,244	0	803,244
Exchange adjustment of hedging instruments	0	0	0	0
Transferred, see distribution of profit/(loss)	0	-74,009	0	-74,009
Equity at 31 December 2015	201,000	528,235	0	729,235

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Segment information

Geographical segment

DKK'000	Europe	North America	South America	Asia	Other	Total
2014						
Revenue	486,169	268,610	62,172	89,131	9,567	915,649
2015						
Revenue	540,725	518,704	65,155	86,198	4,882	1,215,664

DKK'000	2015	2014
2 Costs		
Wages and salaries	282,035	251,394
Pensions	28,480	25,709
Other social security costs	4,273	4,207
	314,788	281,310
Average number of full-time employees	479	444

Remuneration of the Executive and Supervisory Boards has not been disclosed in pursuance of section 98b(3) of the Danish Financial Statements Act.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000		2015	2014
3	**Other operating costs**		
	Impairment on intangible assets	0	203,912
	Impairment on property, plant and equipment	0	188,432
		0	392,344
4	**Financial income**		
	Dividend	0	2,405
	Interest income from group companies	1,313	1,853
	Other financial income	353	7,956
		1,666	12,214
5	**Financial expenses**		
	Interest expense, group companies	-9,228	-4,907
	Foreign exchange losses	-66,946	-6,902
	Other financial expenses	-12,873	-8,189
		-89,047	-19,998
6	**Tax on the profit/ (loss) for the year**		
	Current tax for the year	45,659	53,022
	Deferred tax adjustment for the year	-17,162	72,856
	Adjustment prior years	485	2,747
	Other taxes	-45	-280
	Tax for the year	28,937	128,345

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Intangible assets

DKK'000	Goodwill	Productions and sales rights	Technology and development cost	Software	Prepayments and intangibles under construction	Total
Cost at 1 January 2015	21,156	393,251	107,599	13,962	306,795	842,763
Additions	0	0	82,975	21,580	61,669	166,224
Transferred	0	0	0	1,488	-104,555	-103,067
Cost at 31 December 2015	21,156	393,251	190,574	37,030	263,909	905,920
Impairment losses and amortization at 1 January 2015	13,527	201,693	92,524	5,430	148,102	461,276
Transferred	0	0	8,753	0	-8,753	0
Amortisation	901	13,844	5,923	4,794	0	25,462
Impairment losses and amortization at 31 December 2015	14,428	215,537	107,200	10,224	139,349	486,738
Carrying amount at 31 December 2015	6,728	177,714	83,374	26,806	124,560	419,182
Amortised over	5 - 20 years	5 - 20 years	5 - 15 years	3 - 5 years		

Interest expenses of kDKK 36,687 (2014: kDKK 36,687) have been capitalized as development cost (kDKK 24,462) and acquired productions and sales right (kDKK 12,225).

Financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Prepayments and plants under construction	Total
Cost at 1 January 2015	358,751	699,569	28,769	150,283	1,237,372
Additions	10,627	53,441	8,792	77,765	150,624
Transferred	0	-141	-1,347	-95,512	-97,000
Disposals	-741	-8,756	-334	0	-9,831
Cost at 31 December 2015	368,637	744,113	35,880	132,536	1,281,166
Impairment losses and depreciation at 1 January 2015	291,400	542,131	23,356	66,728	923,615
Depreciation	9,279	35,036	695	0	45,010
Disposals	-520	-8,670	-275	0	-9,465
Impairment losses and depreciation at 31 December 2015	300,159	568,497	23,776	66,728	959,160
Carrying amount at 31 December 2015	68,478	175,616	12,104	65,808	322,006
Depreciated over	13 - 40 years	5 - 13 years	3 - 13 years	-	

Interest expenses of kDKK 16,451 (2014: kDKK 16,451) have been capitalized under land and buildings.

The Company has contractual obligations at 31 December 2015 regarding the supply of equipment's and buildings amounting to mDKK 51.9 (2014: mDKK 86.2)

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	Investments in subsidiaries	Investments in associates
9 Investments		
Cost at 1 January 2015	305,360	27,590
Additions	4,849	4,988
Disposals	0	0
Cost at 31 December 2015	310,209	32,578

Investment in subsidiaries and associates are specified as follows:

Name and place of registered office	Votes and ownership	Share capital	Equity	Result for the year
Xellia Pharmaceuticals Ltd., Hungary	100 %	kHUF 5,260,200	kHUF 6,633,658	kHUF -80,521
Nippon Axellia Co. Ltd., Japan	100 %	kJPY 10,000	kJPY 51,352	kJPY 13,015
Xellia Pharmaceuticals Inc., USA	100 %	kUSD 20,000	kUSD 25,293	kUSD -137
Xellia Hong Kong Limited, Hong Kong	100 %	kHDK 10	kHDK 49,784	kHDK -2,855
Xellia d.o.o., Croatia	100 %	kHRK 20	kHRK 20,717	kHRK 2,777
Xellia Pharmaceuticals Private Ltd., India	100 %	kINR 100	kINR 10,446	kINR -6,520
Pharmaero ApS, Denmark	50 %	kDKK 5,212	kDKK 65,385	kDKK 168

DKK'000	2015	2014
10 Receivables		
Amounts falling due more than one year after the balance sheet date	34,144	30,632
11 Corporation tax		
Corporation tax receivable/(payable) at 1 January	31,836	1,548
Adjustment prior year	6,220	-1,766
Current tax for the year	45,659	53,022
Corporation tax paid/(received) during the year	-64,255	-20,968
Corporation tax receivable/(payable) at 31 December	19,460	31,836
12 Prepayments		
Prepaid insurance premiums	2,866	2,295
Other prepaid costs	4,515	3,948
	7,381	6,243

13 Share capital

DKK'000	2015	2014	2013	2012	2011
Share capital at 1 January	201,000	201,000	101,000	101,000	101,000
Capital increase	0	0	100,000	0	0
	201,000	201,000	201,000	101,000	101,000

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2014	2014
14 Deferred tax		
Deferred tax at 1 January	39,097	116,468
Adjustment prior years	5,735	-4,515
Deferred tax adjustment for the year	17,162	-72,856
Deferred tax at 31 December	61,994	39,097
Deferred tax relates to:		
Intangible assets	75,643	76,043
Property, plant and equipment	-21,292	-35,211
Inventories	22,523	8,602
Others	-14,880	-10,337
	61,994	39,097

	2014	2014
15 Loans from group companies		
Group companies		
0-1 year	24,749	29,123
1-5 years	0	0
>5 years	317,539	284,875
	342,288	313,998
The liabilities are recognized in the balance sheet as follows:		
Non-current liabilities other than provisions	317,539	284,875
Current liabilities other than provisions	24,749	29,123
	342,288	313,998

Financial statements for the period 1 January – 31 December

Notes to the financial statements

16 Contractual obligations and contingencies, etc.

Contingent liabilities

In 2010 the Danish tax authorities have forwarded a proposed decision to impose withholding tax of 267 MDKK plus interest, on dividend from Xellia Pharmaceuticals ApS to Xellia Pharmaceuticals AS, Norway, declared in 2006. Xellia Pharmaceuticals ApS dispute the proposal from the Danish tax authorities and consequently no provision has been made. In case of eventual tax payment in the case above, the Xellia Group has a contracted right of full, uncapped, and infinitive indemnification from the owner of the Company at that time.

The Company and subsidiaries are currently involved in pending litigations, claims and investigations arising out of the normal course of business. For the cases where the Xellia Group has an uncapped, infinitive indemnification right from the former owners of the Group, management has taken this into consideration in determining the appropriate provision. Management does not expect any pending claims or investigations to have a material impact on the Companys financial position, operating profit or cash flows.

The Company is jointly taxed, together with the Danish companies in the Novo A/S group.

Under the Danish tax regime all Danish companies are jointly and severally liable to the Danish tax Group's tax payments.

Xellia Pharmaceuticals ApS has provided guarantees for subsidiaries in transactions that are part of their operating activities.

Operating lease obligations

Lease obligations (operating leases) falling due within 3 year total DKK 2,487 thousand (2014: DKK 2,867 thousand).

Guarantees

The Company has granted guarantees to third parties of total DKK 315 thousand (2014: DKK 315 thousand).

17 Currency and interest rate risks and the use of derivative financial instruments

The company has entered into foreign exchange contracts. The contracts amount to MUSD 78.9. The negative market value compared to the contract rate amounts to approximately MDKK -17.6 (2014: MDKK -13.6). The negative market value has been posted as other payables MDKK -18.4 and other receivables MDKK 0.8.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

18 Related party disclosures

Parties exercising control

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

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

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

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

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 ApS
Dalslandsgade 11, DK-2300 Copenhagen S

19 Disclosure of events after the balance sheet date

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