xellia
PHARMACEUTICALS

Corporate Report **2014**

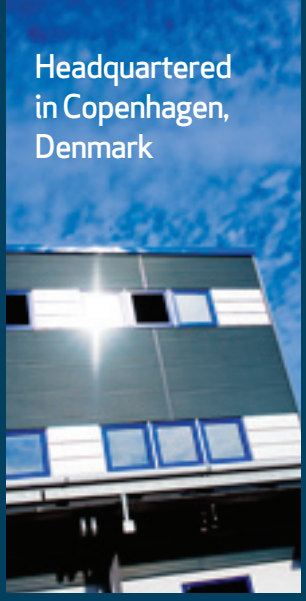
Contents

Forward-looking statement

This report contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of New Xellia Group A/S ("Xellia"). These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future.

Xellia at a glance

Xellia is a specialty pharmaceutical company focused on providing **important anti-infective treatments** against serious and often life-threatening infections

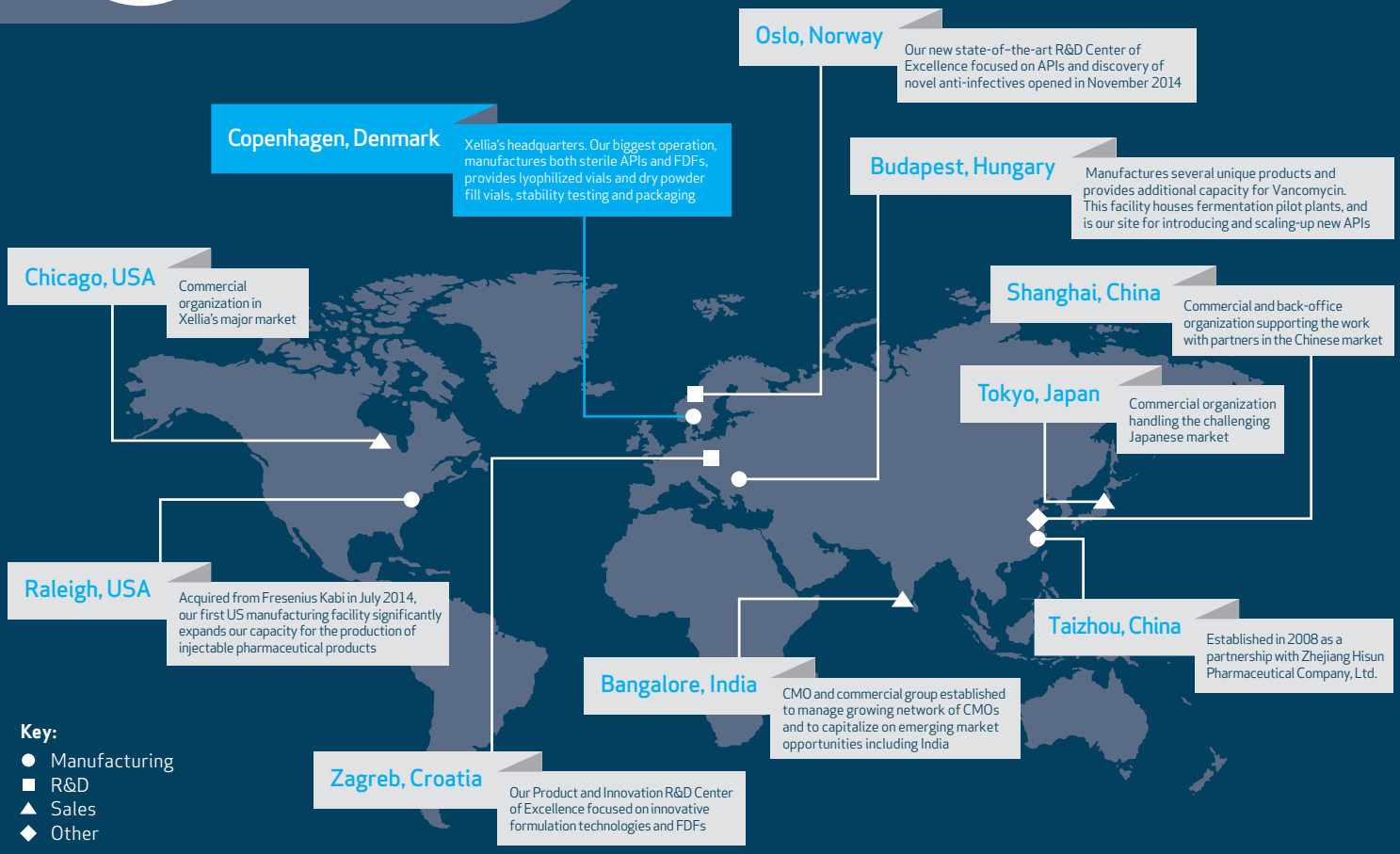


Headquartered in Copenhagen, Denmark

Owned by Novo A/S since July 2013

novo

Xellia is developing novel antibiotics effective against resistant species in partnership with **SINTEF Materials and Chemistry** and the **Statens Serum Institut** supported by a grant from the **Research Council of Norway**



Xellia is the **leading supplier** of important anti-infectives Vancomycin and Colistimethate Sodium (CMS)

1000

Xellia has over **1,000** employees in eight countries around the world

500

We supply our anti-infective products to more than **500** pharmaceutical companies in over **70** countries

100

Over **100** years' experience in the development, manufacture and supply of generic fermented and semi-synthetic APIs and FDFs

2014 highlights

2014 was an important year of strategic investment and growth for Xellia. It was also our first entire year of operations under the ownership of Novo A/S, a committed long-term investor with life science sector insights, and governance by our independent Board of Directors.

While Xellia's business has always been grounded in the development, manufacture and supply of important generic anti-infective active pharmaceutical ingredients (API) and injectable finished dosage form (FDF) products, we are progressively re-shaping our business. During 2014 we decided to increase and refocus our resources on developing a balanced portfolio of more innovative and proprietary anti-infective products. We continue to produce generic anti-infectives; however during the year we discontinued certain activities in adjacent therapeutic areas that were not core to our business in order to prioritize our efforts within innovative anti-infectives.

> "IN 2014 WE ESTABLISHED A STRONG PLATFORM FOR THE GROWTH OF OUR BUSINESS"
>
> CARL-ÅKE CARLSSON
> CHIEF EXECUTIVE OFFICER
> XELLIA PHARMACEUTICALS

Operations

In 2014 we made excellent progress strategically despite some operational challenges. Expansion of the business to better serve our customers and to increase our focus on R&D and innovation were significant objectives for us this year.

In July we acquired a dedicated lyophilized (freeze-dried) vial manufacturing facility in Raleigh, North Carolina from Fresenius Kabi. We have been in partnership with Fresenius Kabi for many years as a preferred, trusted supplier of APIs and the acquisition includes a continuous manufacturing and supply agreement. Raleigh is Xellia's first facility in the US. It was a great opportunity for us to expand in this market and to provide a better service of supplying FDF products for our US customers.

During 2014 we commenced supply of several injectable anti-infectives to customers in the US following approvals from the US FDA. Our Copenhagen, Denmark lyophilized vials manufacturing facility played a key part in this respect, and during the year we continued to focus on expanding our vial manufacturing facilities in Copenhagen as well as the new facility in Raleigh, NC in order to be able to meet customer demand.

I would also like to highlight that this year we maintained our impeccable compliance track record with the regulators across all manufacturing facilities, in what continues to be a challenging environment for the pharmaceutical industry. In 2014, we have continued to build on the sustainability program initiated in 2013 across our manufacturing sites aimed at improving energy efficiencies and carbon footprint for our products.

During the year we completed the relocation of our new state-of-the-art R&D Center of Excellence in Oslo, Norway, and have extended and doubled capacity at our Product and Innovation R&D Center in Zagreb, Croatia. In October, the Zagreb R&D Center was honored to receive a visit from HM The Queen Margrethe II of Denmark and HRH The Prime Minister Consort, together with the Danish Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen during a State visit to Croatia. Xellia was one of only three Danish companies selected for inclusion in the visit. During a tour of the laboratories the importance of the role Xellia has played in the battle against infectious diseases and Xellia's heritage in antimicrobial products was discussed.

We welcomed Mads Bodenhoff, Anders B. Spohr and Geelanie Briones to the Xellia Executive Management team. Mads joined us from Novozymes as Chief Financial Officer and Vice President, Anders is Vice President Global Product Supply and previously held a similar role at LEO Pharma, and Geelanie is the new Vice President Quality and Regulatory Affairs, joining Xellia from Sandoz.

Although we were pleased with the progress made this year, we also experienced operational challenges affecting a production line at our Copenhagen, Denmark facility, which temporarily reduced our ability to supply certain products to our customers and also incurred additional operating costs. We immediately implemented measures to resolve the resulting supply issues and maintain our record as a reliable supplier. We will continue to invest in our technology and equipment and have developed a plan for continuous upgrades to minimize any future possibility of supply disruptions.

2014 highlights continued...

The combination of the operational challenges and the increase in resources spent on expanding our injectable vial manufacturing facilities in Copenhagen and Raleigh to meet customer demand negatively impacted the Company's profitability for the year and will also have an impact in 2015. Despite this we were able to achieve our overall performance indicators and meet customer requirements and expectations at a satisfactory level.

Products and markets

Our generic anti-infective business is built to meet the immediate and long-term requirements of our customers comprising branded, specialty and generic pharmaceutical companies in more than 70 countries around the world. 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 and the FDF.

The ratio of API and FDF products sold in 2014 was 66.7% to 33.3% respectively, moving towards our longer-term strategic aim for a more balanced figure with 50% of sales originating from APIs and 50% from FDFs. The transition to the supply of FDFs allows us to help simplify and streamline the supply chain for our customers by providing a final product.

We are constantly extending the range of products that we offer our customers, completing 13 filings in 2014. In 2015, we are expecting this momentum to continue with approximately 10 planned applications. In the medium term the number of filings will be reduced as a consequence of our refocused strategy to develop more proprietary products. Underpinning this strategy is our commitment to provide excellent quality and service to our customers and continuing improvements to our manufacturing processes and capacity.

Innovation

With the continued investment in innovation, we are extending our R&D to focus on improving the efficacy, safety profile and reducing the side effects of existing anti-infectives and developing new drugs to help tackle the global crisis of antimicrobial resistance. We have embarked on an ambitious path to develop a pipeline of unique and proprietary anti-infective products starting with line extensions based on improved formulations, drug-device combinations and in the long term new anti-infective compounds.

We appointed an eminent Scientific Advisory Board in 2014 to support us as we increase the breadth of our science beyond manufacturing of anti-infective generics to support more innovative product developments. The Board, which is chaired by Professor George E Griffin, Emeritus Professor of Infectious Disease and Medicine at St George's, University of London, UK had its inaugural meeting in December. It brings together leading international scientific advisors with expertise in infectious diseases, clinical microbiology, respiratory medicines and pharmaceutical research and development.

In February 2013 we announced a four year collaboration with prestigious research groups at SINTEF Materials and Chemistry, based in Trondheim, Norway, and the Statens Serum Institut in Copenhagen, to identify and develop new antibiotics effective against multi-drug resistant, Gram-negative bacteria. The project is supported by a 3 MUSD grant from the Research Council of Norway and incorporates contributions from other laboratories across Europe. Research continues to progress well and we hope to be able to achieve the project aim with the identification of new anti-infective drug candidates.

In 2010 we formed Pharmaero ApS, a joint venture with Scandinavian Health Ltd, a significant player in the injectable device space, to address unmet medical needs in providing anti-infective treatments localized to the lung and respiratory tract. In 2014 we continued the development of drug-device combination products providing liquid anti-infective formulations for inhalation used for the treatment of *Pseudomonas aeruginosa* infections in cystic fibrosis patients. Further clinical studies are planned for 2015, and beyond.

Outlook for 2015

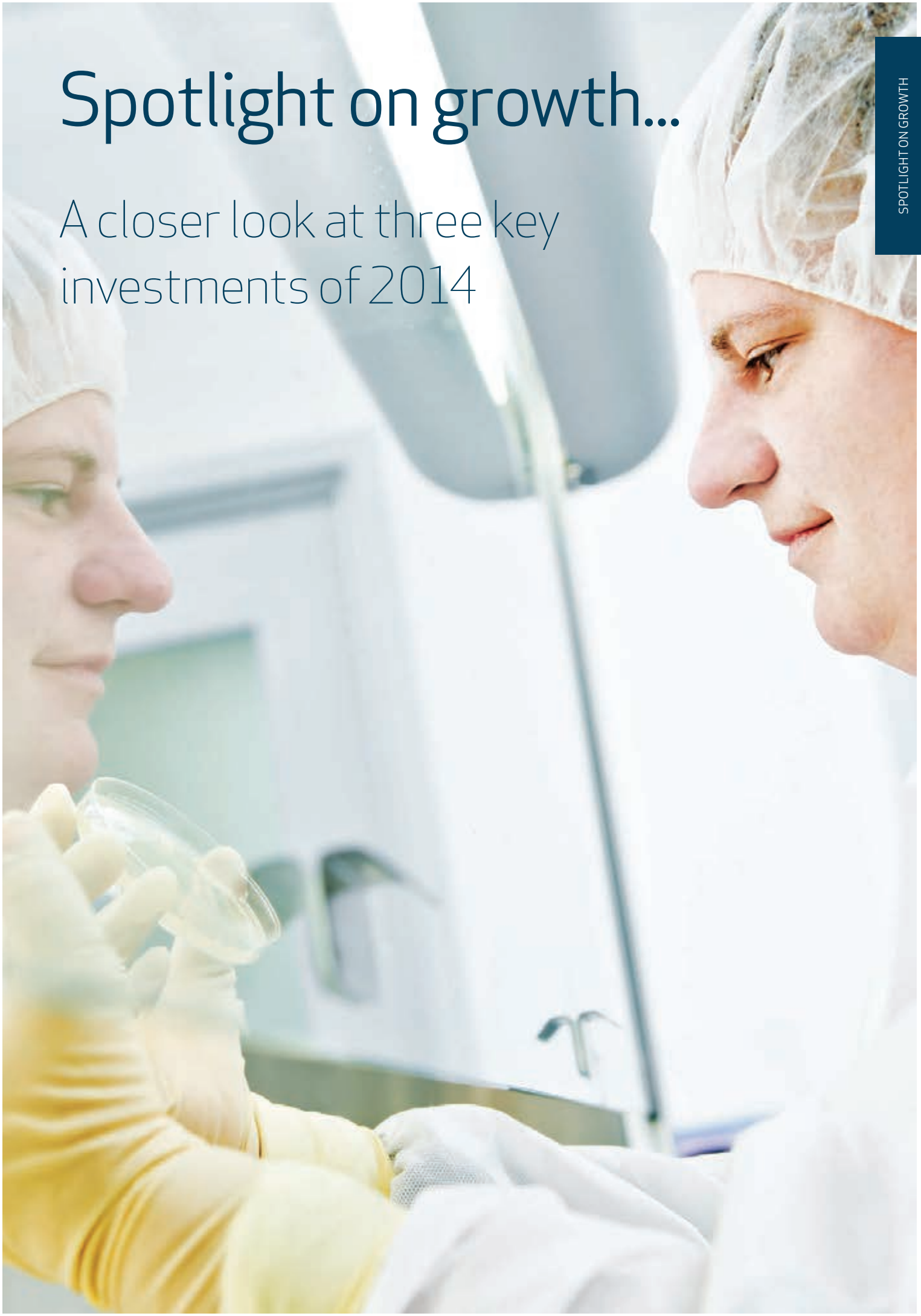
As we look ahead we will continue to build on the strong platform for growth that we established in 2014. Going the extra distance to place our customers at the center of everything we do, and innovation in R&D will continue to drive the Group's progress, maintaining and extending our leadership position in the development, manufacture and supply of critical and life-saving anti-infectives.

In closing, I would like to take this opportunity to thank all of our customers for their support, the Board for their counsel and every member of the Xellia team for their dedication which has made 2014 such a pivotal year. We have developed an ambitious strategy for further development and growth, and we are excited about the future potential for the Group in 2015, and beyond.

Carl-Åke Carlsson
CEO

Spotlight on growth...

A closer look at three key investments of 2014



Spotlight on...
Raleigh, NC, USA
First US manufacturing facility

In July we acquired our first US manufacturing site. The facility provided a great opportunity for us to expand our manufacturing capabilities into the US, a key market for Xellia, and to better serve our US customers. The Raleigh site is located close to Research Triangle Park, a world famous biotech and pharmaceutical hub.

90

Employees

Capabilities

Manufacture of lyophilized injectable anti-infective products

Xellia is committed to increasing its employees at the site by almost **50%**.

Spotlight on...
Oslo, Norway
R&D Center of Excellence for APIs

We opened a new active pharmaceutical ingredients (API) R&D Center of Excellence in Oslo, Norway in November. The new 1,900 m^2 state-of-the-art facilities are being used to develop new products, and to improve the manufacture and continuity of supply of existing products used in treatments of serious, life threatening infections.

50
Employees

Capabilities

- Development of new fermentation and semi-synthetic based APIs
- Development of novel and improvement of existing producing microbial strains
- Identification and implementation of process improvement opportunities in the upstream and downstream manufacturing process
- Discovery of new hit and lead compounds to target multi-drug resistant Gram-negative bacteria

The research team is working with scientists at SINTEF Materials and Chemistry (Trondheim, Norway) and the Statens Serum Institute (Copenhagen, Denmark) on the projects to discover new chemical entities supported in part by a grant from the Research Council of Norway.

Spotlight on...
Zagreb, Croatia
Product and Innovation Center of Excellence for FDFs

In June we completed work to significantly expand our Product and Innovation R&D Centre in Zagreb to a footprint of more than 1,250 m^2 including 650 m^2 of state-of-the-art laboratories. The team in Zagreb focuses on the development of new generic and innovative proprietary anti-infective products and formulation technologies to combat serious bacterial and fungal infections, including antibiotic resistant varieties.

40

Employees

Capabilities

- Development of new generic and innovative proprietary anti-infective products
- Identification and implementation of process improvement opportunities focusing on advanced formulation technologies
- Development of proprietary line extensions based on innovative improved formulations, novel drug-device combinations, new drug comibations and novel indications for existing products (New Therapeutic Entities, NTEs)
- Enhancements to and revival of the use of existing important last-line anti-infective treatments for multi-drug resistant bacteria

HM The Queen Margrethe II of Denmark and HRH The Prince Consort together with the Danish Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen visited the site on Wednesday 22 October during a State visit to Croatia. Xellia was one of only three Danish companies selected for inclusion in the visit.

Business overview

Customer focus

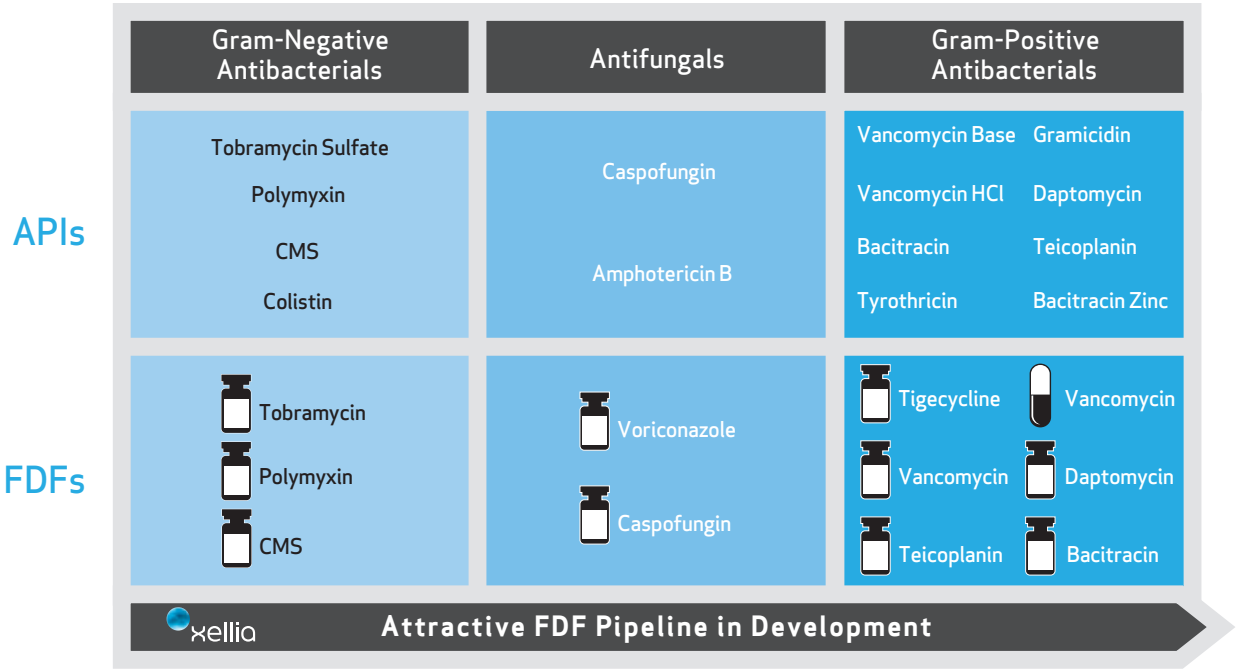
Xellia aims to be the preferred partner for global supply of fermented and semi-synthetic anti-infectives for critical care to the pharmaceutical industry and continues to focus strongly on its customers. We believe in building strong and lasting relationships with our broad customer base through our commitment to providing first-class products, excellent quality and service.

Our customers consist of branded, specialty and generic pharmaceutical companies in more than 70 countries who rely on us to ensure continued supply thereby protecting their reputation and patients. The success of our business is based on customer satisfaction and loyalty, demonstrated by longstanding and often multi-product repeat orders.

We ensure that our industry-leading supply capability for our core anti-infective products, as well as our outstanding technical services evolve to meet the challenges our customers face in the ever-changing healthcare landscape. We work closely with customers to help them in developing their products for their markets and needs.

While the origins of our business started with the supply of quality fermented difficult-to-manufacture APIs, we are now strongly focused on adding value for our customers by providing the final dosage form.

This approach is now central to our business as it provides major benefits to our customers through convenience and streamlining of the supply chain, reducing logistical costs, while enabling them to meet their market needs. The majority of FDFs in Xellia's portfolio are injectables; however we also develop other forms when they are important for our key products. Other delivery forms include creams, ointments and inhalation devices. We are continually expanding our FDF product portfolio.



Products protected by valid patents are not offered for sale in countries where the sale of such products constitutes a patent infringement.

Key Capsules Vials

Anti-infectives:
Our core product offering

Anti-infectives are a cornerstone of modern medicine. Xellia's anti-infective treatments are generics that combat serious bacterial and antibiotic-resistant infections and certain fungal diseases. As "tried and tested" medicines generics are typically available at significantly lower costs than their brand equivalents. As a result of the need to control rapidly rising healthcare costs in developed countries, and the inability of patients in developing countries to afford live-saving medicines, Xellia's anti-infective products are becoming increasingly important for global health.

An example of the relevance of an "old" drug which is still providing a meaningful solution is Vancomycin, of which we are the leading global industry supplier. This drug is still considered the gold standard treatment for certain Gram-positive bacteria, including methicillin-resistant strains of *Staphylococcus aureus* (MRSA), *Streptococci spp.* and *Clostridium difficile*. Despite the availability of newer compounds, Vancomycin remains the "last resort" antibiotic in the treatment of severe staphylococcal infections where other antibiotics cannot be used due to patient intolerance or drug resistance.

Xellia is renowned for its expertise and innovative approach, specializing in difficult-to-manufacture and develop anti-infectives.

Our core capabilities support the discovery, development, manufacture and continuity of supply of treatments for serious and life-threatening diseases. Our R&D teams are constantly evaluating and developing technologies that enhance our processes and products, and optimize manufacturing.

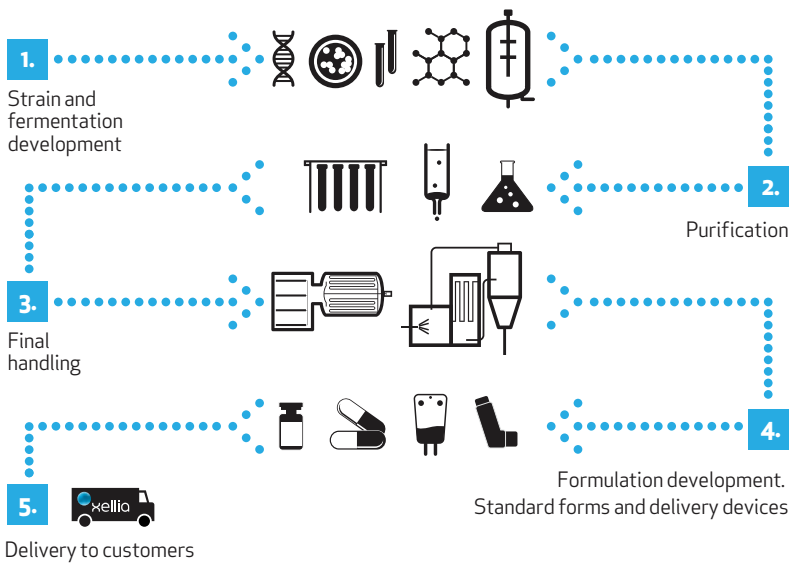
In addition to the manufacture and supply of generic anti-infectives we decided to increase and refocus our resources in 2014 to develop a balanced portfolio of more innovative and proprietary anti-infective products.

>10% OF REVENUE IS INVESTED IN R&D

In June we completed work to significantly expand our Product and Innovation R&D Centre in Zagreb, Croatia. (page 8). We also relocated and opened a new API R&D Center of Excellence for APIs in Oslo, Norway in November (page 7).

To guide us in this extension of our scientific capabilities we appointed a Scientific Advisory Board (page 13-14). The Board brings together leading international scientists and clinicians with expertise in infectious diseases, clinical microbiology, respiratory medicines and pharmaceutical research and development.

Xellia's production process – built on core capabilities



"MANY COMMON INFECTIONS WILL NO LONGER HAVE A CURE AND, ONCE AGAIN, COULD KILL UNABATED."

World Health Organisation (WHO) 2013

Anti-infectives: Innovation

Developing improved drugs

Certain drugs in our portfolio which are effective against Gram-negative bacteria such as the polymyxin class which consists of polymyxin B and Colistimethate Sodium (CMS), a derivative of colistin (polymyxin E) have been used for over 60 years without developing a significant microbial resistance. However, they are often a last-line treatment due to elevated nephrotoxicity which affects kidney function and is therefore not ideal for systemic treatment of multi-drug resistant infections. Xellia's innovative R&D team is working in partnership with scientists at SINTEF Materials and Chemistry, Norway and Statens Serum Institut, Denmark to extend the use of this class of polymyxin drugs by reducing the toxicity and side effects, thereby making them safer and more suitable for intravenous use.

In addition, through in-house programs and partnerships we are developing unique and innovative Drug Delivery Systems with proprietary drug-device combinations. As an example, to address unmet medical needs in the treatment of respiratory infections we founded Pharmaero in 2010. Pharmaero is a 50:50 joint venture with Scandinavian Health Ltd to develop novel aqueous droplet inhalation (ADI) devices to provide anti-infective treatments localized to the lung and respiratory tract for out-patient use.

Building an anti-infective pipeline

Over the past 30 years, no major new class of antibiotics has been discovered with very few antibiotics from existing classes being approved by the regulatory agencies. With this in mind we announced a four year collaboration in 2013 with SINTEF Materials and Chemistry, the Statens Serum Institut with contributions from other laboratories across Europe to identify and discover new antibiotics effective against multi-drug resistant, Gram-negative bacteria.

> "DRUG-RESISTANT INFECTIONS ALREADY KILL HUNDREDS OF THOUSANDS A YEAR GLOBALLY, AND BY 2050 THAT FIGURE COULD BE MORE THAN 10 MILLION. THE ECONOMIC COST WILL ALSO BE SIGNIFICANT, WITH THE WORLD ECONOMY BEING HIT BY UP TO $100 TRILLION BY 2050 IF WE DO NOT TAKE ACTION."
>
> Jim O'Neill, Chairman of the Review on AMR 2014

The fight against antimicrobial resistance

While anti-infectives have saved millions of lives worldwide, some of these drugs are losing their effectiveness due to antimicrobial resistance, caused by a microbe's natural ability to evolve genetically and thereby counter the effects of these drugs.

Antimicrobial resistance is now recognized as one of the world's most serious threats to human health. Infections from resistant bacteria are becoming increasingly common, and some pathogens also known as "superbugs" have even become resistant to multiple types or classes of antibiotics. This means there are fewer, or sometimes no effective treatments available for infections caused by these multidrug resistant (MDR) microbes.

The loss of effective antibiotics will reduce our ability to fight infectious diseases and manage the complications or secondary infections common in vulnerable patients such as immunosuppressed patients or ageing populations.

Scientific Advisory Board

The Scientific Advisory Board is crucial to ensuring the success of our new focus in innovative anti-infectives. The Board brings together leading international experts in infectious diseases, clinical microbiology, respiratory medicines and drug research and development. The insight and guidance provided by the Board will combine with Xellia's specialist expertise to support innovations in anti-infective discovery and development.

Professor George E Griffin

Emeritus Professor of Infectious Disease and Medicine at St George's, University of London, UK

Professor Griffin is a world renowned expert in infectious diseases. His work has involved developing cellular, molecular and whole body research aimed at defining how humans adapt to infection with TB and HIV. In addition he has used vaccination in humans to define normal and perturbed immune response.

Professor Griffin has held a number of appointments on the Wellcome Trust and MRC grants committees and was part of the Gates Grand Challenge grant awarding committee.

He is Chairman of the Advisory Committee in Dangerous Pathogens, responsible for advising the British Government.

"XELLIA HAS ATTRACTED AN IMPRESSIVE BOARD OF SCIENTIFIC AND CLINICAL ADVISORS WHICH I AM PROUD TO CHAIR. ANTIMICROBIAL RESISTANCE IS A HUGE AREA OF UNMET MEDICAL NEED AND ONE OF THE GREATEST THREATS TO HUMAN HEALTH. BY WORKING TOGETHER, WE CAN FOCUS ON OVERCOMING THE CHALLENGES ASSOCIATED WITH DEVELOPING IMPROVED, AND NEW DRUGS TO COMBAT THESE SERIOUS BACTERIAL AND FUNGAL INFECTIONS."

Professor George Griffin
Chairman of the Scientific Advisory Board

Dr Andreas Rummelt

Member of Xellia Board of Directors supporting R&D. Also CEO and Partner at InterPharmaLink AG, Basel, Switzerland

Dr Rummelt's international career in pharmaceuticals has focused in the areas of pharmaceutical development, generics, manufacturing and quality.

He has served more than twenty years in executive management positions in the industry.

Professor Gerhard Winter

Department of Pharmacy, Ludwig Maximilian University of Munich, Germany

Professor Winter is an expert in formulation development and delivery of biopharmaceutical drugs, colloidal drug carriers, parenteral process technologies and lyophilization.

Before moving to academia, he spent more than 12 years working in the pharmaceutical industry. During this time he was responsible for market formulations of erythropoietin, ibandronate and reteplase and led a formulations research team on parenteral drugs, focusing on biotech products.

Scientific Advisory Board continued...

Professor Christoph Tang

The Sir William Dunn School of Pathology, University of Oxford, Oxford, UK

Professor Tang leads a research group which is focused on defining the mechanisms of important bacterial pathogens that cause disease in humans, and applying these findings to the development of vaccines and therapeutics.

His research group has a number of prestigious collaborations with institutes in the UK, Europe and the US and Professor Tang has published over 100 papers in peer-reviewed journals.

Dr Tania Pressler

Chief Attending Physician, Rigshospitalet, Copenhagen, Denmark

Dr Pressler has been working in Cystic Fibrosis since 1982 and is the Consultant Physician at the Julianes Maries Center, Outpatient Clinic for Cystic Fibrosis and other chronic lung diseases in children at the Copenhagen University Hospital, and Director of the Copenhagen Cystic Fibrosis Centre for both children and adults.

In addition to clinical responsibilities, Dr Pressler holds a research position at the Department of Clinical Microbiology where she is involved in a number of research projects and international collaborations.

Professor Anne O'Donnell

Professor and Chief, Division of Pulmonary, Critical Care, and Sleep Medicine, Georgetown University Hospital, Washington DC, USA

Professor O'Donnell has particular interests pulmonary diseases, with special focus in bronchiectasis, respiratory infections including nontuberculous mycobacterium, sleep apnea and sleep disorders, cystic fibrosis and non-invasive ventilation.

Professor Arjana Tambić Andrašević

Head of the Department of Clinical Microbiology at the University Hospital for Infectious Diseases, Zagreb, Croatia

Professor Andrašević is active in many national and international organizations and committees.

She is President of the Croatian Society for Clinical Microbiology, the Croatian Committee for Antibiotic Resistance Surveillance and the Interdisciplinary Section for Antibiotic Resistance Control at the Croatian Ministry of Health.

She is also the national representative for a number of prominent European antibiotic and antimicrobial resistance initiatives.

Professor Keith S Kaye

Division of Infectious Diseases and Department of Medicine at Wayne State University and Detroit Medical Center, Detroit, USA.

He is also the Corporate Medical Director of Hospital Epidemiology and Antimicrobial Stewardship for both institutions.

Professor Kaye's academic interests are the epidemiology of and outcomes associated with multi-drug resistant bacteria; infections in the elderly; surgical site infection; device-related infections and antimicrobial stewardship. He is currently a Principal Investigator on a multi-center NIH-funded contract studying colistin-based therapy for infections due to extremely drug resistant Gram-negative bacilli.

Professor Kaye has authored over 100 peer-reviewed articles and 15 book chapters.

Corporate responsibility

Xellia and corporate responsibility

At Xellia we value integrity and openness, and are committed to a high level of compliance in all aspects of our work. As a global business with international customers it is vital that we have a uniform set of standards that can be applied to our business regardless of the country in which we operate.

Over the following pages we have provided an overview of our corporate responsibility activities and performance, focusing on economic, environmental and social areas. Our corporate responsibility program is at an early phase. We are actively working to expand our corporate responsibility policies across the entire business and to update or introduce systems and platforms that will progress our corporate responsibility practices further. In future reports, we aim to report more measurable goals to track our performance over the coming years. We also continue to work on alignment of the content in this report with the relevant standards on sustainability reporting produced by the Global Reporting Initiative (GRI).

In 2014 we established a Corporate Social Responsibility (CSR) steering group headed by our CEO and with participation of senior management representatives from functions including Operations, Human Resources, EHS (Environment, Health and Safety), Communication and Legal. The role of the group is to monitor and follow up on the progress of corporate responsibility initiatives across different areas of our business.

The following part of this report meets the requirements in Section 99a of the Danish Financial Statements Act (Årsregnskabsloven) with respect to CSR reporting and constitutes part of the annual report of New Xellia Group A/S and Xellia Pharmaceuticals ApS (our Danish operating subsidiary).

Economic sustainability

Continuing sustainable growth and development, and the protection of our employees is paramount to our future success. Many internal and external stakeholders rely on us to maintain a consistent supply of high quality products and to invest and borrow wisely to create a strong and stable business.

Continuity of production

The sustainable production of anti-infectives for critical care forms the foundation of Xellia. We ensure consistent and continuous manufacture and supply of the products that our customers rely on from our global production sites through:

- Rigorous monitoring of quality and manufacturing systems
- Investment in new capacity and equipment
- Improvement of existing products and processes

In the full year of 2014, we invested 17 MUSD in tangible assets to increase and improve our production capacity.

We also invested in significant expansion of our Product and Innovation R&D Centre of Excellence in Zagreb, Croatia as well as new state-of-the-art facilities for our API R&D Centre of Excellence in Oslo, Norway which replaced the R&D center at the former manufacturing site in Oslo.

In addition, in 2014 we acquired a dedicated lyophilized (freeze-dried) vial manufacturing facility in Raleigh, North Carolina from Fresenius Kabi. The manufacturing site is our first facility in the US and significantly expands our manufacturing capacity for injectable pharmaceutical products.

THE SUSTAINABLE PRODUCTION OF ANTI-INFECTIVES FOR CRITICAL CARE FORMS THE FOUNDATION OF XELLIA

Xellia and corporate responsibility

continued...

Financial stability

We believe that a stable and sustainable business benefits us all and we work hard to ensure financial sustainability. The acquisition of Xellia by Novo A/S in July 2013 enabled all major loan facilities to be repaid in full, which has placed us in a strong financial position; enabling us to invest in future growth plans to create long-term value.

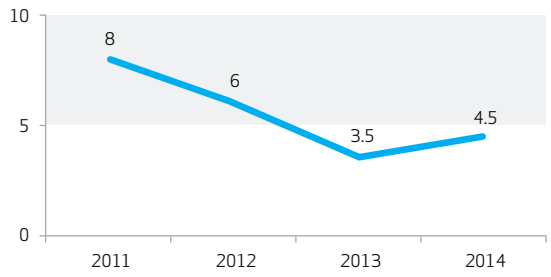
High level of health protection and occupational safety

At Xellia, we constantly strive to create a healthy, safe and secure working environment for our more than 1,000 employees and are committed to maintaining high standards of occupational health and safety across all of our locations. We have adopted an Environment, Health and Safety (EHS) policy which sets out our key principles for EHS management and detailed EHS standards that we apply across our manufacturing sites.

As a pharmaceutical manufacturing company producing anti-infectives our operations involve certain inherent risks. We promote a culture where these risks are clearly recognized and mitigated, and employees take personal responsibility for their safety.

We apply the internationally recognized OHSAS 18001 standard which provides an occupational health and safety framework from which to implement effective management and control associated risks. In 2014, our Budapest, Hungary facility and Taizhou, China remained certified under OHSAS 18001 and our Copenhagen, Denmark facility completed the first certification.

We are responsive in accident reporting and in ensuring that we take action to prevent reoccurrence. We use the OHSAS standard to measure the frequency of occupational accidents. One of our corporate KPIs in 2014 was to keep the frequency of work-related accidents at all our sites below 8.0 per 1,000,000 working hours, which was achieved. In 2014 we also established a long-term target to reduce the maximum frequency of work-related accidents to 5.0 in 2020.



Recordable injury rate
(accident frequency rate per 1,000,000 working hours)

Xellia and corporate responsibility

continued...

Environmental responsibility

We understand the importance of preserving our environment and natural resources today and in the future. We accept that the responsibility lies with us to minimize the impact we have on the environment. We comply with all relevant laws, regulations and our own EHS policy and standards. In addition, we are constantly looking for ways to improve our operations, products and services as well as using chemicals and natural resources responsibly. With careful management we can grow our business, increase production volumes, but still reduce our environment impact.

Management systems

In addition to our overall EHS policy we have developed and applied detailed EHS standards and standard operating procedures to ensure the quality of the EHS management system across our production and R&D facilities. Our three production sites in Europe and China are certified under the internationally recognized ISO 14001 environment management system. Our new facility in Raleigh, North Carolina is not ISO 14001 certified, however, since the acquisition in July 2014 we have worked to include the site under our EHS management and reporting systems.

Environmental compliance

Environmental compliance is a central pillar of our business and we strive for complete adherence to all environmental laws and regulations. Over the past three years we incurred environmental fines relating to two issues but have worked hard to address how these incidents occurred and to introduce improved procedures to prevent them from occurring in future; in 2014 we received no fines related to environmental non-compliance.

Stakeholders

We know that the impact of our business can stretch beyond the boundaries of our production and R&D sites around the world and encourage open, reliable communication on environmental matters with all stakeholders both internally and externally. Most of our sites are located in urban areas and we work to minimize any negative impact on the people living in close proximity to us. We receive very few complaints regarding odor and noise from our local community; in 2014 we did not receive any complaints at any sites. We take complaints very seriously and have implemented measures to ensure that we remain good neighbors to the communities in which we are based. We constantly monitor noise levels from machinery and take steps to limit noise and odor wherever possible.

Identifying environmental risks to minimize incidents

The manufacture, quality control and development of anti-infectives involve the use of certain hazardous materials and processes from which there is an inherent risk to the environment. By understanding and identifying these risks we have implemented standards and policies to protect the environment by preventing incidents before they can take place.

We are committed to the identification and prevention of potential environmental accidents. As in previous years, in 2014 it was a corporate KPI to avoid all major environmental incidents across our global production sites which we achieved. We did, however, experience a total of six minor environmental incidents at our production sites in Copenhagen, Denmark and Budapest, Hungary. There was no impact to the environment due to these incidents. It is our ambition to prevent any environmental incidents and we have performed thorough analysis of the causes of the incident that occurred in 2014 as well as action plans to prevent reoccurrence.

We are building a risk-aware culture amongst our employees and encourage a sense of personal responsibility towards preventing incidents. All sites incorporate emergency response and crisis management programs into management plans. These programs ensure that if incidents do occur they are effectively managed and that any impact on the environment, the local community and our business is minimized.

Xellia and corporate responsibility

continued...

Carbon footprint and sustainability

We take a collective approach to sustainability and encourage our employees to take an active interest in minimizing the impact of our operation on the environment. In 2014, we continued the sustainability program that we commenced in 2013 which includes publishing regular "Xellia Green Info" newsletters. This updates the team on what is being done to meet our environmental targets and how employees can help. We welcome input, feedback and suggestions from all staff as to how we can further improve our commitment to the environment.

In previous years we have focused on the carbon footprint of our largest API, Vancomycin. In 2014 we worked with external consultants to calculate and evaluate the total carbon footprint of all products produced at each of our manufacturing sites. We completed this work in 2014 and on that basis will set short and long term targets for improving the carbon footprint of both our API and FDF production over the coming years.

Energy and water efficiency

We understand the importance of managing the use of energy and water sustainably and take our responsibility to protect this precious resource very seriously. We have established short and long term targets for improving our efficiency with respect to energy and water consumption.

All our sites employ a specialist team focusing solely on energy use and how to improve energy consumption efficiencies. Our energy consumption strategy is defined in close collaboration with each site's EHS teams, purchasing departments and engineering departments (energy management specialists). During 2014 there were ongoing energy projects at each of our sites based on new techniques and technologies to reduce energy consumption.

Our sustainable water management process is focused both on creating efficiencies in the use of water at our manufacturing sites and on improving our discharge treatment systems and implementing systematic quality controls for effluents to help preserve the availability of drinking water and to prevent any risk of contamination.

Xellia and corporate responsibility

continued...

Social responsibility

Our people make us what we are. We aim to attract the most talented, productive employees in our industry and to earn their loyalty and commitment. We support and protect our employees through comprehensive human resources processes ensuring that every employee is treated fairly and has a voice which is listened to and valued.

Improving human resources processes

Business Conduct Guidelines

The Xellia Business Conduct Guidelines, established in 2008, set out the principles that must be adhered to by all employees. The guidelines cover key areas that are essential to our business including compliance and fair dealings in relevant areas and a copy is presented to each employee on joining Xellia. In addition, all employees at manager level and above are required to certify annually that they have acted in compliance with the guidelines. Any alleged or suspected cases where the guidelines may have been violated are investigated by selected members of our corporate functions. In 2014 there were no cases of alleged or suspected violations of the guidelines.

Conflict of interest

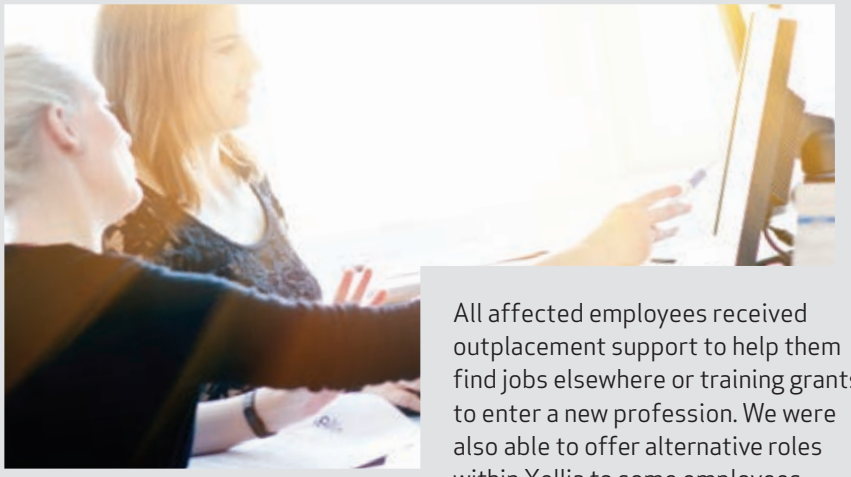
It is imperative to the maintenance of our good reputation that business decisions are made independently from conflicts of interest and on an objective basis. These decisions must not be influenced by any personal interests which employees may have, wherever in the world they work, and at whatever level of seniority they operate. We have established procedures including the pre-approval of any 'related party' transactions by the Board of Directors as well as an annual certification of compliance by all senior employees.

Anti-bribery program

We adopted an improved anti-bribery program in 2012 which aimed to reduce the risk of non-compliance. The anti-bribery program includes annual risk assessments, due diligence procedures for agents and other business partners and adoption of corporate guidelines for gifts, hospitality and entertainment. We believe that a successful anti-bribery program is spearheaded by informed, aware employees and during 2012, 2013 and 2014 ensured that all relevant parts of the organization received training in the program.

Xellia and corporate responsibility

continued...



Change, diversity and employee turnover

Managing change

Our business exists in a highly competitive, dynamic environment. Our commitment to open communication and engagement remains strong as we support employees through the internal and external changes that influence us.

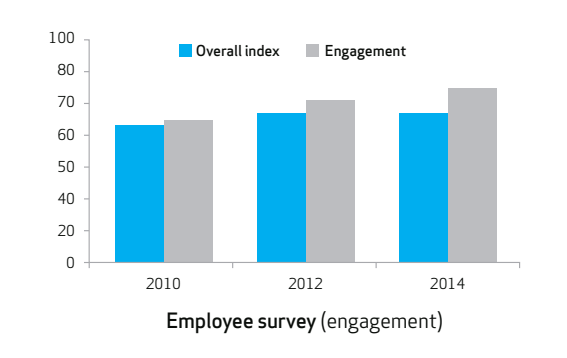
Following the transition of the manufacture of two of our anti-infective APIs from our Oslo, Norway site to our Taizhou, China site in 2013 we closed our manufacturing site in Oslo which resulted in a total of 74 redundancies in 2013 and the first quarter of 2014. We understand the emotional impact of losing a job and the anxiety around finding a new one and we have worked hard to support our people through these changes. Communicating clearly and regularly with employees was a priority throughout the restructuring process.

All affected employees received outplacement support to help them find jobs elsewhere or training grants to enter a new profession. We were also able to offer alternative roles within Xellia to some employees. Of the employees affected by redundancies in 2013 and 2014, by the end of 2014 more than 70% had either found a new job, are in education or retired.

Employee relations

We operate across diverse social backgrounds and locations where continued and constructive dialogue with our employees is important. Without this interchange, labor disputes can occur which are disruptive to our business, and affect a wide range of stakeholders beyond the working site.

We aim to foster a culture based on trust, mutual respect and communication. Our employee relations strategy encourages open dialogue with employees and external stakeholders. We support collective dialogue and negotiations with employment unions and other representative associations within the local legal framework. We have maintained good relationships with the unions and in 2014 there were no major incidents or industrial actions resulting in lost working time except for a minor occurrence at our facility in Copenhagen resulting in a total of 85 lost working hours.



Employee survey (engagement)

Employee surveys

We ask 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 2014 employee survey showed the overall index to be at the same level as in 2012. One area that showed a strong improvement was the "engagement" category. This included:

- 78% of employees responding favorably to the statement "I am proud of working at Xellia and would gladly tell people about it" (up from 73% in 2012 and 62% in 2010)
- 82% responding favorably to "I am committed to Xellia and what it stands for" (up from 74% in 2012 and 64% in 2010)

We also use the surveys to identify potential areas for improvement. In the 2014 survey it was revealed that "organizational efficiency" and "responsibility and initiatives" had less favorable responses compared to previous years.

Diversity

As a truly international company, we benefit from a diverse, multicultural workforce. Across our sites in eight countries we employ more than 25 nationalities. Although located around the world we have an integrated, open and transparent culture built on mutual respect, trust and accountability. We aim to recruit competent and motivated people who respect our values, and we in turn provide equal opportunities for their development, and protect their privacy. We do not tolerate any form of harassment or discrimination for any reason and strive to maintain a culture that provides equal opportunities for all.

Xellia and corporate responsibility

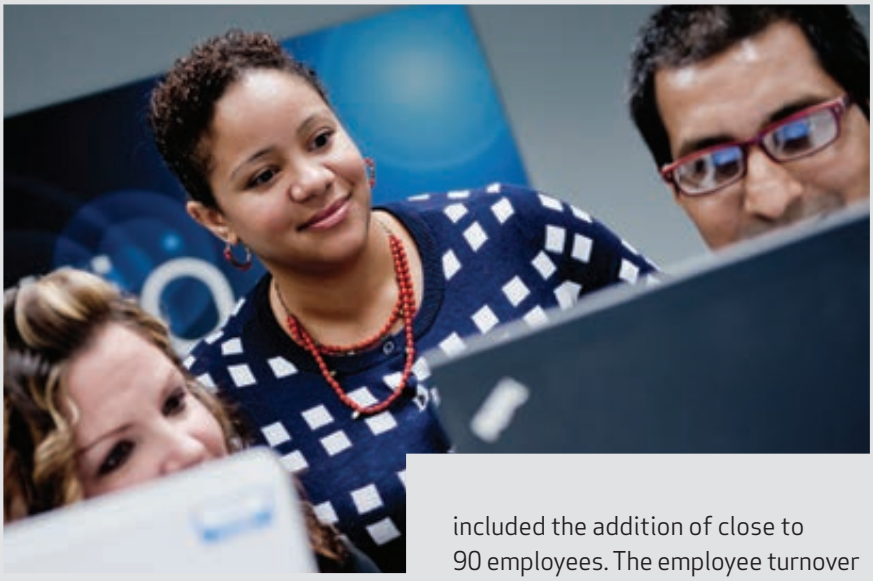
continued...

Gender diversity

Xellia is committed to building a workforce represented equally by both genders across both our management team and other management positions (directors, managers, and team-managers), and the wider Group. In 2014, for all companies in the Group there was an average of 60% male and 40% female employees. At manager level the average was 67% male managers and 33% female managers.

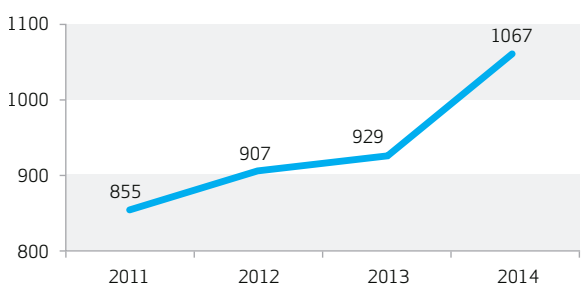
Information pursuant to Danish legislation on gender diversity

Pursuant to Danish regulations, 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. The policy includes initiatives, such as encouraging qualified women to apply for managerial positions within the Group, as well as development and succession planning initiatives, such as retention of qualified female employees, focus on work/life balance in order to create an attractive working environment, and personal development of female employees through performance reviews, feedback and leadership training. In 2014, the Danish companies in the Group had an average of 55% male and 45% female employees. At manager level the average was 59% male managers and 41% female managers.

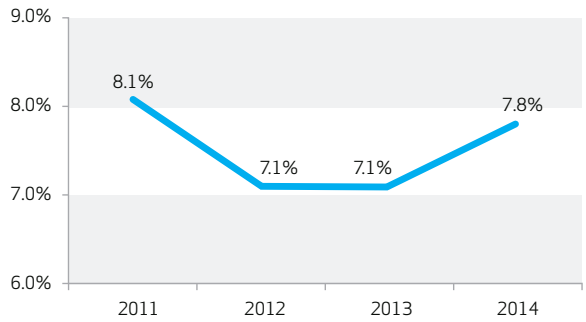


Employee Turnover

In 2014, the number of employees in Xellia increased by 138 to 1,067. The main reason for the increase was the acquisition of the Raleigh, North Carolina production facility which included the addition of close to 90 employees. The employee turnover in 2014 was 7.8%. This figure covers the rate of voluntary resignations and, therefore, does not include the employees affected by redundancies following the closing of our Oslo, Norway production site. The employee turnover rates vary between countries. The increased turnover in 2013 was mainly related to our new production facility in Raleigh and a significant increase in the turnover at our facility in Copenhagen compared to 2013. A portfolio of retention projects has been initiated to address the increased turnover rate.



Total number of employees



Employee turnover rate (voluntary resignations)

Xellia and corporate responsibility

continued...

Training and development

To remain competitive, we need to ensure that our employees have the opportunity to continually further and extend their skills and knowledge; we achieve this by providing a comprehensive range of training and development programs.

Leadership program

We value great leaders and their ability to live our values and support and motivate their teams, which is why we initiated our leadership program 'Stepping up' in 2011. The program provides a common platform for all managers to develop critical skills, approaches and values to provide inspiring leadership. The program is module based; the first several modules were completed by more than 70 managers in 2013 and new modules are planned for 2015.

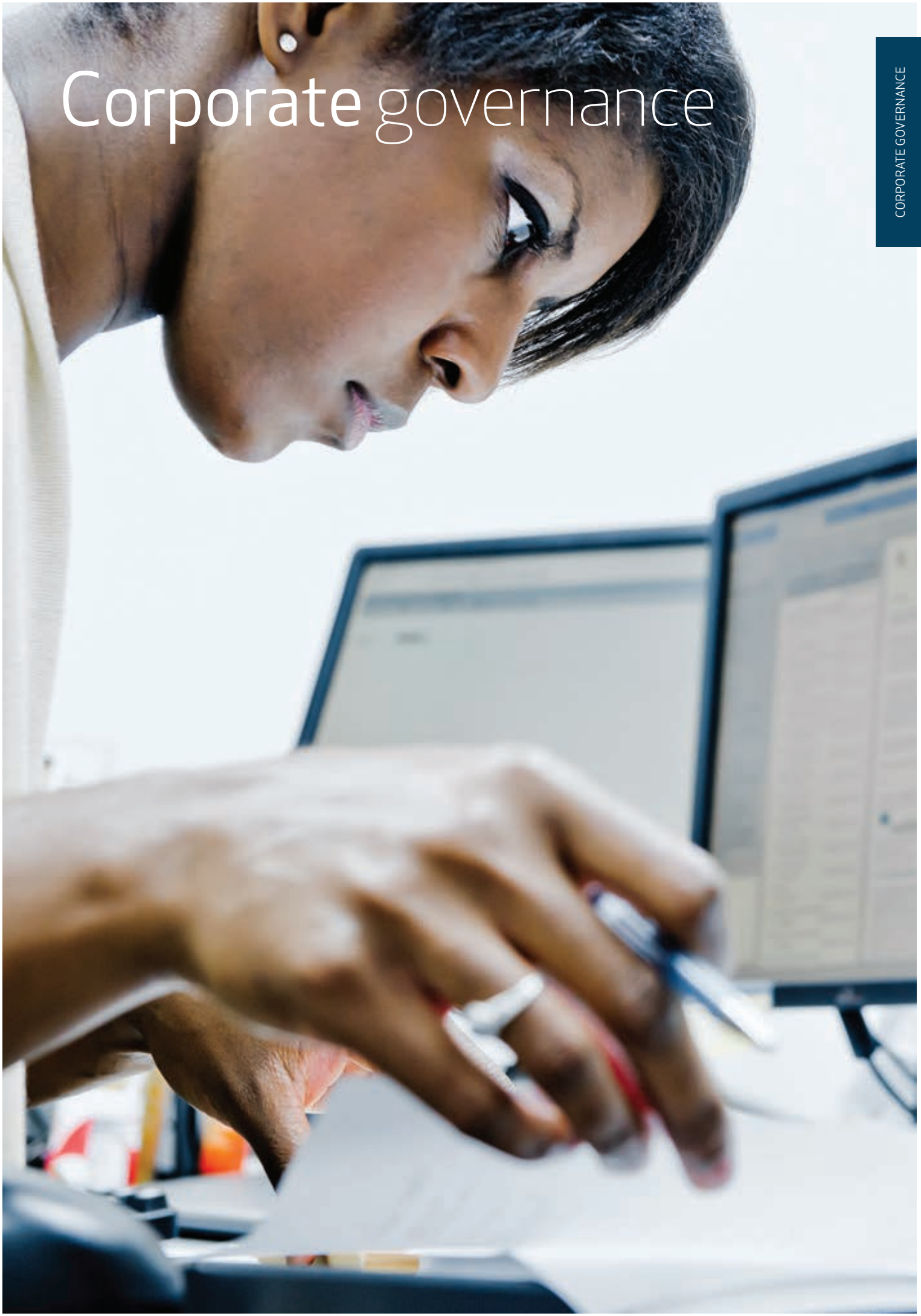
We also focus significantly on project management and in 2013 we initiated a project management development program; during 2014 three workshops were conducted with participants from various functions across the company. The program will continue in 2015.

SOS CHILDREN'S VILLAGES

Investing in good causes

We have been supporting SOS Children's Villages, an independent social development organization founded in Austria in 1949 to help children in the aftermath of World War II, for more than a decade. Since its formation the charity has grown, sending emergency teams to over 133 countries and territories and helping more than 2 million children and their families by providing a safe place to live, learn and grow up, and promoting the rights of children around the world. We chose SOS Children's Villages as our nominated charity due to its status as a non-political, non-religious, not-for-profit organization which works around the world wherever their support is needed.

Corporate governance



Corporate governance

New Xellia Group A/S has adopted a governance and management structure that allows the Group to manage its business successfully and mitigate risk on an on-going basis.

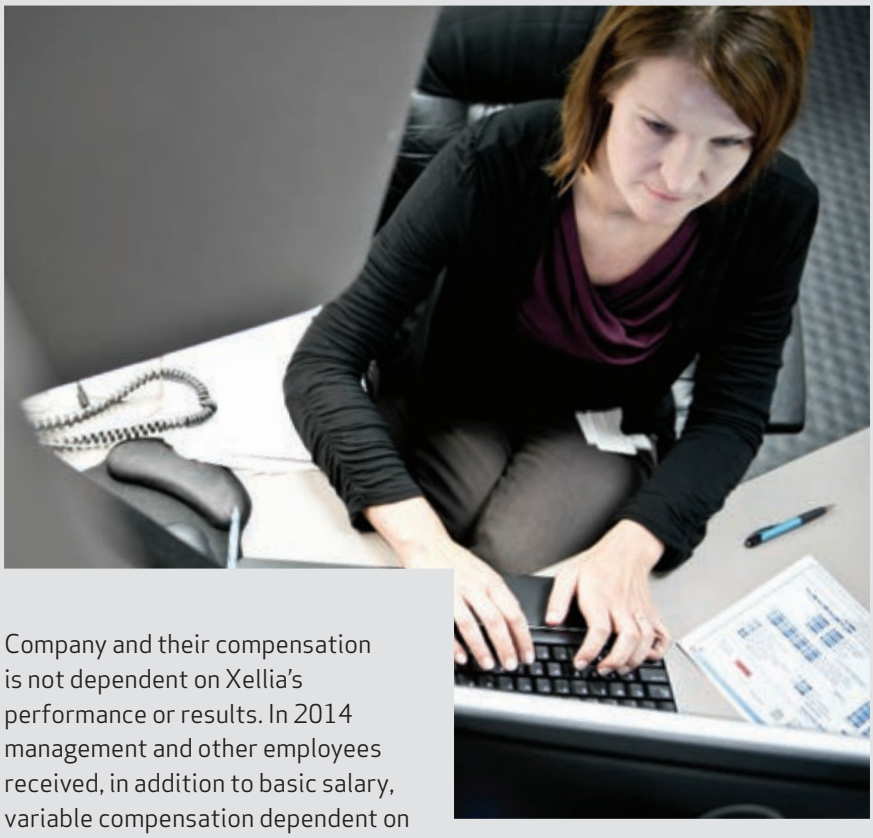
In accordance with Danish company law, Xellia has a two-tier management system comprising the Board of Directors and a Managing Director (CEO). As outlined in the Group's Articles of Association, the Board of Directors should consist of between three and six independent directors. Currently, the Board has five members; a Chairman and four independent directors. Directors are appointed for one year at a time, and can be re-elected at the annual shareholders meeting. The CEO is not a member of the Board of Directors.

The Board of Directors has adopted the Rules of Procedure for the Board of Directors which sets out the responsibilities of the Board of Directors in a number of areas. These include determining Xellia's overall strategy and actively contributing to developing the Group as a focused, sustainable, global speciality pharmaceutical company and supervising Executive Management in its decisions and operations.

The Board of Directors has also adopted an annual meeting framework consisting of six meetings annually comprising of four regular Board meetings, one end-of-year meeting to review the annual operating plan and budget for the following year and one meeting focused on the long-term strategy of the Group. In 2014 a total of nine Board meetings were held.

The Board has established a Finance and Audit Committee, consisting of members of the Board of Directors and Management, which assists the Board in areas relating to accounting, audit, internal control and financial reporting. Chaired by Benny Loft, a member of the Board, the Finance and Audit Committee held six meetings during 2014.

Compensation for the Chairman of the Board of Directors, other members of the Board and the CEO is based on market terms and conditions. Members of the Board of Directors do not own shares in the Company and their compensation is not dependent on Xellia's performance or results. In 2014 management and other employees received, in addition to basic salary, variable compensation dependent on the achievement of operational and strategic targets in addition to the financial targets.



Share capital

Share capital of the New Xellia Group A/S is divided into A and B shares. These two share classes have identical rights, with the exception that A-Shares hold 10 votes per share and B-Shares hold 1 vote per share.

The A-Shares, which total 100,500,000, are held by Xellia Holdco A/S, which is owned by Novo A/S.

The B-Shares are owned by members of management and other senior employees of the Group. In connection with the acquisition of Xellia in July 2013 a Management Investment Program was established. At the end of 2014 a total of 1,148,605 B-shares were subscribed by 48 managers and senior employees. In addition to the B-shares, managers and senior employees have subscribed warrants in the Company with a right to subscribe by up to 6,153,991 additional B-Shares.

Board of Directors

Steen Riisgaard

Chairman of the Board

Born: 1951

Steen is the former President and CEO of Denmark-based biotech company Novozymes A/S. He has also held senior level positions at Novo Nordisk A/S and Novo Industri A/S.

Other Board positions: Chairman of the Boards of COWI Holding A/S, ALK-Abelló A/S, Egmont International Holding A/S and the World Wildlife Fund (WWF), Denmark. Vice Chairman of the Novo Nordisk Foundation and the Villum Foundation. Member of the Boards of Novo A/S, Corbion and the University of Aarhus, Denmark.

Education: MSc in Microbiology, University of Copenhagen, Denmark.

Andreas Rummelt

Board Member

Born: 1956

Andreas is a Partner and CEO of InterPharmaLink AG, Basle, Switzerland. His international career spans over twenty years in executive management positions at Novartis.

Other Board positions: Member of the Boards of Directors of Alexion Pharmaceuticals, USA, and Member of the Advisory Board of several privately held international companies

Education: MSc and Ph.D. in Pharmaceutical Sciences, University of Erlangen-Nuremberg, Germany.

Benny D. Loft

Board Member

Born: 1965

Benny is EVP and CFO at Novozymes A/S. Since Novozymes' launch in 2000, he has also worked on acquisitions and negotiations and played an active role in steering groups for numerous corporate functions including ethics, sustainability and business development.

Other Board positions: Member of the Board of Directors of The Blue Planet, Denmark Aquarium, and DONG Energy A/S. Chairman of the Audit and Risk Committee, DONG Energy A/S.

Education: MSc in Accounting, Tax and Auditing, Copenhagen Business School, Denmark and State Authorized Public Accountant.

Board of Directors continued...

Per Valstorp

Board Member

Born: 1949

Per Valstorp has a long track record attained from senior executive positions held at Novo Nordisk A/S within Pharma Operation Management, Quality, Regulatory Affairs and Medical Devices.

Other Board positions: Member of the Boards of DBI Plastics A/S, Mejerigården A/S, Orana A/S, Scarbur A/S, and EUDP Board, Danish Ministry of Climate, Energy and Building.

Education: MSc in Operational Research & Planning, Technical University of Denmark.

Julie McHugh

Board Member

Born: 1964

Julie McHugh has a track record that spans 27 years in the biopharmaceutical industry. Most recently, she was the COO at Endo Health Solutions, Inc., with responsibilities for both the specialty and generic pharmaceuticals businesses.

Other Board positions: Member of the Board of Directors of Trevena Pharmaceuticals, Inc., EPIRUS Biopharmaceuticals, Inc., Ironwood Pharmaceuticals, Inc. and Viropharma, Inc. (now Shire) and the Board of Visitors for the Smeal College of Business, Pennsylvania State University.

Education: BSc in Finance, Pennsylvania State University, USA and an MBA Administration in International Management, St. Joseph's University, USA.

Executive Management

Carl-Åke Carlsson

Chief Executive Officer and President

Carl-Åke has held various positions within the Company, where he started in the finance function in 1988. In 1995 he was appointed Vice President Finance, Business Development and IT, and in January 2000 he took on the role as President Alpharma Human Pharmaceuticals Division. From 2003 to December 2004 he was President of the US Branded Pharmaceuticals Division and he was appointed President of the Alpharma API Division in 2005. Today Carl-Åke is Chief Executive Officer and President of Xellia.

Mads Bodenhoff

Chief Financial Officer and Vice President

Mads joined Xellia as CFO and Vice President Finance in September 2014. He comes from Novozymes where he was Vice President for Corporate Finance. During his 14 years with Novozymes he has held various financial managerial positions. Prior to this, Mads worked at Novo Nordisk and Arthur Andersen. He has broad experience with finance and accounting, IT, legal, international business, sustainability, and mergers and acquisitions.

Gaël Bernard

Vice President Sales and Marketing

Gaël joined Xellia in 2008 from Actavis where he was Vice President New Product Launches. Prior to this, Gaël was at Alpharma where he held managerial roles including Director Strategy and Marketing Development and Managing Director of Alpharma France.

Aleksandar Danilovski

Chief Scientific Officer and Vice President Global R&D

Aleksandar joined Xellia in 2009 following an extensive career at PLIVA/Barr Group since 1994 where he held managerial positions within the R&D function. Most recently he was a member of the Management Board of PLIVA Croatia Ltd. with responsibility for leading the Global API R&D and managing all R&D in Croatia.

Executive Management continued...

Mikkel Lyager Olsen

Chief Legal Officer and Vice President

Mikkel joined the Company in 2005 as Commercial Counsel and was appointed Division Counsel for the API Division later that year. Today Mikkel is General Counsel and Vice President of Xellia. Prior to this, Mikkel worked as an attorney with one of Scandinavia's largest commercial law firms.

Anders B. Spohr

Vice President Global Product Supply

Anders joined Xellia in July 2014. Anders was previously Executive Vice President Global Supply Chain at LEO Pharma, a global pharmaceutical leader within dermatology and thrombosis headquartered in Denmark. Prior to joining LEO Anders spent 14 years at Novozymes and Novo Nordisk in various managerial supply and production positions.

Nora Elisabeth Håberg

Vice President Strategic Projects and IT

Nora joined the Company in 2003 and has worked in different roles ranging from process development and technology transfer, portfolio management, logistics and sales and marketing. Nora was appointed Vice President Strategic Projects in September 2011. Prior to Xellia, she was a consultant with McKinsey & Company.

Hans Nielsen

Vice President Asia Operation

Hans joined Xellia in 1981 and has 26 years of industry experience, first from Dumex and later from Alpharma (now Xellia). He has held various positions within quality and compliance and since 2002 has been the overall head of the API quality organization. He has a broad background in development, manufacturing and control of finished dosage forms as well as APIs.

Geelanie Briones

Vice President Quality and Regulatory Affairs

Geelanie joined Xellia in May 2014. She was previously Head of Quality Compliance for the Oncology Injectable business unit at Sandoz. Prior to joining Sandoz Geelanie spent 12 years at Novo Nordisk in various senior quality control and compliance managerial positions. She has considerable experience in leading operational and global matrix organisations and extensive knowledge of Quality Management Systems.

Arnt Tore Valsvik

Vice President Human Resources

Arnt Tore joined the Company in 2000 as HR Director, Norway. He later assumed a more corporate role as Director Compensation and Benefits Europe and Asia before becoming HR Director Alpharma API Division (new Xellia) in 2005. Before joining Alpharma he was the HR Manager of WorldFish (an international research center for living aquatic resources management) in Manilla, Philippines.

Kristin Lund Myrdahl

Project Coordinator

Kristin joined Xellia in 1996 in the International Pharmaceuticals Division of Alpharma. From 2000 she has been responsible for overseeing projects and activities initiated by the leadership team as well as driving internal and external communications. Prior to Xellia, Kristin worked for Gemini Consulting where she ran the program office for major consulting projects.

Contact

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