Annual Report 2016

nne

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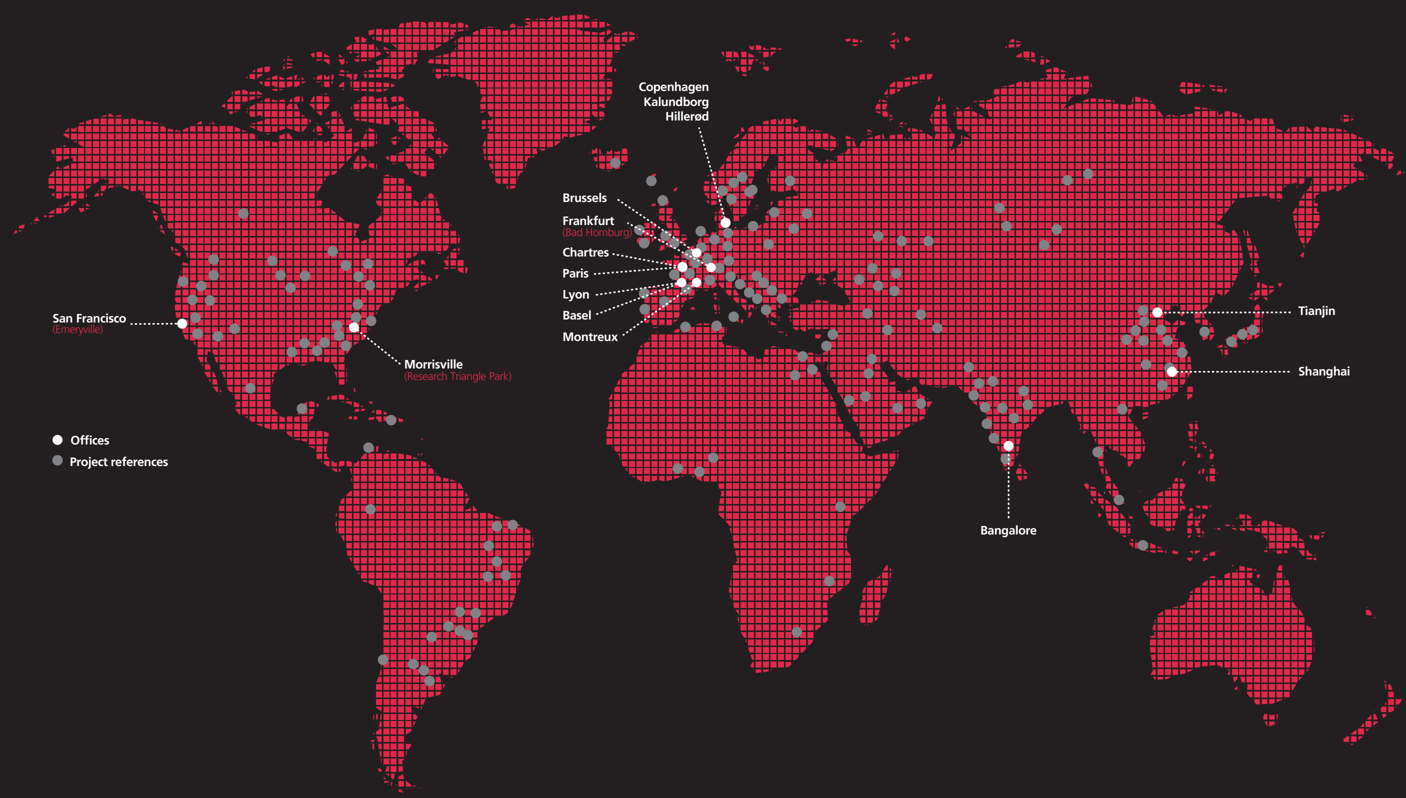

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Very strong performance

CHAIRMAN AND CEO STATEMENT

2016 was a successful year for NNE. We delivered an operating profit that was nearly twice as high as our 2015 result and we improved our performance related to all our strategic goals.

NNE delivered a highly satisfactory financial performance, surpassing our expectations for the year. Turnover increased by 16 percent to DKK 2,397 million. Operating profit was DKK 203 million, which corresponds to an operating profit margin of 8.4 percent. The result is largely due to strong performance by all of our countries (Denmark, US, China, India, France/ Belgium, Switzerland and Germany), as well as several large projects.

In 2016, we continued to execute the strategy we launched in 2015 with the intent to deliver focused pharma engineering to our strategic customers. We have improved our focus by further developing the core expertise areas in our global competency development programme and strengthening the way we activate our global best practice across countries and projects. With the success of getting closer to our strategic customers, we are now engaged in projects with the majority of the largest global pharmaceutical companies. Furthermore, we simplified our organisational model to ensure speed of decision-making and execution.

CHANGING NAME BUT NOT FOCUS

With effect from 1 February 2017, our company name was changed from NNE Pharmaplan to NNE – but our focus is still pharma engineering. The name NNE Pharmaplan was established in March 2007 following NNE's acquisition of Pharmaplan as part of our efforts to embrace both company brands, especially in the markets where NNE did not have a presence. Today, almost a decade later, these considerations are an important part of our history; however, we have changed our name to NNE in order to make it more simple and conversational.

EXPECTATIONS FOR 2017

2017 will be another exciting year for NNE. We will continue to build on the successful foundation established over the last two years, and our strategic focus and long-term goals remain unchanged. We enter the year with a solid backlog, however we do not expect as strong a financial performance as in 2016. We expect increased competition in our key markets, which means we need to sharpen our competitive edge further within focused pharma engineering. Based on an analysis conducted in 2016, we have identified the technologies that are most important for our customers. We will focus on strengthening our core competencies within these technologies and continue to activate our unique global industry expertise in order to help solving our customers' challenges.

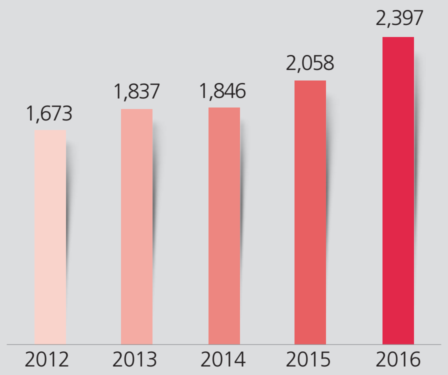
Jesper Kløve
CEO and President

Lars Fruergaard Jørgensen
Chairman of the NNE Board

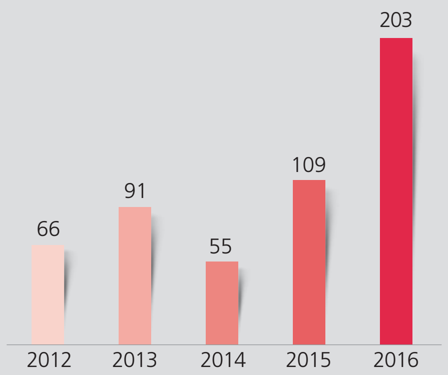
KEY FIGURES

INCOME STATEMENT (DKK MILLION)	2016	2015	2014	2013	2012
Turnover	2,397	2,058	1,846	1,837	1,673
Operating profit	203	109	55	91	66
Net profit	171	63	9	57	35
ASSETS & EQUITY (DKK MILLION)					
Total assets	1,256	993	851	765	707
Total equity	425	292	224	235	156
FINANCIAL RATIOS					
Operating profit margin (EBIT margin)	8.4%	5.3%	3.0%	5.0%	3.9%
Return on equity	47.7%	24.3%	4.0%	29.3%	23.2%
Solvency ratio	33.8%	29.4%	26.3%	30.7%	22.1%
Cash-earnings ratio	147.5%	94.1%	-513.0%	54.7%	243.6%
PEOPLE					
Number of employees at end of year (FTE)	1,773	1,719	1,813	1,754	1,659

TURNOVER
DKK milllion



OPERATING PROFIT
DKK milllion



Executing focused pharma engineering

BUSINESS STRATEGY

In 2016, NNE continued to execute the new strategy launched in 2015 with the ambition of being the leading company to provide focused pharma engineering to our customers.

At NNE, we focus solely on the GMP-regulated pharma industry. Our mission is to help pharmaceutical companies bring products to market by delivering agile and flexible operations, seamless GMP compliance and future-proof solutions, while ensuring reliable project execution. In 2016, we launched the pharma engineering cube, which describes what we do in a simple way.

Our expertise is tailored specifically towards this highly GMP-regulated industry. We call this 'focused pharma engineering'. The pharma engineering cube describes our customers' needs, our expertise areas and how we deliver expert pharma engineering throughout the entire manufacturing and project lifecycle, from front-end studies to optimisation.

In more detail, the pharma engineering cube illustrates that we solve our customers' most complex manufacturing challenges within biotech and active pharmaceutical ingredients, oral solid dosage, fill and finish, and assembly and pack. Our field of expertise covers all disciplines within facility, process, and automation and IT. By providing focused pharma engineering, we help our customers meet the challenges of the need for flexible and future proof facilities that are emerging within pharmaceutical manufacturing.

Our core competencies are organised in global Communities of Interest (COIs) – reflecting customer needs and market trends. Through 20 COIs, we share our knowledge, know-how and best practice examples across disciplines, departments and countries. The COIs represent our core competencies and they are the go-to communities when our employees need an answer to a specific challenge or problem. All COIs have key members from several countries and the COIs make all their knowledge accessible to all employees through our engineering model 'Our Model' and 'Our Wiki' – an internal encyclopaedia of NNE terminology, explaining all activities and processes needed to design in a pharmaceutical environment.

By combining knowledge and experience from different COIs we provide our customers with well-rounded, robust and integrated solutions.

STRATEGIC GOALS

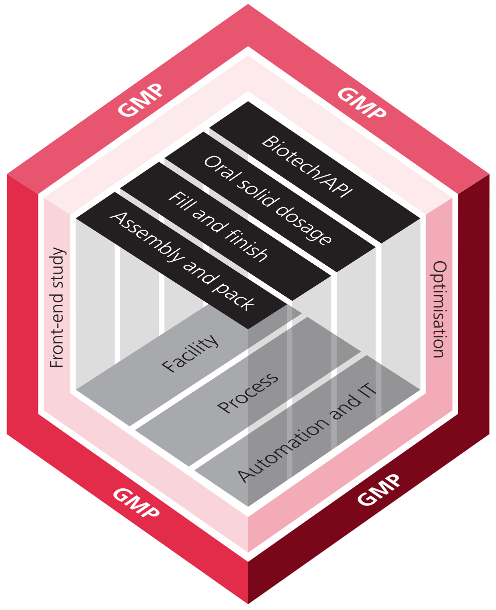
We measure our long-term success against three strategic goals. In 2016, we improved our performance within all goals:

- The employee ambassador score of 38.1 percent is the highest score we have seen since we began conducting the survey in 2006. It is a significant increase compared with recent years (The 2015 result was 34.6 percent). The 2016 target was 35 percent.
- Our financial performance surpassed our goals – with a profit margin of 8.4 percent – compared with our 2016 target of 6 percent (The 2015 result was 5.3 percent).
- We increased our ambassador score in our customer satisfaction survey, achieving a result of 51 percent. The 2016 target was 40 percent. (The 2015 result was 34 percent).

SUSTAINABILITY IN NNE'S WORLD

At NNE, we strive to develop and integrate sustainability into all of our customer-oriented projects, and in our corporate functions to support policies, strategies and goals. In 2017, we will publish our eighth Communication on Progress (COP) report, which is a sustainability report required by our UN Global Compact membership. The report is published together with the Annual Report and outlines how we integrate sustainability and the principles of the Global Compact (in areas of human rights, labour, the environment and anti-corruption) into our business. The NNE 2016 Communication on Progress Report also acts as our statutory statement of compliance with section 99a of the Danish Financial Statements Act.

Read more about our impacts in our COP report at http://www.nne.com/About-us/Sustainability/.



STRATEGIC GOALS 2018

LOYAL AND SATISFIED CUSTOMERS

50%

CUSTOMER AMBASSADORS

LOYAL AND ENGAGED EMPLOYEES

40%

EMPLOYEE AMBASSADORS

COMPETITIVE AND SUSTAINABLE BUSINESS RESULTS

8%

PROFIT MARGIN

Developing best-in-class pharma engineers

PEOPLE DEVELOPMENT

In order to deliver the best-possible solutions for our customers, NNE needs to provide its employees with the opportunity to develop appropriate competencies. That means providing them with an environment where they can learn, thrive and develop.

At NNE, we aim to support our customers in addressing the need for flexible and future proof facilities that are emerging within pharmaceutical manufacturing. We aim to deliver technical, robust and integrated solutions that reflect the trends in the industry. This requires us to be at the forefront of technology developments, possessing top-notch pharma engineering knowledge that enables us to advise our customers in the best way possible.

In 2016, technology was introduced as a key competency area under our global competency development programme, PEAK (Pharma Engineering Advanced Know-how). The technology areas in focus this year were closed processes, Oral Solid Dosage (OSD), and fill and finish.

Closed process is the new black of modern biotech facility design. It is a prevalent GMP trend, and NNE is staying ahead of the curve by developing in this area. Furthermore, the pharmaceutical industry is transforming its production scale from high-volume traditional drugs to small batches of personalised drugs. Thus, changes to fill and finish facilities worldwide are required. Lastly, most of the traditional blockbuster OSD products are now off patent, and the new OSD products, often of a higher potency, are typically produced in smaller volumes, requiring a highly flexible manufacturing setup.

In 2017, we will add even more technology courses to the PEAK course catalogue, which in 2016 encompassed approximately 30 courses overall within the core areas of GMP, technology, consultative engineering, and project execution.

TALENT DEVELOPMENT

At NNE, we offer both country-specific and global programmes to help high-performing employees reach their full potential. Our talent programmes known as Sprouthouse, Greenhouse, and Hothouse target everyone from junior employees to senior managers. The programmes help participants build and strengthen their global networks as well as accelerate their personal and professional growth.

In 2016, local Sprouthouse programmes were conducted in the US and Denmark, and the first global Sprouthouse programme was conducted in Denmark.

VERY HIGH EMPLOYEE SATISFACTION

The annual global employee satisfaction survey is one of the ways in which NNE measures the number of employee ambassadors. The term 'ambassador' refers to employees who assign 9 or 10 points (on a 10-point scale) to six specific questions concerning loyalty and engagement. In 2016, the survey results broke records in several areas. First, we obtained a record-high ambassador score of 38.1 percent – the best score we have seen in the 10 years we have conducted the survey. The increase from 34.6 percent in 2015 is considerably ahead of our 2016 target of 35 percent.

Additionally, the response rate was also record high at 95.5 percent, especially when compared with the 2015 response rate of 90.8 percent.

EMPLOYEE DATA

GENDER
The Board of Directors strives to include at least one female member, as women are typically underrepresented in this area. Employee-selected members are not included in this target. In 2016, the Board consisted of seven members, where one of the non-employee-selected members was female.

Across all NNE management teams, we aim to achieve a distribution equivalent to NNE's overall gender distribution, while taking local cultures into account.

ALL

34% FEMALE
66% MALE

LINE MANAGERS

27% FEMALE
73% MALE

The gender split was 34 percent female and 66 percent male in 2016. Across all line management positions, 27 percent were held by women.

In order to balance the gender distribution within management teams with the organisation's overall gender distribution, NNE strives to include female candidates in the recruitment process for management positions and as successors for management positions wherever possible. We also try to maintain the general gender distribution in our talent development programmes.

All of these initiatives are an integrated part of the annual Organisational Audit process.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

NNE is managed according to six fundamental principles that we call 'the Six Essentials of our culture'. Additional guidance and commitments include our business ethics, quality management system and triple bottom-line commitment to continuously improve our financial, environmental and social performance.

OWNERSHIP

NNE complies with the same principles of corporate governance as our parent company, Novo Nordisk A/S. Because NNE A/S is 100 percent-owned by Novo Nordisk A/S, we are included in the consolidated financial statement of Novo Nordisk A/S . Our ultimate parent company is the Novo Nordisk Foundation.

BOARD OF DIRECTORS

NNE's Board of Directors is elected every year at the Annual General Meeting. The seven members comprise of three representatives from the parent company, two external members and two employees elected by NNE employees for a term of four years.

ENTERPRISE RISK MANAGEMENT STRUCTURE

We assess short-term risks on a monthly basis, particularly project and business risks. Long-term risks are assessed annually when we conduct a formal review and evaluation of the potential risks in order to meet our long-term business objectives.

We identify the major risks to NNE by considering both the country-specific risk assessments as well as a general review of the outlook for the pharma engineering market.

BUSINESS ETHICS

At NNE, we conduct our business according to high ethical standards, living our values and protecting the reputation of our company in order to maintain and grow our business. To reduce the risk of NNE employees violating business ethics, laws and regulations, we have established a compliance programme to ensure proper training, guidance and reporting facilities for our employees and business partners. NNE employees are obliged and committed to comply with the business ethics principles in their day-to-day business, and we also expect sub-consultants, suppliers, sub-suppliers and other business partners and representatives to comply with these principles.

NNE's global compliance programme includes an e-learning programme and certification known as 'Doing business the right way', which is mandatory for all employees and internal consultants to complete once a year. Other activities to support compliance include audits and general awareness training.

PROJECT EXECUTION

Each year, NNE delivers close to 3,000 projects globally. For major projects, a governance structure and risk assessment are established during the proposal process and maintained throughout the delivery. Project steering committees and management representatives ensure continuous focus on project performance and risk mitigation. Project portfolio risks are assessed and reported on a monthly basis by the NNE Chief Project Officer and challenged during quarterly business review meetings between the Executive Management and the individual country General Managers.

1) To obtain a copy of The Annual Report of Novo Nordisk A/S, contact Novo Nordisk A/S, Novo Allé, DK-2880 Bagsværd, Denmark or see www.novonordisk.com

2) The Novo Nordisk Foundation, Tuborg Havnevej 19, DK-2900 Hellerup, Denmark.

NNE MANAGEMENT

JESPER KLØVE (1)
Chief Executive Officer and President

RENÉ HOLMEN PEDERSEN (2)
Chief Financial Officer
and Corporate Vice President

IBEN SCHMIDT HELBIRK (3)
Chief of Staff and Corporate Vice President,
People and Communication

ALEX SEVERIN (4)
Corporate Vice President, Global Best Practice

OLE REGNAR HANSEN (5)
Corporate Vice President and Chief Project
Officer

BO NAGEL-HARVIG (6)
Corporate Vice President and General Manager,
Denmark

ERIC PIERRE RIEHL (7)
Corporate Vice President and General Manager,
Germany

STEFAN BERG (8)
Corporate Vice President and General Manager,
Switzerland

OLIVIER COZZATTI (9)
Corporate Vice President and General Manager,
Belgium and France

SØREN JELERT (10)
Corporate Vice President and General Manager,
US

KENNETH BORCH LARSEN (11)
Corporate Vice President and General Manager,
China

SAMEER TANEJA (12)
Corporate Vice President and General Manager,
India

For more information about the NNE management,
please visit our website nne.com

BOARD OF DIRECTORS

LARS FRUERGAARD JØRGENSEN
Chairman of the NNE Board since 2014

Lars Fruergaard Jørgensen is president and chief executive officer at Novo Nordisk A/S. He joined Novo Nordisk in 1991 and has held a number of senior management positions over the years, including postings in the Netherlands, US and Japan. In recent years, he was Executive Vice President and Chief of Staffs. He holds a Master of Science in Finance and Business Administration from the Aarhus Business School, Aarhus University.

BIRGIT W. NØRGAARD
Vice Chairman of the NNE Board since 2014

Birgit Nørgaard works as a full-time Board member. She was CEO of the consulting engineering company Grontmij | Carl Bro A/S and COO of Grontmij NV from 2006 to 2010, CEO of the Carl Bro Group from 2003 to 2006 and CFO from 2001 to 2003. Prior to that, Birgit Nørgaard held executive positions at TDC and Danisco and worked as a consultant at McKinsey & Company. Birgit Nørgaard holds a Master of Science in Economics and Business Administration from the Copenhagen Business School (CBS) in Denmark and an MBA from INSEAD.

Other board memberships:
- DSV A/S
- IMI Plc.
- Cobham Plc.
- WSP Global Inc.
- RGS 90 A/S
- The Danish State's IT Project Council (Vice-Chairman),
- The Danish Growth Capital Fund (Vice-Chairman) and The Danish Growth Capital Fund II.

JENS OLESEN
Employee-elected member of the NNE Board since 2009

Jens Olesen has been Vice President of Facility Design in the Danish organisation since 2014. Prior to this, he worked as General Manager for the Pharma and Biotech Business Unit. He also worked as manager and as project manager within the mechanical and process disciplines. He joined NNE in 2002 from a position as Department Manager at LEO Pharma A/S. He holds a Master of Science in Chemical Engineering from the Technical University of Denmark (DTU) and became a certified project manager IPMA level B in 2007.

HENRIK WULFF
Member of the NNE Board since 2014

Henrik Wulff is the Executive Vice President of Product Supply at Novo Nordisk A/S. He joined Novo Nordisk in 1998 and since 2004, has held a number of senior management positions in the company. He holds a Master of Science in Manufacturing Engineering and Management from the Technical University of Denmark.

Other board memberships:
- Ambu A/S

KJELL JOHANSSON
Member of the NNE Board since 2014

Kjell Johansson is President of Manufacturing Services Europe and Executive Vice President at Recipharm AB. He has been with Recipharm AB since 2011, but has worked within the pharma industry for 30 years. He worked at AstraZeneca for 24 years, holding various senior leadership positions within the manufacturing area. He holds a Master of Science in Chemical Engineering from the University of Lund and a Bachelor of Science in Economics from the University of Stockholm.

Other board memberships:
- Recipharm Group
- Chairman in Operating Companies and Board Member in CCS Healthcare

JESPER SCHUFRI MEYER
Employee-elected member of the NNE Board since 2014

Jesper Schufri Meyer is Business Developer for Facility Design. He joined the company in 2001 and has worked as architect and project manager within building projects dedicated to the pharma industry. He holds a Master's degree in Architecture from the Royal Danish Academy of Fine Arts from 1988.

KARSTEN MUNK KNUDSEN
Member of the NNE Board since 2016

Karsten Munk Knudsen is the Senior Vice President of Corporate Finance at Novo Nordisk A/S. After joining Novo Nordisk in 1999, he has occupied a number of positions within finance in Denmark and the US. He holds a Master of Science in Finance from the University of Aarhus.

Other board memberships:
- Innate pharma

For more information about the Board of Directors, please visit our website nne.com

FINANCIAL REVIEW 2016

Turnover and operating performance
In 2016, the NNE Group had a total turnover of DKK 2,397 million (2015: DKK 2,058 million), which is an increase of DKK 339 million or 16.5 percent compared to 2015.

The turnover derives mainly from Denmark and the US, which accounts for 53.7 percent and 18.1 percent of the total turnover respectively. Total turnover generated from customers outside the Novo Nordisk Group is 46.9 percent compared to 46.1 percent in 2015.

The operating profit in 2016 was DKK 203 million (2015: DKK 109 million), which corresponds to an operating profit margin of 8.4 percent (2015: 5.3 percent). The result is positively impacted by a significantly improved performance in international operations.

Net financials and tax
Net financials show an income of DKK 4 million in 2016 (2015: Loss of DKK 23 million) where 2015 was impacted by a onetime loss of DKK 14 million, regarding the sale of shares in other investment. Net financials are impacted positively in 2016 by currency development in transaction currencies of DKK 8 milllion.

Total tax for the year is an expense of DKK 36 million (2015: Expense of DKK 24 million), resulting in an effective tax rate of 17.5 percent for the year (2015: 27.5 percent). The tax rate for 2016 is impacted by capitalisation of deferred tax asset following an improved outlook for the US operation.

Net profit
The net profit was DKK 171 million, which was an increase of DKK 108 million compared to 2015 and explained by the above mentioned.

Balance sheet
The total assets as of 31 December 2016 amounted to DKK 1,256 million, which was an increase of DKK 263 million compared to 2015 (2015: DKK 993 million).

Non-current assets decreased by DKK 28 million to DKK 177 million (2015: DKK 205 million) mainly explained by fair value adjustments as well as disposal of Novo Nordisk shares in 2016 as the shares were transferred to the employees.

Current assets increased by DKK 292 million to DKK 1,080 million (2015: DKK 788 million) mainly due to an increase in cash in bank and on hand of DKK 231 million driven by the strong cash flow generation, as well as an increase in trade receivables and receivables from related parties of DKK 67 million to DKK 566 million in 2016.

The total liabilities have increased by DKK 130 million to DKK 831 million in 2016 (2015: DKK 701 million).

Non-current liabilities increased by DKK 17 million to DKK 185 million (2015: DKK 168 million), primarily explained by an increase in retirement benefit obligations.

Total current liabilities increased by DKK 113 million to DKK 646 million in 2016 (2015: DKK 533 million) mainly relating to payments on account for work in progress, driven by a high level of prepayments and faster invoicing, as well as other liabilities due to increased employee cost and accruals.

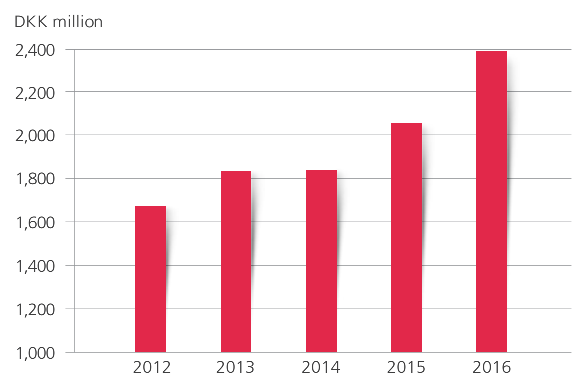
The 2016 equity increased by DKK 133 million to DKK 425 million. The increase in the equity is explained primarily by the result for the year. The solvency ratio is 33.8 percent by the end of December 2016 (2015: 29.4 percent).

Cash flow
The net change in cash and cash equivalents in 2016 is DKK 235 million (2015: DKK 59 million) which is mainly generated from cash flow from operating activities. The cash flow is positively impacted by a high level of prepayments from customers and faster invoicing.

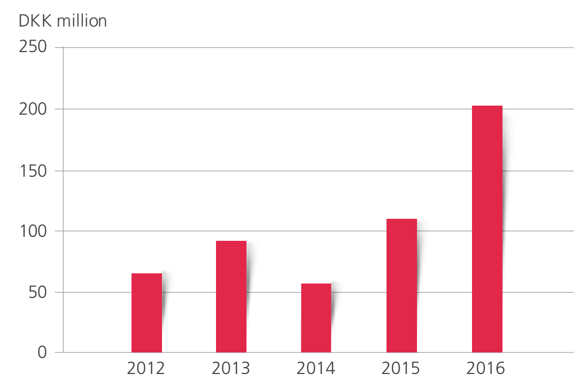
Proposed dividend
The Board of Directors proposes a dividend for the year of DKK 200 million (2015: DKK 17 million).

Post-balance-sheet events
No events have occurred after the end of the financial year with significant impact on the Group's financial position at 31 December 2016.

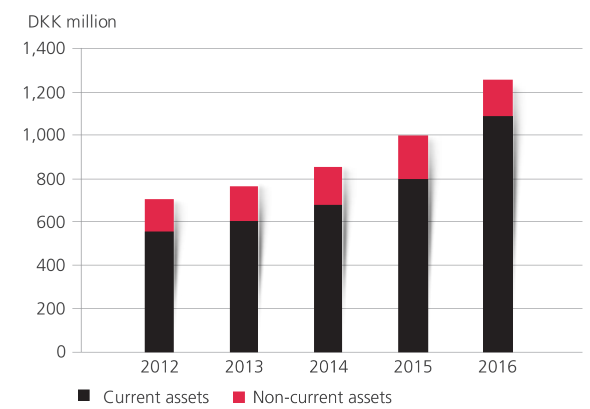
TURNOVER



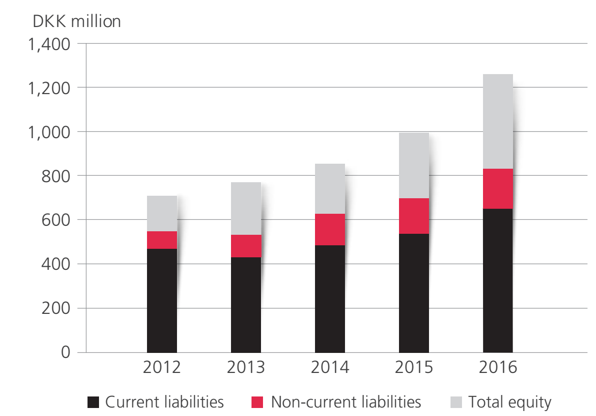
OPERATING PROFIT



ASSETS



EQUITY AND LIABILITIES



FINANCIAL HIGHLIGHTS AND RATIOS FOR NNE GROUP

Financial Highlights (DKK 1,000)

	2016	2015	2014	2013	2012
Income statement					
Turnover	2,397,144	2,057,710	1,846,159	1,836,691	1,673,452
Operating profit	202,539	109,493	55,115	91,475	65,688
Net financials	4,321	(23,242)	(18,030)	(7,021)	(15,985)
Profit (loss) before income taxes	206,860	86,251	37,085	84,454	49,703
Net profit/(loss)	170,767	62,544	9,082	57,439	35,294
Proposed dividend to shareholders	200,000	17,000	-	15,000	-
Assets					
Non-current assets	176,642	205,264	177,262	163,493	154,905
Current assets	1,079,660	787,544	673,848	601,704	552,032
Total assets	1,256,302	992,808	851,110	765,197	706,937
Capital expenditure net	5,225	17,374	15,690	6,283	(426)
Equity and liabilities					
Equity	424,992	291,614	224,188	235,087	156,352
Non-current liabilities	185,457	168,035	143,899	103,841	93,238
Current liabilities	645,853	533,159	483,023	426,269	457,347
Total equity and liabilities	1,256,302	992,808	851,110	765,197	706,937
Cash flow statement					
Cash flow from operating activities	267,238	75,672	(22,765)	54,879	85,566
Cash flow from investing activities	(15,328)	(16,840)	(23,822)	(23,447)	426
Cash flow from financing activities	(17,000)	-	(15,000)	-	(36,763)
Net change in cash and cash equivalents	234,910	58,832	(61,587)	31,432	49,229
Financial ratios					
Operating profit margin (EBIT margin)	8.4%	5.3%	3.0%	5.0%	3.9%
Profit margin before tax	8.6%	4.2%	2.0%	4.6%	3.0%
Return on equity	47.7%	24.3%	4.0%	29.3%	23.3%
Solvency ratio	33.8%	29.4%	26.3%	30.7%	22.1%
Cash to earnings ratio	147.5%	94.1%	-513.0%	54.7%	243.6%
Payout ratio	117.1%	27.2%	-	26.1%	-
Dividend per share (DKK)	400	34	-	30	-
Number of employees at end of year (FTE)	1,773	1,719	1,813	1,754	1,659
Number of internal consultants at end of year (FTE)	269	287	224	266	209
Number of employees and internal consultants end of year (FTE)	2,042	2,006	2,037	2,020	1,868

CONSOLIDATED – INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

CONSOLIDATED – INCOME STATEMENT

(DKK 1,000)

	Note	2016	2015
Turnover	2	2,397,144	2,057,710
Cost of projects	3,4	(2,003,873)	(1,746,444)
Gross profit		**393,271**	**311,266**
Sales and distribution costs	3,4	(66,836)	(72,275)
Administrative costs	3,4	(123,896)	(129,498)
Operating profit		**202,539**	**109,493**
Financial income	5	20,777	23,431
Financial expenses	6	(16,456)	(46,673)
Profit before income taxes		**206,860**	**86,251**
Income taxes	7	(36,093)	(23,707)
Net profit for the year		**170,767**	**62,544**

CONSOLIDATED – STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
Net profit for the year	**170,767**	**62,544**
Items that will not be reclassified to the income statement:		
Remeasurements on defined benefit plans	(21,787)	(17,055)
Income tax relating to items that will not be reclassified subsequently	5,576	3,939
Items that may be reclassified to the income statement,		
when specific conditions are met:		
Exchange rate adjustment of investments in subsidiaries	(4,178)	5,664
Reclasification of available-for-sale financial assets	-	12,334
Other comprehensive income for the year, net of tax	**(20,389)**	**4,882**
Total comprehensive income for the year	**150,378**	**67,426**

BALANCE SHEET AS AT 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

	Note	2016	2015
Assets			
Intangible assets	8, 9	69,532	88,625
Property, plant and equipment	10	14,096	7,428
Deferred income tax assets	17	69,829	54,365
Financial assets	11, 23	21,099	52,878
Other financial assets		2,086	1,968
Total non-current assets		**176,642**	**205,264**
Work in progress	12	87,570	96,313
Trade receivables	13	259,943	207,414
Receivables from related parties	23	305,672	291,297
Tax receivables	18	6,786	11,473
Other receivables and prepayments	14	49,360	41,752
Cash at bank and on hand		370,329	139,295
Total current assets		**1,079,660**	**787,544**
Total assets		**1,256,302**	**992,808**

BALANCE SHEET AS AT 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

	Note	2016	2015
Equity and liabilities			
Share capital	15	500	500
Retained earnings		402,430	264,874
Other reserves		22,062	26,240
Total equity		**424,992**	**291,614**
Deferred income tax liabilities	17	-	583
Retirement benefit obligations	20	160,564	137,930
Provisions	19	24,893	29,522
Total non-current liabilities		**185,457**	**168,035**
Payments on account for work in progress	12	144,046	46,965
Trade payables		41,119	58,487
Short term borrowing		-	3,892
Payables to related parties	23	4,106	4,515
Tax payables	18	14,796	3,252
Other liabilities	16	423,566	376,166
Provisions	19	18,220	39,882
Total current liabilities		**645,853**	**533,159**
Total liabilities		**831,310**	**701,194**
Total equity and liabilities		**1,256,302**	**992,808**
Commitments and contingencies	21		
Other notes	22-28		

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

	Note	2016	2015
Operating activities			
Operating profit		**202,539**	**109,493**
Reversals with no effect on cash flow	25	27,016	8,041
(Increase)/decr. in trade receivables, work in progress and prepayments etc.		37,508	(66,980)
Increase/(decr.) in trade payables and other payables etc.		25,080	61,039
Cash flow from operating activities before financials		**292,143**	**111,593**
Financial income	5	20,777	23,431
Financial expenses	6	(16,456)	(33,013)
Cash flow from operating activities before tax		**296,464**	**102,011**
Income taxes paid	7.18	(29,226)	(26,339)
Cash flow from operating activities		**267,238**	**75,672**
Investments			
Sale of other financial assets		-	3,098
Purchase of shares in Novo Nordisk A/S	11	(10,103)	(2,564)
Purchase of intangible and tangible assets (net)		(5,225)	(17,374)
Cash flow from investing activities		**(15,328)**	**(16,840)**
Financing			
Paid dividend	23	(17,000)	-
Cash flow from financing activities		**(17,000)**	**-**
Net change in cash and cash equivalents		**234,910**	**58,832**
Cash and cash equivalents at the beginning of the year		135,403	72,624
Unrealised gain/(loss) on exchange rates on cash and cash equivalents		16	3,947
Cash and cash equivalents at the end of the year		**370,329**	**135,403**
Net cash and cash equivalents at the end of the year:			
Cash at bank and on hand		86,243	113,329
Short term borrowing		-	(3,892)
Cash pool	23	284,086	25,966
Cash and cash equivalents at the end of the year		**370,329**	**135,403**
Maximum drawing facility, including cash pool arrangement with the Novo Nordisk Group		103,157	133,625
Financial ressources at the end of the year		**473,486**	**269,028**

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

			Other reserves		
2016	**Share capital**	**Retained earnings**	**Reserve for share-based compensation**	**Adjustments and exchange rates etc.**	**Total**
Balance at the beginning of the year	**500**	**264,874**	**-**	**26,240**	**291,614**
Profit for the period	-	170,767	-	-	170,767
Other comprehensive income	-	(16,211)	-	(4,178)	(20,389)
Total comprehensive income	**-**	**154,556**	**-**	**(4,178)**	**150,378**
Transactions with owners, recognised directly in equity:					
Dividend 2015	-	(17,000)	-	-	(17,000)
Options exercised	-	-	-	-	-
Balance at the end of the year	**500**	**402,430**	**-**	**22,062**	**424,992**

			Other reserves		
2015	**Share capital**	**Retained earnings**	**Reserve for share-based compensation**	**Adjustments and exchange rates etc.**	**Total**
Balance at the beginning of the year	**500**	**215,224**	**222**	**8,242**	**224,188**
Profit for the period	-	62,544	-	-	62,544
Other comprehensive income	-	(13,116)	-	17,998	4,882
Total comprehensive income	**-**	**49,428**	**-**	**17,998**	**67,426**
Transactions with owners, recognised directly in equity:					
Options exercised	-	222	(222)	-	-
Balance at the end of the year	**500**	**264,874**	**-**	**26,240**	**291,614**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GROUP ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and additional Danish disclosure requirements.

The financial statements of the parent company, NNE A/S, as presented on page 55-67, have been prepared in accordance with The Danish Financial Statements Act.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of available-for-sale financial assets, measured at fair value through other comprehensive income.

Key accounting estimates and assumptions
The use of reasonable estimates is an essential part of the preparation of consolidated financial statements. Given the uncertainties inherent in our business activities, the management must make certain estimates and judgements that affect the application of accounting policies and reported amounts of assets, liabilities, sales, costs, cash flow, and related disclosures at the date(s) of the consolidated financial statements.

The management's estimates are based on historical experience and various other assumptions that are held to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis and, if necessary, changes are recognised in the period in which the estimate is revised. The management considers the carrying amounts recognised, in relation to the below mentioned key accounting estimates to be reasonable and appropriate, based on currently available information. However, the actual amounts may differ from the amounts estimated as more detailed information becomes available.

The management regards the following to be the key accounting estimates and assumptions used in the preparation of its consolidated financial statements.

Revenue recognition
– percentage-of-completion of contracts
Revenue on long-term fixed-price contracts is recognised in accordance with the percentage-of-completion of each contract. The percentage-of-completion of fixed-price contracts is based on the technical progress of each contract, and supplemented and verified by using the economical percentage-of-completion, which is calculated as the proportion of costs paid to date, compared to the expected revaluated total costs. The carrying amount of work in progress at 31 December 2016 is DKK -56.5 million (2015: DKK 49.3 million). Please refer to note 12 for further details and the financial effect.

Impairment of goodwill
The impairment of goodwill requires an estimation of the value-in use of the cash-generating unit to which the goodwill is allocated. To estimate the value-in-use the Group must estimate the expected future cash flows from the cash-generating unit. This estimate is based on budgets and business plans for each cash-generating unit. Key parameters are sales growth, operating margin and growth expectations beyond the budget period. The management also chooses a suitable after-tax discount rate (WACC) in order to calculate present value of these cash flows.

The carrying amount of goodwill at 31 December 2016 was DKK 57.0 million (2015: DKK 62.7 million). Please refer to note 8 and 9 for further details.

Allowances for doubtful trade receivables
Trade receivables are stated at amortised cost less allowances for potential losses on doubtful trade receivables.
NNE maintains allowances for doubtful trade receivables in anticipation of estimated losses, resulting from the subsequent inability of the customers to make required payments. If the financial circumstances of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods.
The management analyses trade receivables and examines historical bad debt customer concentrations, customer creditworthiness, current economic trends, and changes in the customer payment terms, when evaluating the adequacy of the allowance for doubtful trade receivables.

The carrying amount of allowances for doubtful trade receivables is DKK 4.3 million at 31 December 2016 (2015: DKK 1.2 million). Please refer to note 13 for further details.

Deferred taxes
The management's judgement is required in determining the Group's provision for deferred tax assets and liabilities. NNE recognises deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. The management has considered future taxable income in assessing whether deferred income tax assets should be recognised. The future taxable income is based on board of directors approved financial budgets, covering a five year period.

The carrying amount of deferred tax assets and deferred tax liabilities is DKK 69.8 million (2015: DKK 54.4 million) and DKK 0 million (2015: DKK 0.6 million) respectively at 31 December 2016. The tax value of a tax loss of DKK 67.0 million (2015: DKK 81.4 million) has not been recognised in the balance sheet as there currently is no convincing evidence that the Group will be able to use these tax losses due to local restrictions. Please refer to note 17 for further details.

Accounting policies

The principal accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all the years presented, unless otherwise stated.

Adoption of new and amended IFRSs
Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs'), issued by IASB and IFRSs, endorsed by the European Union effective on or after 1 January 2016, it has been assessed that the application of these new IFRSs has not had a material impact on the consolidated financial statements in 2016, and management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted
In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standards are in general expected to change current accounting regulation most significantly:

- IASB has issued IFRS 9 'Financial Instruments', with effective date 1 January 2018. It has been endorsed by EU in 2016, and NNE plans to adopt it on the effective date. IFRS 9 is part of the IASB's project to replace IAS 39, and the new standard will substantially change the classification and measurement of financial instruments and hedging requirements. NNE has assessed the impact of the standard and determined that it will not have any significant impact on the consolidated financial statements.

- IASB has issued IFRS 15 'Revenue from contracts with customers', with effective date 1 January 2018. It has been endorsed by EU in 2016, and NNE plans to adopt it on the effective date. IFRS 15 is part of the convergence project with FASB to replace IAS 18. The new standard will establish a single, comprehensive framework for revenue recognition. NNE has initiated an assessment of the impact of the standard and judged that it will not have any significant quantitative impact on the consolidated financial statements. The assessment confirmed that current accounting treatment of contract modification and variable considerations will be in accordance with IFRS 15. However, implementation will result in extended note disclosures regarding types of contracts, contract duration, and related risks.

- IASB has issued IFRS 16 'Leasing' with effective date 1 January 2019. It currently awaits EU endorsement, and NNE plans to adopt it on the effective date. The change in lease accounting requires capitalisation of the majority of the Group's operational lease contracts, representing approximately 14-16% of the total assets. This will have an impact on the Group's assets, and an equivalent impact on the liabilities. Hence, it will affect the financial ratios related to the balance sheet. IFRS 16 requires the lease payments to be split between a depreciation charge, included in operating costs, and an interest expense on lease liabilities included in finance costs. However, the impact on net profit will be immaterial.

Principles of consolidation
The consolidated financial statements incorporate the financial statements of NNE A/S and entities controlled by NNE A/S.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income, and expenses are eliminated in full when consolidated.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Comparative figures are not restated for disposed or acquired companies.

Translation of foreign currencies
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the parent company.

Translation of transactions and balances
Foreign currency transactions are translated into the functional currency, using the exchange rates ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income statement.

Translation differences on non-monetary items, such as financial assets classified as available-for-sale, are included in the fair value reserve in other comprehensive income.

Translation of group companies
Financial statements of foreign subsidiaries are translated into Danish kroner at exchange rates ruling at the balance sheet date for assets and liabilities and at average exchange rates for income statement items.

All effects of exchange rate adjustments are recognised in the income statement with the exception of exchange gains and losses arising from:

- The translation of foreign subsidiaries net assets at the beginning of the year at the exchange rates at the end of the reporting period
- The translation of foreign subsidiaries' income statement using average exchange rates, whereas balance sheet items are translated using the exchange rates ruling at the end of the reporting period.

The above exchange rate gains and losses are recognised in other comprehensive income

Turnover
The Group recognises turnover when the amount of the turnover can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met as described below.

The Group's services are carried out exclusively against customer contracts. The Group has two different kinds of contracts with customers; current account contracts and fixed-price contracts. Turnover from current account contracts, typically from delivery of engineering services, is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Turnover from fixed-price contracts for delivery of engineering services is recognised under the percentage-of-completion method. According to the percentage-of-completion method, turnover is generally recognised based on the services performed to date, as a percentage of the total services to be performed as also described below under work in progress.

If circumstances arise that may change the original estimates of turnover, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated turnover or costs, and are reflected as income in the period in which the circumstances that give rise to the revision become known by the management.

Cost of projects
The cost of projects comprises all costs, including office rent, depreciations, wages and salaries and pension contributions as well as other costs related to rendering engineering services.

Sales and distribution costs
Sales and distribution costs comprise salaries and pension contributions for sales staff, marketing costs, office rent, car expenses, and depreciations.

Administration costs
Administration costs comprise salaries and pension contributions for administrative staff, the management, office rent, office costs, and depreciation.

Financial items
Financial items comprise interest income, interest expenses, and foreign currency translation adjustments, and realised capital gains or losses on shares.

Dividend income is recognised when the right to receive payment is established.

Work in progress
Work in progress reflects services carried out against customer contracts that have not yet been finally delivered and invoiced. Contracts are recognised at the sales value of the completed portion of the contract at the balance sheet date (percentage-of- completion method).

The calculation of the percentage-of-completion is based on the technical progress of each contract. The calculation is supplemented and verified by using economical percentage-of-completion, which is calculated as the proportion of costs paid to date of the expected total costs of completing the contracts.

Calculations of losses are based on direct production costs, primarily salary and pensions, and indirect production overheads. Indirect production overheads comprise indirect supplies and labour as well as depreciations. The indirect production overheads are measured based on a standard cost method, which is reviewed regularly in order to ensure relevant measures.

Amounts invoiced on account for the completed portion of work are deducted from the value of this work, whereas amounts invoiced on account that exceed the completed portion of a contract are recognised as prepayments under current liabilities.

Costs incurred in connection with sales work and contract acquisition are recognised as part of the contract costs. Only cost incurred from the time it is probable that the contracts will be signed is recognised. Any potential loss on contracts is calculated as the total loss on the contract, irrespective of the portion actually completed, and the loss is expensed when it is probable and included in work in progress.

Provisions
Provisions cover warranty obligations for projects in progress and completed projects and non-current employee benefits.

Provisions, including tax and legal cases, are recognised where a legal or constructive obligation has been incurred as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the management makes the estimate based upon an evaluation of the individual, most likely outcome of the cases. In cases where a reliable estimate cannot be made, the provisions are not recognised but only disclosed as contingent liabilities.

Provisions are measured at the present value of the anticipated expenditures for settlement of the legal or constructive obligation, using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

Leases
Leases of assets, whereby the Group assumes substantially all the risks and rewards of ownership, are capitalised as finance leases under property, plant and equipment and depreciated over the estimated useful lives of the assets, according to the periods listed below in the paragraph regarding tangible assets. The corresponding financial lease liabilities are included in liabilities.

Operating lease costs are charged to the income statement on a straight-line basis over the period of the lease.

Tax
The tax expense for the period comprises current and deferred tax and interest, including adjustments to previous years. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income.

Deferred income taxes arise from temporary differences between the accounting and taxable values of the individual consolidated companies and from realisable tax loss carry forwards, using the liability method. The tax value of the tax loss carry forward is included in deferred tax assets to the extent that the tax losses and other tax assets are expected to be utilised in future taxable income. The deferred income taxes are measured according to the current tax rules and at tax rates expected to be in force at the elimination of the temporary differences.

Unremitted earnings are retained by subsidiaries for reinvestment. No provision is made for income taxes that would be payable upon the distribution of such earnings.

Intangible assets
Goodwill
Goodwill represents any cost in excess of identifiable net assets, measured at fair value in acquired companies. Goodwill recognised under intangible assets is related to subsidiaries.

Goodwill is measured at historical cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is not amortised but is allocated to cash-generating units for the purpose of yearly impairment testing.

Other intangible assets
Patents, licenses, trademark, contracts, and customer lists are measured at historical cost less accumulated amortisation and any impairment loss.

Amortisation is provided under the straight-line method over the estimated useful life of the assets:

Patents	10 years
ERP systems and software	3-5 years
Trademark	10 years
Contracts	3 years
Customer lists	3-10 years

Impairment of trademark and contracts
The value of the trademark and contracts acquired, and the expected useful life, are assessed based on long-term development of the trademark and contracts in the relevant markets, and the profitability of the trademark and contracts.

Measurement is based on expected future cash flows for trademark and contracts on the basis of assumption about expected useful life, royalty rate, sales/licence income, expected useful life, and calculated tax effect. The after-tax discount rate, reflecting the risk-free interest rate with addition of estimated future risks associated with trademark and contracts, is used.

When there is an indication of a reduction in the value or useful life, an impairment test is conducted and the trademark and contracts are written down, or the amortisation is increased in line with the shorter useful lives of the trademark and contracts.

The useful life of trademark is estimated to be 10 years. Please refer to note 8 for further details.

ERP systems and software
The Group's finance and project systems (ERP systems) include external and internal costs, directly and indirectly allocated to the ERP systems. Computer software licenses are included in the costs.

The ERP systems are measured at historical cost less accumulated amortisation and any impairment loss. Subsequent costs are included in the carrying amount of the asset, only when it is probable that future economic benefits associated with the asset will flow to the Group, and when the cost of the item can be measured reliably.

Amortisation is provided under the straight-line method over the estimated useful life of the asset set at a period of three to five years.

Tangible assets
Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment loss. Subsequent costs are included in the carrying amount of the asset, only when it is probable that future economic benefits associated with the asset will flow to the Group, and when the cost of the item can be measured reliably.

Depreciation is provided under the straight-line method over the estimated useful lives of the assets:

Leasehold improvements	7-10 years
IT equipment	3-5 years
Plant, machinery and other equipment	5-10 years

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted, if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income, and shown as other reserves in shareholders' equity.

Gains and losses on disposables are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Assets with limited expected useful lives are expensed in the income statement in the year of acquisition.

Impairment of assets
The carrying amount of intangible and tangible assets is reviewed annually for indication of value decrease beyond the level of normal depreciation. If the asset or group of assets has depreciated in value, write-down is made to a lower recoverable value. The recoverable value is recognised as the highest value of net sale price and value in use. If the recoverable value cannot be recognised, the need for write-down is based on the smallest group of assets for which the recoverable value can be maintained.

Goodwill is tested for impairment at least annually, or more frequently, if there are indications that the value might be impaired. The test is done based on an evaluation of the cash-generating unit to which goodwill is related. The evaluation is based on an evaluation of the discounted future expected cash flows of the cash-generating unit.

For goodwill and other assets, where it is not possible to assess the present value as the assets themselves do not generate future cash flows, the impairment test is done on the basis of the cash-generating unit to which the assets belong.

Impairments are recognised in the income statement in the cost area where the asset is present.

Financial assets
The Group classifies its investments in the following categories
- Receivables
- Financial assets at fair value through the income statement

The classification depends on the purpose for which the investments were acquired. The management determines the classification of its investments on initial recognition, and re-evaluates this designation at the end of each reporting period to the extent that such a classification is permitted and required.

Recognition and measurement
Financial assets are carried at amortised cost using the effective interest method.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active marked. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), the assets are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other current assets are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision for allowances is made for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The provision for allowances is deducted from the carrying amount of trade receivables, and the amount of the loss is recognised in the income statement under sales and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against sales and distributions costs in the income statement.

Financial assets at fair value through the income statement
Financial assets at fair value through the income statements are at initial recognition irrevocably designated as measured at fair value though profit and loss, in order to eliminate recognition inconsistency between financial assets and the financial liability which it is designated to hedge.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, are presented in the income statement within 'financial (losses)/ gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss, is recognised in the income statement as part of financial income when the group's right to receive payments is established.

Dividend
Dividend is recognised as a liability in the period in which it is declared at the Annual General Meeting.

Employee benefits
Wages, salaries, social security contributions, annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

Pensions
In a few countries, the Group still operates with defined benefit plans primarily located in Germany and Switzerland. The Group contributions to the defined contribution plans are charged to the income statement in the year to which they are related. The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the dates of valuation and are based on actuarial assumptions, primarily regarding discount rates used in determining the present value of benefits, projected rates of remuneration growth. Discount rates are based on the marked yields of high-rated corporate bonds in the country concerned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

Pension assets are only recognised to the extent that the Group is able to derive future economic benefits, such as refunds from the plan or reductions in future contributions. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The Group's defined benefit plans are pension plans and are usually funded by payments from Group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognised in the balance sheet. Costs recognised for pension plan are included in cost of projects, sales and distribution costs, and administrative costs.

Share-based payment schemes

The incentive programme converts the granted share appreciation rights into a fixed number of Novo Nordisk shares. The incentive programme is treated as a cash-settled, share-based scheme. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as an expense and amortised over the vesting period.

The liability of the share appreciation rights is measured initially, and at each reporting date until settled at the fair value of the share appreciation rights, taking into account the terms and conditions on which the share appreciation rights were granted and the extent to which the employees have rendered service to date. Any change in the fair value of the share appreciation rights, from the grant date to the end of each financial year, is recognised as financial income/expense in the income statement.

Liabilities

Generally, liabilities are stated at amortised cost unless specifically mentioned otherwise.

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method. Borrowings are classified as current debt unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Statement of cash flows

The statement of cash flows and financial resources is presented in accordance with the indirect method commencing with operating profit. The statement shows cash flows for the year, the net change in cash and cash equivalents for the year, and cash and cash equivalents at the beginning and the end of the year.

Cash and cash equivalents consist of cash less short term bank loans. Financial resources consist of cash and cash equivalent and undrawn committed credit facilities expiring after more than one year.

Financial ratios

Financial ratios have been calculated as follows:

$$\text{Operating profit margin} = \frac{\text{Operating profit x 100}}{\text{Turnover}}$$

$$\text{Profit margin before tax} = \frac{\text{Profit before tax x 100}}{\text{Turnover}}$$

$$\text{Return on equity} = \frac{\text{Net profit x 100}}{\text{Average equity}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

$$\text{Cash to earnings ratio} = \frac{\text{Free cash flow* x 100}}{\text{Net profit}}$$

$$\text{Payout ratio} = \frac{\text{Total dividend for the year x 100}}{\text{Net profit}}$$

$$\text{Dividend per share} = \frac{\text{Proposed dividend}}{\text{Number of shares}}$$

* Free cash flow is defined as net cash generated from operating activities less net cash used in investing activities.

NOTES – CONSOLIDATED

(DKK 1,000)

	2016	2015
Note 2 Turnover		
Sales value of engineering sales	2,287,700	1,960,542
Sales value of other service sales	109,444	97,168
Total	**2,397,144**	**2,057,710**

Turnover consists of 53% (54% in 2015) to companies in the Novo Nordisk Group, 6% (3% in 2015) to the Novozymes and Xellia Group and 41% (43% in 2015) to other customers. The distribution is 52% (57% in 2015) in Denmark and 48% (43% in 2015) abroad.

The Group supplies engineering and consulting services to the pharma and biotech industries.

	2016	2015
Note 3 Employee costs		
Wages and salaries	1,090,404	1,041,379
Pensions defined contribution plans	83,537	80,435
Pensions defined benefit plans	9,323	15,872
Share-based payment costs (note 24)	6,456	7,765
Other social security contributions	53,253	53,339
Other employee costs	45,507	39,588
Total	**1,288,480**	**1,238,378**
Included in the income statement under the following headings:		
Cost of projects	1,130,114	1,062,156
Sales and distribution costs	51,727	61,584
Administrative costs	106,639	114,638
Total	**1,288,480**	**1,238,378**

NOTES – CONSOLIDATED

(DKK 1,000)

	2016	2015
Note 3 Employee costs (continued)		
Average number of full-time employees	1,768	1,675
At the end of the year the Group had 1,773 full time employees compared to 1,719 at year end 2015.		
Management's remuneration and share-based payments:		
Fees to Board of Directors	805	825
Salary, cash bonus etc. to Executive Management	3,197	3,491
Pension contribution to Executive Management	762	738
Share-based payment to Executive Management (note 24)	1,453	1,474
Salary, cash bonus etc. to NNE Management	27,709	24,645
Pension contribution to NNE Management	1,471	1,486
Share-based payment to NNE Management	2,277	2,699
Total	**37,674**	**35,358**

The fee to the Board of Directors is a fixed amount applying to employee elected members and to members outside the Novo Nordisk Group. Executive Management (CEO) is entitled to a severance payment of 12 months salary plus pension contribution, if terminated by the company.

Note 4 Depreciation, amortisation and impairment losses		
Depreciation and amortisation are derived from:		
Intangible assets	7,665	5,956
Property, plant and equipment	5,255	6,355
Total	**12,920**	**12,311**
Included in the income statement under the following headings:		
Cost of projects	11,246	10,328
Sales and distribution costs	385	423
Administrative costs	1,289	1,560
Total	**12,920**	**12,311**

Note 5 Financial income		
Interest income on loan to related parties	9	-
Interest income on short-term bank deposits	74	85
Other financial income	610	1,106
Unrealised/realised capital gains on shares	-	17,678
Unrealised/realised adjustments on provisions (share-based payment, note 19)	11,393	-
Unrealised/realised foreign exchange gains	8,691	4,562
Total	**20,777**	**23,431**

NOTES – CONSOLIDATED

(DKK 1,000)

	2016	2015
Note 6 Financial expenses		
Interest expenses on loans to related parties (note 23)	-	25
Other interest expenses	303	538
Unrealised/realised capital loss on shares	14,184	-
Unrealised/realised adjustments on provisions (share-based payment, note 19)	-	20,322
Unrealised/realised foreign exchange loss	1,059	10,202
Realised loss on investment	-	13,660
Other financial expenses	910	1,926
Total	**16,456**	**46,673**

Note 7 Income taxes		
Current tax on profit for the year (note 18)	42,737	26,657
Deferred tax on profit for the year (note 17)	16,217	(2,337)
Tax on profit for the year	**58,954**	**24,320**
Adjustments related to previous years – deferred tax (note 17)	(25,464)	598
Adjustments related to previous years – current tax (note 18)	2,603	(1,211)
Total	**36,093**	**23,707**

The adjustment to deferred tax assets in prior years is mainly related to benefits arising from previously unrecognised tax losses of a prior period that is used to reduce the current tax expense in the US. The tax effect of joint taxation with the parent company Novo Nordisk A/S and affiliated companies is distributed on the companies according to their taxable income (the full costing method). The Danish jointly taxed companies are included in a Danish tax prepayment scheme.

Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	22.0%	23.5%
Adjustments to previous years	1.2%	(1.4%)
Adjustments to deferred tax assets	(12.3%)	(5.0%)
Non-tax income less non-tax deductible expenses	2.4%	(2.2%)
Tax loss carry-forward, net recognised	0.0%	12.1%
Adjustment to current years taxes	1.7%	0.0%
Changes in tax rate from 2015 to 2016 and 2016 to 2017	0.0%	1.1%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate	2.5%	(0.6%)
Effective tax rate	**17.5%**	**27.5%**

NOTES – CONSOLIDATED

(DKK 1,000)

	2016	2015
Note 7 Income taxes (continued)		
Tax on other comprehensive income for the year income	5,576	3,939
Income taxes paid		
Income taxes paid in Denmark	22,681	21,999
Income taxes paid outside Denmark	6,545	4,340
Total income taxes paid	**29,226**	**26,339**

Note 8 Intangible assets

2016	Goodwill	Patents/ certificates	Contracts	Customer lists	Trademark	ERP systems and software	Intangible assets under construction	Total
Cost at 1 January	62,735	1,617	25,346	5,703	13,164	29,726	5,118	143,409
Additions during the year	-	-	-	-	-	-	-	-
Disposals during the year	(5,074)	(1,000)	-	(2,000)	-	(1,382)	-	(9,456)
Transfer from/(to) other items	-	-	-	-	-	-	(5,118)	(5,118)
Exchange rate adjustments	(697)	19	(96)	(64)	-	18	-	(820)
Cost at 31 December	**56,964**	**636**	**25,250**	**3,639**	**13,164**	**28,362**	**-**	**128,015**
Depreciation and impairment losses at 1 January	-	1,617	25,346	5,328	11,853	10,640	-	54,784
Depreciation for the year	-	-	-	368	1,311	5,986	-	7,665
Disposals during the year	-	(1,000)	-	(2,000)	-	(857)	-	(3,857)
Exchange rate adjustments	-	19	(96)	(57)	-	25	-	(109)
Depreciation and impairment losses at 31 December	-	**636**	**25,250**	**3,639**	**13,164**	**15,794**	**-**	**58,483**
Carrying amount at 31 December	**56,964**	**-**	**-**	**-**	**-**	**12,568**	**-**	**69,532**

2015	Goodwill	Patents/ certificates	Contracts	Customer lists	Trademark	ERP systems and software	Intangible assets under construction	Total
Cost at 1 January	62,131	1,555	25,282	5,660	13,164	50,788	10,143	168,723
Additions during the year	-	-	-	-	-	4,782	9,039	13,821
Disposals during the year	-	(2)	-	-	-	(40,423)	-	(40,425)
Transfer from/(to) other items	-	-	-	-	-	14,064	(14,064)	-
Exchange rate adjustments	604	64	64	43	-	515	-	1,290
Cost at 31 December	**62,735**	**1,617**	**25,346**	**5,703**	**13,164**	**29,726**	**5,118**	**143,409**
Depreciation and impairment losses at 1 January	-	1,500	25,282	4,924	10,536	46,279	-	88,521
Depreciation for the year	-	61	-	370	1,317	4,208	-	5,956
Disposals during the year	-	(2)	-	-	-	(40,145)	-	(40,147)
Exchange rate adjustments	-	58	64	34	-	298	-	454
Depreciation and impairment losses at 31 December	-	**1,617**	**25,346**	**5,328**	**11,853**	**10,640**	**-**	**54,784**
Carrying amount at 31 December	**62,735**	**-**	**-**	**375**	**1,311**	**19,086**	**5,118**	**88,625**

NOTES – CONSOLIDATED

(DKK 1,000)

Note 9 Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to two individual cash-generating units for impairment testing:

- Former Pharmaplan Group - consisting of NNE SAS, NNE GmbH, NNE AG, and NNE Limited
- NNE, Inc.

Carrying amount of goodwill allocated to each of the cash-generating units:

	Pharmaplan Group		NNE, Inc.		Total	
	2016	2015	2016	2015	2016	2015
Carrying amount of goodwill	**56,964**	**56,972**	**-**	**5,763**	**56,964**	**62,735**

Pharmaplan Group

The recoverable amount of the Pharmaplan Group unit is determined by a value-in-use calculation, using cash flow projections based on financial budgets approved by the Board of Directors, covering a five-year period. The pre-tax discount rate applied to the cash flow is 8.0% (2015: 5.4%). The average operating profit margin is 5 to 7% (2015: 4 to 5%). The growth rate used to extrapolate the cash flows of the Pharmaplan Group beyond the five-year period is 0% (2015: 0%).

NNE, Inc.

In 2016 NNE, Inc. sold the activities related to the goodwill to a third party. The goodwill is therefore disposed in 2016.

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(DKK 1,000)

Note 10 Property, plant and equipment

2016	Leasehold improvements	Other equipment	Total
Cost at 1 January	8,448	34,260	42,708
Additions during the year	8,872	2,654	11,526
Disposals during the year	(2,988)	(11,655)	(14,643)
Exchange rate adjustments	(176)	(203)	(379)
Cost at 31 December	**14,156**	**25,056**	**39,212**
Depreciation and impairment losses at 1 January	7,329	27,951	35,280
Depreciation for the year	1,779	3,476	5,255
Disposals during the year	(2,988)	(12,200)	(15,188)
Exchange rate adjustments	(157)	(74)	(231)
Depreciation and impairment losses at 31 December	**5,963**	**19,153**	**25,116**
Carrying amount at 31 December	**8,193**	**5,903**	**14,096**
Financially leased assets amount to	**-**	**696**	**696**

The Group leases cars under non-cancellable finance lease agreements.

2015	Leasehold improvements	Other equipment	Total
Cost at 1 January	8,660	41,167	49,827
Additions during the year	-	4,783	4,783
Disposals during the year	(716)	(12,345)	(13,061)
Exchange rate adjustments	504	655	1,159
Cost at 31 December	**8,448**	**34,260**	**42,708**
Depreciation and impairment losses at 1 January	6,101	33,007	39,108
Depreciation for the year	1,510	4,845	6,355
Disposals during the year	(613)	(10,470)	(11,083)
Exchange rate adjustments	331	569	900
Depreciation and impairment losses at 31 December	**7,329**	**27,951**	**35,280**
Carrying amount at 31 December	**1,119**	**6,309**	**7,428**
Financially leased assets amount to	**-**	**469**	**469**

The Group leases cars under non-cancellable finance lease agreements.

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(DKK 1,000)

Note 11 Financial assets	**2016**	**2015**
Fair value at the end of the year	**21,099**	**52,878**
Original acquisition cost during the year	10,103	2,564
Total number of shares	82,839	132,229
Non-Current	11,185	18,129
Current	9,914	34,749
Total	**21,099**	**52,878**

The share portfolio consists of shares in Novo Nordisk A/S. These shares hedge the share-based payment.

Note 12 Work in progress and prepayments on account for work in progress

Classified in the balance as shown below:

	Work in progress	Payments on account	Total	Total
Current assets	1,071,577	(984,007)	87,570	96,313
Current liabilities	1,125,079	(1,269,125)	(144,046)	(46,965)
Total	**2,196,656**	**(2,253,132)**	**(56,476)**	**49,348**

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(DKK 1,000)

	2016	2015
Note 13 Trade receivables		
Trade receivables (gross)	**264,209**	**208,574**
Allowance for doubtful trade receivables:		
Balance at the beginning of the year	(1,160)	(8,360)
Change in allowance during the year	(3,985)	2,790
Realised losses during the year	893	4,698
Exchange rate adjustments	(14)	(288)
Balance at the end of the year	**(4,266)**	**(1,160)**
Trade receivables (net)	**259,943**	**207,414**
Trade receivables (net) can be specified as follows:		
Neither past due nor impaired	211,885	154,637
Past due:		
Between 1 and 90 days	34,064	44,119
Between 91 and 180 days	10,148	2,071
Between 181 and 270 days	706	2,543
Between 271 and 360 days	626	1,394
More than 360 days	2,514	2,650
Trade receivables (net)	**259,943**	**207,414**

Historically the Group has only had minor losses on trade receivables.

Note 14 Other receivables and prepayments		
Prepaid rent	417	384
Prepaid IT costs	6,113	5,309
Other prepaid costs	6,994	5,537
Deposits	5,137	6,560
Employee costs	2,026	1,917
Other receivables	28,673	22,045
Total	**49,360**	**41,752**

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	2016	2015
Note 15 Share capital		
Share capital at the end of the year:		
A share capital (167 shares of DKK 1,000)	167	167
B share capital (333 shares of DKK 1,000)	333	333
Total	**500**	**500**

The share capital in NNE A/S is divided into A shares and B shares. The A shares have 10 votes per DKK 500 of the A share capital, whereas the B shares have 1 vote per DKK 500 of the B share capital. There are no transferability restrictions on the B shares, while the owners of the A shares have a right of first refusal in case of any transfer of A shares. The share capital has been unchanged for the last 5 years.

At the end of 2016, proposed dividend (not yet declared) of DKK 200 million is included in retained earnings. The declared dividend included in retained earnings was DKK 17 million in 2015.

Note 16 Other liabilities		
Employee costs payable	276,582	261,905
VAT, taxes and other contributions to social security	44,085	33,287
Accruals	101,382	79,667
Financial lease commitments	519	392
Other payables	998	915
Total	**423,566**	**376,166**

Liabilities are all payables within one year.

There is only an insignificant difference between nominal amounts and amortised amounts, and thus only the nominal amounts have been presented.

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Note 17 Deferred tax assets/Deferred tax liabilities	2016	2015
At the beginning of the year	53,782	46,731
Deferred tax on profit for the year (note 7)	(16,217)	2,337
Adjustments related to previous years (note 7)	25,464	(598)
Deferred tax on items recognised in other comprehensive income	5,576	3,939
Exchange rate adjustments	1,224	1,373
Total deferred tax assets/liabilities (net)	**69,829**	**53,782**

2016	Intangible assets	Property, plant and equipment	Work in progress	Tax loss carry-forward	Provisions	Other	Offset within countries	Total
Deferred tax assets at 1 January	950	875	11	15,800	43,590	251	(7,112)	54,365
Deferred tax liabilities at 1 January	(717)	(1,110)	(5,506)	-	-	(362)	7,112	(583)
Net deferred tax assets/(liabilities) at 1 January	**233**	**(235)**	**(5,495)**	**15,800**	**43,590**	**(111)**	**-**	**53,782**
Exchange rate adjustments	(3)	(3)	13	831	389	(3)	-	1,224
Income/(charge) to the income statement	181	2,444	386	5,214	1,134	(112)	-	9,247
Other comprehensive income	-	-	-	-	5,576	-	-	5,576
Deferred tax assets/(liabilities) at 31 December	**411**	**2,206**	**(5,096)**	**21,845**	**50,689**	**(226)**	**-**	**69,829**
Specified as follows:								
Deferred tax assets at 31 December	1,161	2,342	63	21,845	50,689	351	(6,622)	69,829
Deferred tax liabilities at 31 December	(750)	(136)	(5,159)	-	-	(577)	6,622	-
Net deferred tax assets/(liabilities) at 31 December	**411**	**2,206**	**(5,096)**	**21,845**	**50,689**	**(226)**	**-**	**69,829**

Tax losses carried forward

The tax value of tax losses carried forward of DKK 67 million (2015: DKK 81.4 million) has not been recognised in the balance sheet, due to the likelihood that the tax losses will not be realised in the future. Of the unrecognised tax losses carried forward, the total DKK 67 million expires after more than five years.

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(DKK 1,000)

Note 17 Deferred tax assets/Deferred tax liabilities (continued)

2015	Intangible assets	Property, plant and equipment	Work in progress	Tax loss carry-forward	Provisions	Other	Offset within countries	Total
Deferred tax assets at 1 January	463	3,940	222	13,923	34,729	944	(6,327)	47,894
Deferred tax liabilities at 1 January	(1,281)	-	(6,190)	-	-	(19)	6,327	(1,163)
Net deferred tax assets/(liabilities) at 1 January	**(818)**	**3,940**	**(5,968)**	**13,923**	**34,729**	**925**	**-**	**46,731**
Exchange rate adjustments	9	109	9	(22)	1,175	93	-	1,373
Income/(charge) to the income statement	1,042	(4,284)	464	1,899	3,746	(1,129)	-	1,738
Other comprehensive income	-	-	-	-	3,940	-	-	3,940
Deferred tax assets/(liabilities) at 31 December	**233**	**(235)**	**(5,495)**	**15,800**	**43,590**	**(111)**	**-**	**53,782**
Specified as follows:								
Deferred tax assets at 31 December	950	875	11	15,800	43,590	251	(7,112)	54,365
Deferred tax liabilities at 31 December	(717)	(1,110)	(5,506)	-	-	(362)	7,112	(583)
Net deferred tax assets/(liabilities) at 31 December	**233**	**(235)**	**(5,495)**	**15,800**	**43,590**	**(111)**	**-**	**53,782**

Note 18 Tax receivables/Tax payables	2016	2015
At the beginning of the year	8,221	7,273
Corporate tax paid during the year	(2,989)	(662)
Prepaid tax	32,215	27,001
Adjustments related to previous years (note 7)	(2,603)	1,211
Current tax for the year (note 7)	(42,737)	(26,657)
Exchange rate adjustments	(117)	55
Total tax receivables/(tax payables)	**(8,010)**	**8,221**
Classified in the balance as shown below:		
Current assets	6,786	11,473
Current liabilities	(14,796)	(3,252)
Total	**(8,010)**	**8,221**

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Note 19 Provisions

NNE gives 1-5 years' warranties on certain deliverables and thus has an obligation to rectify or replace deliverables that are not satisfactory. The calculation of employee benefits is based on certain benefit, economic and demographic assumptions.

The provision regarding the dilapidation is expected to be used within the next 10 years and is based on the management's best estimate. Other provisions consist of various types of provisions and severance pay etc.

	Warranties	Long-term employee benefits	Dilapidation	Long-term incentive programme	Other	2016 Total	2015 Total
Provisions at 1 January	2,395	7,763	5,647	50,861	2,738	69,404	62,309
Additions during the year	989	1,212	1,766	6,456	8,146	18,569	14,361
Unused amounts reversed	(614)	-	-	-	-	(614)	(3,310)
Used during the year	-	(415)	(2,057)	(27,698)	(2,801)	(32,971)	(25,257)
Value adjustment	-	-	-	(11,393)	-	(11,393)	20,322
Exchange rate adjustments	(10)	1	49	-	78	118	979
Provisions at 31 December	**2,760**	**8,561**	**5,405**	**18,226**	**8,161**	**43,113**	**69,404**

Specification of provisions:		
Current provisions	18,220	39,882
Non-current provisions	24,893	29,522
Total	**43,113**	**69,404**

Note 20 Retirement benefit obligations

Most employees in the Group are covered by post-employment retirement plans, in form of primarily defined contribution plans or alternatively defined benefit plans. Group companies sponsor these plans, either directly or by contributing to independently administered funds. The nature of such plans varies according to the legal regulations, fiscal requirements and economic conditions of the countries in which the employees are employed, and the benefits are generally based on the employees' remuneration and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees.

Post-employment benefit plans are usually funded by payments from Group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognised in the consolidated balance sheet. In accordance with the accounting policies, the costs recognised for post-employment benefits are included in cost of projects, sales and distribution costs or administrative costs.

	Germany	Switzerland	Other	2016 Total	2015 Total
Retirement benefit obligations:					
Beginning of the year	82,006	125,474	817	208,297	155,573
Current service cost	2,091	12,772	-	14,863	13,199
Interest cost	2,042	1,378	-	3,420	3,491
Remeasurements (gains)/losses[1]	10,088	11,920	-	22,008	17,626
Benefits paid to employees	(1,351)	(5,801)	-	(7,152)	4,817
Curtailments/Plan amendments	-	(14,440)	-	(14,440)	-
Other	-	4,795	-	4,795	4,438
Exchange rate adjustments	(310)	390	(3)	77	9,153
At the end of the year	**94,566**	**136,488**	**814**	**231,868**	**208,297**

[1] Remeasurements relates primarily to change in financial assumptions.

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(DKK 1,000)

Note 20 Retirement benefit obligations (continued)

	Germany	Switzerland	Other	2016 Total	2015 Total
Fair value of plan assets of the year:					
Beginning of the year	-	69,550	817	70,367	46,932
Interest income	-	789	-	789	970
Remeasurements gains/(losses)	-	221	-	221	571
Employer contributions	1,351	7,054	-	8,405	6,239
Benefits paid (to)/by employees	(1,351)	(5,801)	-	(7,152)	5,885
Curtailments/Plan amendments	-	(6,334)	-	(6,334)	-
Other	-	4,794	-	4,794	4,438
Exchange rate adjustments	-	217	(3)	214	5,332
At the end of the year	**-**	**70,490**	**814**	**71,304**	**70,367**
Net retirement benefit obligations at the end of the year (unfunded)	**94,566**	**65,998**	**-**	**160,564**	**137,930**

The amounts recognised in the balance sheet for post-employment defined benefit plans are reported as non-current. In 2016 the retirement benefit plan in Switzerland was split into a defined contribution plan and a defined benefit plan. This change resulted in an income of DKK 8 million in 2016.

The Group expects to contribute DKK 8.9 million to its defined benefit pension plans in 2017 (2016: DKK 8.9 million). It is not expected that the contribution over the next five years will differ significantly from current contributions.

For all major defined benefit plans actuarial computations and valuations are performed annually. Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each country.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected future remuneration increase. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the period.

Sensitivity analyses	Germany	Switzerland	2016 Total	2015 Total
Discount rate				
1%-point increase	(17,589)	(22,234)	(39,824)	(37,257)
1%-point decrease	23,642	25,253	48,894	52,211
Future remuneration				
1%-point increase	3,026	4,174	7,200	9,319
1%-point decrease	(2,742)	(4,188)	(6,930)	(8,889)

The sensitivities above consider the single change shown with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case).

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	2016	2015
Note 21 Commitments and contingencies		

Operating leases

The operating lease commitments are related to non-cancellable operating leases, related to office rent and company cars. Expenses related to lease rentals amount to DKK 44.6 million in 2016 and DKK 45.8 million in 2015. Approximately 37% (2015: 37%) of the commitments are related to leases outside Denmark.

The duration period for the NNE Group's rental leases varies. However; the longest commitment is for an office lease. This leasing is non-cancellable for 13 years for NNE.

Lease commitments are expiring within the following periods as from the end of the reporting period:

	2016	2015
Within one year	39,121	37,868
Between one and two years	31,020	29,898
Between two and three years	22,814	25,892
Between three and four years	20,879	20,170
Between four and five years	20,107	18,749
After five years	103,975	19,075
Total	**237,916**	**151,652**

Other commitments

Other commitments are related to non-cancellable commitments related to internal consultants, licenses and purchase obligations.

Internal consultants are consultants hired on a temporary contract and have a notice period of 3 months or less.

Other commitments are payable within the following periods as from the balance sheet date:

	2016	2015
Within one year	58,423	33,630
Between one and two years	6,237	356
Between two and three years	6,015	127
Between three and four years	4	26
Between four and five years	-	25
Total	**70,679**	**34,164**

Guarantees

	2016	2015
Bank guarantees	8,678	20,445
Total	**8,678**	**20,445**

Bank guarantees are guarantees that the banks of NNE Group have issued towards other banks NNE is using or towards NNE Group customers.

Pending litigation against NNE

NNE Group is engaged in a few litigation proceedings. In the opinion of the management, settlements or continuation of these proceedings are not expected to have a material effect on the financial position.

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(DKK 1,000)

	2016	2015
Note 22 Fees to statutory auditors		
Statutory audit fee to PwC	2,388	2,368
Audit-related services	40	130
Tax advisory services	15	115
Other services	51	-
Total	**2,494**	**2,613**

Note 23 Transactions with related parties

Related parties are considered to be the Executive Management and the Board of Directors of the company, the Novo Nordisk Group, the Novo Nordisk Foundation, Novo A/S, the NNIT Group, the Novozymes Group, the Xellia Group and members of the management of these entities. Related parties also include companies in which the above persons have significant interests.

All agreements relating to these transactions are based on the list prices used for sale to third parties where such list prices exist, or the price has been set at what is regarded as market price. The material items of these agreements are renegotiated regularly. Guarantees have been given to related parties in connection with the execution of engineering projects.

The Group has had the following transactions with related parties:

	2016	2015
Value of services sold		
Novo Nordisk Group	1,272,816	1,103,204
Novozymes Group	36,233	57,939
NNIT Group	2,502	6,928
Novo A/S	-	500
Hallas Park	743	-
Xellia Group	108,456	10,696
Total	**1,420,750**	**1,179,267**
Value of services acquired		
Novo Nordisk Group	22,080	20,122
NNIT Group	3,961	6,156
Total	**26,041**	**26,278**
Financial income		
Novo Nordisk Group (dividend received)	611	627
Total	**611**	**627**
Financial expenses		
Novo Nordisk Group	-	25
Total	**-**	**25**

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(DKK 1,000)

	2016	2015
Note 23 Transactions with related parties (continued)		
Dividend		
Novo Nordisk Group	17,000	-
Total	**17,000**	**-**
Receivables		
Novo Nordisk Group	293,635	269,862
Novozymes Group	11,351	17,045
NNIT Group	-	1,132
Hallas Park	465	-
Xellia Group	221	3,258
Total	**305,672**	**291,297**
Cash and cash equivalents		
Novo Nordisk Group	284,086	25,966
Total	**284,086**	**25,966**
Payables		
Novo Nordisk Group	3,223	3,584
NNIT Group	883	931
Total	**4,106**	**4,515**
Shares Novo Nordisk A/S		
Non-current	11,185	18,129
Current	9,914	34,749
Total	**21,099**	**52,878**

Ownership

NNE A/S is a wholly owned subsidiary of Novo Nordisk A/S and included in the consolidated financial statements of Novo Nordisk A/S.

The consolidated financial statements of Novo Nordisk A/S are available on request from Novo Nordisk A/S, Novo Allé, DK-2880 Bagsværd.
The ultimate parent is the Novo Nordisk Foundation, Tuborg Havnevej 19, DK-2900 Hellerup.

NOTES – CONSOLIDATED

(DKK 1,000)

Note 24 Share-based payment schemes

Long-term incentive programme:

The Executive Management, NNE Management and senior executives of the NNE Group participate in a long-term share-based incentive programme set up by NNE A/S. The long-term incentive programme is linked to the financial performance of the NNE Group and the affiliates. A maximum of 4 months' base salary (8 months' base salary plus pension contribution for the CEO) per participant per year can be earned in the year.

The elements included in the programme are applied to reward focus on the profitability of NNE.

Once a year, the NNE Board of Directors approves the financial targets for the coming calendar year, to ensure alignment of the targets and the long-term business plan.

	2016	2015
Long-term share-based incentive programme	6,456	7,765
Total cost of share-based payment for the year	**6,456**	**7,765**
Included in the income statement under the following headings:		
Cost of projects	5,687	6,711
Sales and distribution costs	248	368
Administrative costs	521	686
Total	**6,456**	**7,765**
This amount can be specified as follow:		
Executive Management	1,453	1,474
Other employees	5,003	6,291
Total	**6,456**	**7,765**
Financial income/(expenses), realised and unrealised loss (note 5, 6)	11,393	(20,322)
The liability of the long-term share-based incentive programme	18,226	50,861

NOTES – CONSOLIDATED

(DKK 1,000)

	2016	2015
Note 25 Reversals with no effect on the cash flow		
Depreciation, including gain and loss on fixed assets sold	11,355	11,851
Change in provisions	12,800	(13,226)
Change in pensions etc.	2,861	9,416
Total	**27,016**	**8,041**

Note 26 Financial risk management

NNE's objective and policies for financial risk management follow the Novo Nordisk risk management guideline. It is NNE's policy to monitor and mitigate all major financial risks affecting the financial performance. The risk profile, including all identified significant risks, is on a monthly basis included in the report to the Board of Directors. In addition, the long-term risk profile is reported to the NNE Management and Novo Nordisk.

NNE's project portfolio of varied size as well as the company's international profile are both main reasons that the company's profitability and cash flows are exposed to financial risks. The financial risks include foreign exchange risk, interest rate risk, counterpart risk, and project risk.

Foreign exchange risk
The company's foreign exchange exposure is related to transactions and net investments in foreign operations. In relation to transactions the major part of the sales is in DKK, EUR, USD, CHF, and CNY. NNE's foreign exchange risk is most significant in USD, CHF, RUB, and CNY, as the foreign exchange risk on EUR is regarded as limited due to the Danish fixed-rate policy to the EUR.

As the income and cost are predominately carried in the same currency on the individual projects the foreign exchange risk on the above currencies from the company's activities is low. A 10% change in the currencies, other things being equal, will have a full-year impact on profit before income taxes of approximately:

DKK million	2016	2015
CNY	0.2	0.1
USD	0.7	3.3
CHF	0.4	0.6
RUB/EUR	1.1	1.1

NOTES – CONSOLIDATED

(DKK 1,000)

Note 26 Financial risk management (continued)

NNE Denmark's investments in subsidiaries: China, US, France, Germany, Switzerland, Belgium, Sweden, Ireland, and Hong Kong amount to a total of DKK 188.3 million (2015: DKK 54.2 million).

DKK million	2016	2015
EUR	105.9	0.4
USD	59.9	7.2
CNY	45.6	67.1
CHF	(11.2)	(11.1)
INR	7.4	8.1
RUB	(18.3)	(16.7)

Interest rate risk
NNE's interest rate risk consists of the sensitivity of net interest bearing item to changes in the interest rate. The net interest bearing debt in NNE amounts to an asset of DKK 370.3 million (2015: An asset of DKK 135.4 million).

At the end of 2016 a one percentage point increase in the interest rate level, everything else being equal, is estimated to have an isolated effect on the operating profit before tax of DKK 3.7 million (2015: DKK 1.3 million).

Counterpart risk
Credit rating, supplied by a leading provider, is used in order to evaluate major customers and manage credit risk on an ongoing basis. In 2016 the five largest customers accounted for 79% (2015: 81%) of the total project portfolio, resulting in a strict focus on this customer group. Furthermore, the majority of the transactions occurs with top 20 companies in the markets where NNE operates. Counterpart risk related to supply is limited through a use of back-to-back contracts and supplier guarantees. Performance bonds (guarantees) are imposed in all other significant supply contracts, thereby minimising the Group's risk on counterparts.

Project risk
NNE's risk on large projects is managed through a continuous risk assessment of the projects, hereunder conducting risk profiles of the individual projects. This is supported through a project governance structure. The projects are evaluated on risk meetings on a monthly basis.

Share portfolio risk
A 10% decrease of the market price of the Novo Nordisk shares will result in a loss of DKK 2.1 million.

Liquidity risk
The Group's underlying business is based on projects. To ensure adequate liquidity and maintain flexibility in operation, liquidity is managed through the use of consultancy services agreements and short term credit facilities with Novo Nordisk.

The table in note 27 analyses the Group's financial liabilities and assets into relevant maturity groupings, based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting are not significant.

Capital management
The Group's objective when managing the capital structure is to ensure operational stability and maintaining a flexible structure. The capital structure can be managed by adjusting the dividend payments to the shareholder, or issuing new shares.

The solvency ratio, calculated as equity to total assets, amounted to 33.8% by the end of the year (2015: 29.4%). The goal for the Group is to maintain a solvency ratio in excess of 35% in order to reach a competitive level for our industry.

NOTES – CONSOLIDATED

(DKK 1,000)

Note 26 Financial risk management (continued)

Carrying amounts and fair value of the financial assets and liabilities
As of 31 December 2016, the carrying amounts of the financial assets and liabilities are not materially different from the calculated fair value. The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, work in progress, trade receivables, receivables from related parties, other receivables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of loans from banks and other financial liabilities, obligations under finance lease as well as other non-current financial liabilities is estimated by discounting future cash flows, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Note 27 Financial instruments by category

The accounting policies for financial assets and liabilities have been applied to the line items below:

	2016	2015
	Loans and receivables	**Loans and receivables**
Work in progress	87,570	96,313
Trade and other receivables	295,779	237,936
Receivables from related parties	305,672	291,297
Cash at bank and on hand	370,329	139,295
Assets as per 31 December	**1,059,350**	**764,841**

	2016	2015
	Other financial liabilities	**Other financial liabilities**
Payments on account for work in progress	144,046	46,965
Trade payables	41,119	58,487
Short term borrowings	-	3,892
Payables to related parties	4,106	4,515
Other liabilities	423,566	376,166
Liabilities as per 31 December	**612,837**	**490,025**

NOTES – CONSOLIDATED

(DKK 1,000)

Note 28 Companies in the NNE Group

	Country	Year of incorporation/ acquisition	Issued share capital/paid in capital	Currency	Percentages of shares owned
Parent company NNE A/S	**Denmark**	**1989**	**500,000**	**DKK**	**100**
NNE (Tianjin) Engineering Co., Ltd.	China	1995	1,490,000	USD	100
NNE AB	Sweden	2002	100,000	SEK	100
NNE, Inc.	United States	2003	375,568	USD	100
NNE SAS	France	2004	1,000,000	EUR	100
NNE AG	Switzerland	2007	300,000	CHF	100
NNE Pharmaplan Ltd.	Ireland	2008	1	EUR	100
NNE SA	Belgium	2012	440,000	EUR	100
NNE Pharmaplan Hong Kong Limited	Hong Kong	2013	10,000	HKD	100
NNE GmbH	**Germany**	**2007**	**550,000**	**EUR**	**100**
NNE Limited	India	2007	5,000,000	INR	100
NNE Pharmaplan OOO	Russia	2007	50,000	RUB	100
Pharmaplan SPOL s.r.o.	Czech Republic	2008	3,000,000	CZK	100

The ownership of NNE AG has changed from NNE GmbH to NNE A/S in 2016.

Financial statements 2016
of the parent company NNE A/S

The Annual Report for the parent company NNE A/S
is an integrated part of the Annual Report 2016 for NNE

INCOME STATEMENT OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

	Note	2016	2015
Turnover	2	1,362,132	1,238,559
Cost of projects	3	(1,125,524)	(1,030,196)
Gross profit		**236,608**	**208,363**
Sales and distribution costs	3	(36,418)	(42,020)
Administrative costs	3	(68,969)	(71,899)
Operating profit		**131,221**	**94,444**
Share of profit/loss in subsidiaries	9	73,726	(3,465)
Financial income	4	6,473	7,846
Financial expenses	5	(4,800)	(9,848)
Profit before income taxes		**206,620**	**88,977**
Income taxes	6	(36,251)	(18,863)
Net profit for the year		**170,369**	**70,114**
Proposed appropriation of net profit:			
Dividend to shareholders		200,000	17,000
Retained earnings		(29,631)	53,114
Total		**170,369**	**70,114**

BALANCE SHEET OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

	Note	2016	2015
Assets			
Intangible assets	7	11,979	22,655
Property, plant and equipment	8	8,399	2,244
Investments in subsidiaries	9	190,198	62,650
Deferred income tax assets	10	7,354	12,178
Financial assets	11	21,099	52,878
Total non-current assets		**239,029**	**152,605**
Work in progress and prepayments on accounts		19,348	35,261
Trade receivables		41,956	27,110
Receivables from related parties	12	337,058	348,448
Tax receivables		-	2,556
Other receivables		2,242	3,341
Prepayments		9,346	8,350
Cash at bank and on hand		284,981	25,974
Total current assets		**694,931**	**451,040**
Total assets		**933,960**	**603,645**

BALANCE SHEET OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

	Note	2016	2015
Equity and liabilities			
Share capital	13	500	500
Retained earnings		371,615	237,938
Total equity		**372,115**	**238,438**
Provisions		21,264	35,083
Total non-current liabilities		**21,264**	**35,083**
Prepayments on account for work in progress		57,338	24,353
Trade payables		2,891	22,999
Payables to related parties	12	14,061	29,891
Short term borrowing related parties	12	204,150	6,901
Tax payables		6,669	2,489
Provisions		9,915	27,479
Other liabilities		245,557	216,012
Total current liabilities		**540,581**	**330,124**
Total liabilities		**561,845**	**365,207**
Total equity and liabilities		**933,960**	**603,645**
Commitments	14		

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

2016	Share capital	Reserve under the equity method	Retained earnings	Total
Balance at beginning of year	**500**	**-**	**237,938**	**238,438**
Exchange rate adjustments of investment in subsidiaries	-	-	(3,481)	(3,481)
Adjustment of investment in subsidiaries	-	-	(16,211)	(16,211)
Net income/(loss) recognised directly in equity	**-**	**-**	**(19,692)**	**(19,692)**
Net profit/(loss)	-	-	(29,631)	(29,631)
Proposed dividend	-	-	200,000	200,000
Total income/(loss)	**-**	**-**	**150,677**	**150,677**
Dividends paid	-	-	(17,000)	(17,000)
Balance end of year	**500**	**-**	**371,615**	**372,115**

Share capital and reserve under equity method cannot be used for dividend declaration.

2015	Share capital	Reserve under the equity method	Retained earnings	Total
Balance at beginning of year	**500**	**-**	**176,591**	**177,091**
Exchange rate adjustments of investment in subsidiaries	-	-	4,126	4,126
Adjustment of investment in subsidiaries	-	-	(12,893)	(12,893)
Net income/(loss) recognised directly in equity	**-**	**-**	**(8,767)**	**(8,767)**
Net profit/(loss)	-	-	53,114	53,114
Proposed dividend	-	-	17,000	17,000
Total income/(loss)	**-**	**-**	**61,347**	**61,347**
Dividends paid	-	-	-	-
Balance end of year	**500**	**-**	**237,938**	**238,438**

Share capital and reserve under equity method cannot be used for dividend declaration.

NOTE 1 ACCOUNTING POLICIES OF THE PARENT COMPANY

The parent company's financial statements have been prepared in accordance with the Danish Financial Statements Act class C/large companies.

The accounting policies for the parent company are unchanged compared to the last financial year and are the same as for the Group with the following additions.

Direct changes in the equity of subsidiaries relating to pension plans are taken directly to the parent company's equity by DKK -16 million (2015: -13 million), in order to give a more true and fair view in accordance with the Danish Financial Statements Act.

For a description of the accounting policies of the Group, please see note 1 – summary of significant accounting policies, page 26-32

Supplementary accounting policies for the parent company

Financial assets
In the financial statements of the parent company, investments in subsidiaries are recorded under the equity method, which is at the respective share of the net asset values in subsidiaries. Any cost in excess of net assets in the acquired company, is capitalised in the parent company under financial assets as part of investments in subsidiaries (goodwill). Amortisation of goodwill is provided under the straightline method over a period of 10 years, based on estimated useful life.

Net profit of subsidiaries less unrealised intercompany profits is recorded in the income statement of the parent company.

To the extent net profit of subsidiaries exceeds declared dividend from such companies, net revaluation of investments in subsidiaries is transferred to net revaluation reserve, according to the equity method under equity.

Fair value adjustment of financial assets categorised as 'available-for-sale' in the parent company is recognised in the income statement.

The profit in subsidiaries is shown as profit after tax.

Tax
The parent company is assessed jointly for Danish tax purposes with its Danish parent company Novo Nordisk A/S and other Danish affiliated companies. The Danish jointly taxed companies are included in a Danish on-account tax payment scheme for Danish corporate income tax. All current taxes under the scheme are recorded in the individual companies.

Cash flow statement
In conformity with section 86.4 of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company. Please refer to the cash flow statement for the Group.

NOTES – PARENT COMPANY

(DKK 1,000)

	2016	2015
Note 2 Turnover		
Sales value of engineering sales	1,362,132	1,238,559
Total	**1,362,132**	**1,238,559**

	2016	2015
Note 3 Employee costs		
Wages and salaries	668,142	649,098
Pensions	58,163	53,872
Share-based payment costs	6,456	7,765
Other contributions to social security	9,212	8,485
Other employee costs	18,265	15,634
Total	**760,238**	**734,854**
Included in the income statement under the following headings:		
Cost of projects	679,355	642,144
Sales and distribution costs	24,627	33,216
Administrative costs	56,256	59,494
Total	**760,238**	**734,854**

The average number of full-time employees in 2016 was 942 compared to 922 in 2015. At the end of 2016 the company had 963 full-time employees compared to 937 at year end 2015.

For information on remuneration to the Board of Directors, Executive Management and NNE Management please refer to note 3 in the consolidated notes.

	2016	2015
Note 4 Financial income		
Interest income from group companies	686	760
Other financial income	5,787	7,086
Total	**6,473**	**7,846**

	2016	2015
Note 5 Financial expenses		
Interest expenses to group companies	44	34
Other financial expenses	4,756	9,814
Total	**4,800**	**9,848**

NOTES – PARENT COMPANY
(DKK 1,000)

	2016	2015
Note 6 Income taxes		
The parent company paid DKK 21.7 million in tax related to current year (DKK 22.2 million in 2015).		
Current tax on profit for the year	29,702	23,547
Deferred tax on profit for the year	5,449	(4,890)
Tax on profit for the year	**35,151**	**18,657**
Adjustments tax payable prior year	1,725	206
Adjustments defered tax prior year	(625)	-
Tax for the year, total	**36,251**	**18,863**

Note 7 Intangible assets

2016	ERP-system and software	Intangible assets under construction	Total
Cost at 1 January	22,513	5,118	27,631
Additions during the year	-	-	-
Disposals during the year	(384)	-	(384)
Transfer from/(to) other items	-	(5,118)	(5,118)
Cost at 31 December	**22,129**	**-**	**22,129**
Depreciation and impairment losses at 1 January	4,976	-	4,976
Depreciation for the year	5,163	-	5,163
Disposals during the year	11	-	11
Depreciation and impairment losses at 31 December	**10,150**	**-**	**10,150**
Carrying amount at 31 December	**11,979**	**-**	**11,979**

Note 8 Property, plant and equipment

2016	Leasehold improvements	Other equipment	Total
Cost at 1 January	-	22,171	22,171
Additions during the year	6,431	1,553	7,984
Disposals during the year	-	(8,506)	(8,506)
Cost at 31 December	**6,431**	**15,218**	**21,649**
Depreciation and impairment losses at 1 January	-	19,927	19,927
Depreciation for the year	676	2,053	2,729
Disposals during the year	-	(9,406)	(9,406)
Depreciation and impairment losses at 31 December	**676**	**12,574**	**13,250**
Carrying amount at 31 December	**5,755**	**2,644**	**8,399**

NOTES – PARENT COMPANY
(DKK 1,000)

	2016	2015
Note 9 Investments in subsidiaries and joint ventures		
Investments in subsidiaries		
Cost at 1 January	360,264	331,907
Additions during the year	113,916	30,902
Divestments during the year	-	(2,545)
Cost at 31 December	**474,180**	**360,264**
Revaluation at 1 January	(209,547)	(205,431)
Exchange rate adjustments	(3,478)	4,121
Net profit/(loss) for the year	80,300	1,262
Dividend received	(40,402)	-
Divestment during the year	-	3,394
Remeasurements pension and fair value adjustment	(16,211)	(12,893)
Revaluation at 31 December	**(189,338)**	**(209,547)**
Depreciation and impairment losses at 1 January	(88,067)	(81,495)
Exchange rate adjustments	(3)	5
Amortisation of goodwill	(6,574)	(6,577)
Impairment losses and depreciation at 31 December	**(94,644)**	**(88,067)**
Carrying amount at 31 December	**190,198**	**62,650**

A list of companies in the NNE Group is found in note 28 to the consolidated financial statements

Note 10 Deferred tax assets/Deferred tax liabilities

Deferred tax is determined using the liability method and includes all temporary differences between accounting and tax values of the balance sheets. The deferred tax is measured according to the tax rate expected to be in force on the elimination of the temporary differences.

	2016	2015
Balance at 1 January	12,178	7,288
Deferred tax on profit for the year	(5,449)	4,890
Adjustments related to previous years	625	-
Balance at 31 December	**7,354**	**12,178**

	2016			2015		
Specification:	**Assets**	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Property, plant and equipment	935	-	935	-	(1,110)	(1,110)
Work in progress	-	(1,630)	(1,630)	-	(2,939)	(2,939)
Provisions	8,049	-	8,049	16,227	-	16,227
Balance at 31 December	**8,984**	**(1,630)**	**7,354**	**16,227**	**(4,049)**	**12,178**

NOTES – PARENT COMPANY

(DKK 1,000)

	2016	2015
Note 11 Financial assets		

For information regarding financial assets please refer to note 11 in the consolidated notes.

Note 12 Transactions with related parties

Related parties are considered to be the Executive Management and the Board of Directors of the company, the Novo Nordisk Group, the Novo Nordisk Foundation, Novo A/S, the NNIT Group, the Novozymes Group, the Xellia Group and members of the management of these entities. Related parties also include companies in which the above persons have significant interests.

All agreements relating to these transactions are based on the list prices used for sale to third parties where such list prices exist, or the price has been set at what is regarded as market price. The material items of these agreements are renegotiated regularly. The Group has had the following transactions with related parties:

	2016	2015
Value of services sold		
Novo Nordisk Group	1,114,567	999,222
NNE Group	81,207	59,149
Novozymes Group	28,200	48,938
NNIT Group	2,502	6,156
Novo A/S	-	500
Hallas Park	743	-
Xellia Group	7,951	9,311
Total	**1,235,170**	**1,123,276**
Value of services acquired		
Novo Nordisk Group	21,650	19,527
NNE Group	55,234	60,177
NNIT Group	3,961	6,156
Total	**80,845**	**85,860**
Financial income		
Novo Nordisk Group (dividend received)	611	627
NNE Group	75	133
Total	**686**	**760**
Financial expenses		
Novo Nordisk Group	-	25
NNE Group	44	9
Total	**44**	**34**

NOTES – PARENT COMPANY

(DKK 1,000)

	2016	2015
Note 12 Transactions with related parties (continued)		
Dividend		
Novo Nordisk Group	17,000	-
Total	**17,000**	**-**
Receivables		
Novo Nordisk Group	280,230	253,376
NNE Group	45,937	75,465
Novozymes Group	10,205	15,825
NNIT Group	-	1,132
Hallas Park	465	-
Xellia Group	221	2,650
Total	**337,058**	**348,448**
Cash and cash equivalents		
Novo Nordisk Group	284,086	25,966
Total	**284,086**	**25,966**
Payables		
Novo Nordisk Group	3,110	3,334
NNE Group	10,068	25,626
NNIT Group	883	931
Total	**14,061**	**29,891**
Short term borrowing related parties		
NNE Group	204,150	6,901
Total	**204,150**	**6,901**
Purchase of shares		
NNE Group	113,916	-
Total	**113,916**	**-**
Shares Novo Nordisk A/S		
Non-current	11,185	18,129
Current	9,914	34,749
Total	**21,099**	**52,878**

In 2016 NNE A/S purchased the shares in NNE AG from NNE GmbH.

NOTES – PARENT COMPANY

(DKK 1,000)

	2016	2015
Note 12 Transactions with related parties (continued)		

Ownership

NNE A/S is a wholly owned subsidiary of Novo Nordisk A/S and included in the consolidated financial statements of Novo Nordisk A/S.

The consolidated financial statements of Novo Nordisk A/S are available on request from Novo Nordisk A/S, Novo Allé, DK-2880 Bagsværd. The ultimate parent is the Novo Nordisk Foundation, Tuborg Havnevej 19, DK-2900 Hellerup.

Note 13 Share capital

	2016	2015
Share capital at the end of the year:		
A share capital (167 shares of DKK 1,000)	167	167
B share capital (333 shares of DKK 1,000)	333	333
Total	**500**	**500**

The share capital in NNE A/S is divided into A shares and B shares. The A shares have 10 votes per DKK 500 of the A share capital, whereas the B shares have 1 vote per DKK 500 of the B share capital. There are no transferability restrictions on the B shares, while the owners of the A shares have a right of first refusal in case of any transfer of A shares.

Note 14 Commitments

Operating leases
The operating lease commitments are related to non-cancellable operating leases, related to office rent and company cars. Expenses related to leases amount to DKK 22.2 million in 2016 and DKK 20.8 million in 2015.

Other commitments
Other commitments are related to non-cancellable commitments related to internal consultants, licenses and purchase obligations. Internal consultants are consultants hired on a temporary contract and have a notice period of 3 months or less. Operating leases and other commitments are payable within the following periods as from the balance sheet date:

NOTES – PARENT COMPANY

(DKK 1,000)

	2016	2015
Note 14 Commitments (continued)		
Within one year	39,951	34,415
Between one and two years	23,094	19,931
Between two and three years	19,925	18,122
Between three and four years	12,973	16,943
Between four and five years	12,408	16,674
After five years	78,427	12,576
Total	**186,778**	**118,661**

	2016	2015
Guarantees		
Bank guarantees	8,678	19,391
Other guarantees	37,172	42,504
Total	**45,850**	**61,895**

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

MANAGEMENT´S STATEMENT ON THE ANNUAL REPORT

The Executive Management and Board of Directors have today considered and adopted the Annual Report of NNE A/S for the year of 2016.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union. The financial statements of the parent company are prepared in accordance with the Danish Financial Statements Act. Further, the consolidated financial statements, the financial statements of the parent company and the management's report are prepared in accordance with additional Danish disclosure requirements.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the financial position at 31 December 2016, the results of the Group and the parent company operations and consolidated cash flows for the financial year 2016. Furthermore, in our opinion, the Management's Report includes a true and fair account of the development in the operations non-financial and financial circumstances, of the results for the year and of the financial position of the Group and the parent company, as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the Annual Report will be adopted at the Annual General Meeting.

Gentofte, 6 March 2017

Executive Management

Jesper Kløve
President and CEO

Board of Directors

Lars Fruergaard Jørgensen
(Chairman)

Birgit W. Nørgaard
(Vice Chairman)

Henrik Wulff

Kjell Johansson

Karsten Munk Knudsen

Jesper Schou Meyer

Jens Olesen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NNE A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2016 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of NNE A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gentofte, 6 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen

Torben Jensen
State Authorised Public Accountant