

NNE A/S – PARENT COMPANY

ANNUAL REPORT 2019

Presented and adopted at the annual
meeting on 2 March 2020.



nne®

Focused pharma engineering



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CHAIRMAN AND CEO STATEMENT

Focused strategy execution

The Danish business realised a satisfactory result with an operating profit of DKK 67 million and an operating profit margin of 6.9% in 2019.

NNE completed the divestment of the subsidiaries in Central Europe in Q1 2019. The intention of the divestment was to simplify the organisation and focus on customers in Denmark, the US and India.

The performance in 2019 was impacted by a reduction in the activity level in Denmark following the completion of several major customer projects, which resulted in a decline in turnover to DKK 983 million compared to DKK 1.261 million in 2018. As a result, NNE has completed a restructuring program to align the organisation and cost structure to the new activity level thereby being able to maintain a satisfactory profitability.

EXPECTATIONS FOR 2020

The performance in terms of turnover,

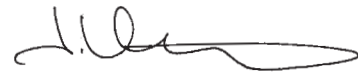
operating profit and operating margin is expected to be at the same level in 2020 as realised for 2019.

BUSINESS STRATEGY

NNE focus solely on the GMP-regulated pharma industry by supporting pharmaceutical companies bring products to market by delivering agile and flexible operations, seamless GMP compliance and future-proof solutions, while ensuring reliable project execution.

The pharma engineering cube (see figure below) describes the combination of customers' needs, NNE's expertise areas and delivery of expert pharma engineering throughout the entire manufacturing and project lifecycle.

The strategic focus towards 2021 is to maintain the position as the leading pharma engineering company in Denmark by delivering solutions that are innovative, sustainable and competitive on cost.



Jesper Kløve
CEO and President



Karsten Munk Knudsen
Chairman of the NNE Board

THE PHARMA ENGINEERING CUBE



KEY FIGURES

INCOME STATEMENT (DKK MILLION)

	2019	2018	2017	2016	2015
Revenue	983	1,261	1,357	1,362	1,239
Operating profit	67	94	159	131	94
Net profit/(loss)	141	56	67	170	70

ASSETS & EQUITY (DKK MILLION)

Total assets	626	723	769	934	604
Total equity	212	214	246	372	238

FINANCIAL RATIOS

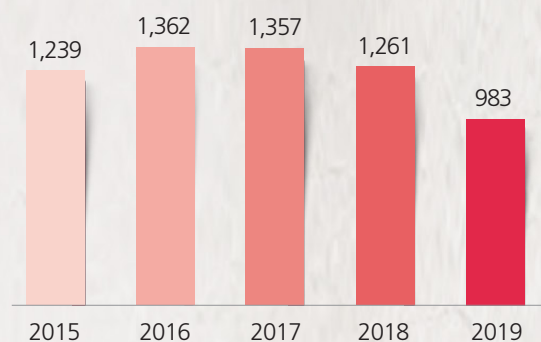
Operating profit margin (EBIT margin)	6.9%	7.5%	11.7%	9.6%	7.6%
Return on equity	66.2%	24.4%	21.6%	55.8%	33.7%
Solvency ratio	33.9%	29.5%	32.0%	39.8%	39.5%

PEOPLE

Number of employees at end of year (FTE)	664	810	875	963	937
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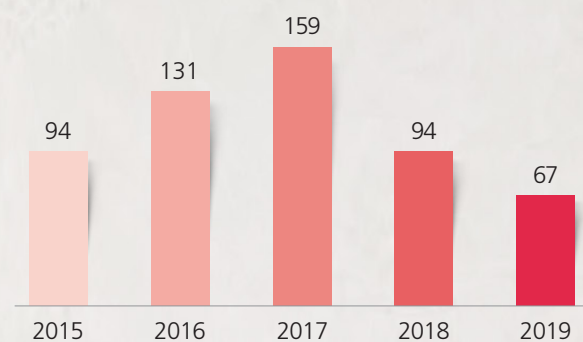
REVENUE

DKK million



OPERATING PROFIT

DKK million



PEOPLE DEVELOPMENT

Developing best-in-class expertise within pharma engineering

At NNE, there is a continued focus on strengthening core competencies and development of people.

To strengthen core competencies, the internal competency development program PEAK (Pharma Engineering Advanced Know-how) has high priority. PEAK's focus areas are defined based on a thorough analysis of customer needs, market demands and industry trends and include courses

within core technology competencies such as biotechnology, GMP compliance, consultative engineering and automation and IT.

LEADERSHIP DEVELOPMENT

NNE continuously strive to enhance competencies at all levels of the

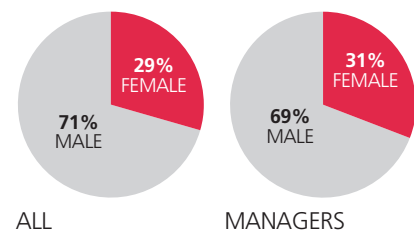
organisation, including leadership with a continued focus on the internal program LEAD, which strengthens the ability to set direction, motivate teams, provide feedback and drive performance.

STATUTORY STATEMENT OF THE UNDERREPRESENTED GENDER IN ACCORDANCE WITH THE DANISH FINANCIAL STATEMENTS ACT SECTION §99B.

GENDER

In 2019, the Board members excluding employee-elected members consisted of four members with three males and one female. The gender diversity at Board level according to Section §99B of the Danish financial statements act is achieved.

The gender split for management positions was 31% female and 69% male in 2019, which is line with the overall gender split across all employees. NNE's ambition is to have a balanced gender split and the Company strives to include female candidates in the recruitment process for all positions.



STATUTORY STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY IN ACCORDANCE WITH THE DANISH FINANCIAL STATEMENTS ACT SECTION §99A.

For compliance please refer to the [Annual Report 2019 for Novo Nordisk Group](#) "Consolidated Social statement".



CORPORATE GOVERNANCE AND RISK MANAGEMENT

The four principles called 'Our Values' are the cultural foundation for NNE

Additional guidance and commitments include business ethics, quality management system and triple bottom line commitment to continuously improve our financial, environmental and social performance.

OWNERSHIP

As a fully owned affiliate by Novo Nordisk A/S, NNE A/S and subsidiaries are included in the consolidated financial statements of Novo Nordisk A/S and complies with the same principles of corporate governance. The 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 six members consist of two 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

Project and business risks are assessed on a recurring basis. Furthermore, a global compliance program is in place to reduce the risk of NNE employees violating business ethics, laws and regulations including training, guidance and reporting facilities for employees and business partners. NNE employees are obliged and committed to comply with the business ethics principles in their day-to-day business. This commitment also applies to NNE's sub-consultants, suppliers, sub-suppliers and other business partners and representatives.

NNE's global compliance program includes an e-learning program and certification known as 'Doing business the right way'. This program 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

For major projects, a governance structure and risk assessment are established during the proposal process and maintained throughout project 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 recurring basis.

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 and mitigating actions reported monthly to NNE Management and the Board of Directors.

Foreign exchange risk

As the income and cost for the individual projects are predominately carried in the same currency, the foreign exchange risk from the company's activities is low.

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. Furthermore, the majority of the turnover is with well-established pharma companies with a general limited counterpart risk.

Liquidity risk

Liquidity is managed using short term credit facilities with Novo Nordisk.



Exceed
customer expectations



OUR VALUES

Our values are the cultural foundation for NNE. They reflect who we are, how we do things, and provide a means to reach our goals.

The passion for pharma engineering began in the 1930s as a group of in-house engineers for Novo Nordisk and NNE is today a pharma engineering company working every day to exceed customer expectations based on an in-depth understanding of GMP.

Trust and respect for each other are at the core, and believe that the best performance is based on an embracement of diversity and playing on different strengths. The Triple-Bottom-Line is a fundamental part of NNE's business philosophy.

BOARD OF DIRECTORS AND MANAGEMENT



KARSTEN MUNK KNUDSEN
Chairman and member of the NNE Board since 2017

Karsten Munk Knudsen, CFO and EVP for Finance, Legal & Procurement, Novo Nordisk A/S. Karsten joined Novo Nordisk in 1999 and has occupied various senior management positions over the years.



BIRGIT W. NØRGAARD
Vice Chairman of the NNE Board since 2014 and member of the Board since 2011

Birgit Nørgaard has worked as a full-time Board member since 2010. Prior to this, she was CEO of Grontmij | Carl Bro A/S and COO of Grontmij NV, CEO of the Carl Bro Group 2003 – 2006 and CFO 2001 – 2003. Previously, Birgit Nørgaard held executive positions at TDC and Danisco.



MICHAEL HALLGREN
Member of the NNE board since 2018

Michael Hallgren is Senior Vice President of Diabetes Active Pharmaceutical Ingredients at Novo Nordisk A/S, which he joined in 1994. In addition to his NNE Board role, Michael is Chairman of Kalundborg Symbiosis.



KLAUS STEEN MORTENSEN
Member of the NNE Board since 2018

Klaus Steen Mortensen is CEO for Bladt Industries A/S, which he joined in 2018. Prior to this Klaus Steen Mortensen held executive positions at Vestas from 2007 – 2018.



DAVID VICTOR TACKIE
Employee-elected member of the
NNE Board since 2017

David Victor Tackie has been heading up the Electrical and Instrumentation department at NNE in Denmark since 2018. He has held a number of management and project management positions both globally and locally.



LIS THODBERG
Employee-elected member of the
NNE Board since 2018

Lis Thodberg is Director for the Health, Safety & Environment department at NNE since 2013. Furthermore she is responsible for driving corporate sustainability management in NNE.



JESPER KLØVE
CEO and President

Jesper Kløve was appointed CEO and President of NNE on 1 September 2015. Prior to joining NNE Jesper was Senior Vice President of Device R&D in Novo Nordisk since 2009. He also held various management positions within Novo Nordisk since joining the company in 2003.



RENÉ HOLMEN PEDERSEN
CFO and Corporate Vice President

René Holmen Pedersen was appointed CFO of NNE on 1 May 2016. Prior to joining NNE, René held various management positions within Novo Nordisk since joining the company in 1998.

FINANCIAL REPORTS
Financial statements

Financial review 2019

Revenue and operating performance

NNE A/S reported a revenue of DKK 983 million in 2019 (2018 DKK 1,261 million), which was a decrease of DKK 278 million or 22 percent compared to 2018 following the completion of several major customer projects.

The operating profit in 2019 was DKK 67 million (2018: DKK 94 million), which corresponds to an operating profit margin of 6.9 percent (2018: 7.5 percent).

Profit before income taxes

The profit before income taxes was mainly impacted by realised gains on shares in subsidiaries due to the divestment of the NNE operations in Switzerland, France, Belgium and Germany in the first quarter of 2019.

Income taxes

Total tax for the year was an expense of DKK 27 million (2018: DKK 25 million), resulting in an effective tax rate of 16 percent for the year (2018: 31 percent) positively impacted by tax-free income from the divestment.

Net profit

The net profit was DKK 141 million, which was an increase of DKK 85 million compared to 2018.

Balance sheet

The total assets as of 31 December 2019 amounted to DKK 626 million (2018: DKK 723 million). Non-current assets increased to DKK 202 million (2018: DKK 65 million) impacted by the recognition of right-of-use-assets due to new accounting practice on leasing.

Current assets decreased to DKK 424 million (2018: DKK 658 million), mainly explained by assets held for sale in 2018.

Total liabilities decreased to DKK 414 million (2018: DKK 510 million).

Non-current liabilities increased to DKK 135 million (2018: DKK 21 million) primarily explained by the new accounting policy for lease.

Total current liabilities decreased to DKK 279 million in 2019 (2018: DKK 488 million), mainly relating to

a decline in short term borrowing from related parties.

The equity was DKK 212 million (2018: DKK 214 million), explained by the profit of the year subtracted by paid dividend of DKK 140 million during 2019.

Proposed dividend

The Board of Directors proposes a dividend of DKK 50 million (2018: DKK 80 million). In addition, an extraordinary dividend of DKK 60 million has been paid during 2019.

Post-balance-sheet events

No events have occurred after the end of the financial year with significant impact on NNE A/S's financial position at 31 December 2019.

FINANCIAL HIGHLIGHTS AND RATIOS FOR NNE A/S

Financial Highlights (DKK 1,000)

	2019	2018	2017	2016	2015
Income statement					
Revenue	983,379	1,260,531	1,357,001	1,362,132	1,238,559
Operating profit	67,423	94,353	158,682	131,221	94,444
Net financials	(621)	2,684	(4,283)	1,673	(2,002)
Profit (loss) before income taxes	167,902	81,288	99,935	206,620	88,977
Net profit/(loss)	140,820	56,114	66,798	170,369	70,114
Proposed and extraordinary dividend to shareholders	110,000	80,000	70,000	200,000	17,000
Assets					
Non-current assets	201,512	65,267	191,545	229,115	152,605
Current assets	424,217	658,157	577,679	704,845	451,040
Total assets	625,729	723,424	769,224	933,960	603,645
Net Capital expenditure	2,694	454	2,125	7,984	2,578
Equity and liabilities					
Equity	212,124	213,541	246,091	372,115	238,438
Non-current liabilities	134,566	21,435	24,631	21,264	35,083
Current liabilities	279,039	488,448	498,502	540,581	330,124
Total equity and liabilities	625,729	723,424	769,224	933,960	603,645
Financial ratios					
Operating profit margin (EBIT margin)	6.9%	7.5%	11.7%	9.6%	7.6%
Profit margin before tax	17.1%	6.4%	7.4%	15.2%	7.2%
Return on equity	66.2%	24.4%	21.6%	55.8%	33.7%
Solvency ratio	33.9%	29.5%	32.0%	39.8%	39.5%
Payout ratio	78.1%	142.6%	104.8%	117.4%	24.2%
Dividend per share (DKK)	220	160	140	400	34
Number of employees at year end (FTE)	664	810	875	963	937

Comparison figures from 2015-2018 have not been restated in connection with the implementation of new accounting policy for leasing.

INCOME STATEMENT OF NNE A/S
(DKK 1,000)

	Note	2019	2018
Revenue	2	983,379	1,260,531
Costs of production	3,4	(836,761)	(1,092,265)
Gross profit		146,618	168,266
Sales and distribution costs	3,4	(30,680)	(28,476)
Administrative costs	3,4	(49,132)	(60,233)
Other operating income	4	617	14,796
Operating profit		67,423	94,353
Share of profit/loss in subsidiaries	10	101,100	(15,749)
Financial income	5	9,365	7,216
Financial expenses	6	(9,986)	(4,532)
Profit before income taxes		167,902	81,288
Income taxes	7	(27,082)	(25,174)
Net profit for the year		140,820	56,114

BALANCE SHEET OF NNE A/S
(DKK 1,000)

	Note	2019	2018
Assets			
IT systems and software		6,037	3,674
Intangible assets under construction		-	5,796
Intangible assets	8	6,037	9,470
Leasehold improvements		2,117	3,364
Other equipment		-	364
Right-of-use assets, property		118,436	-
Right-of-use assets, vehicles		3,645	-
Property, plant and equipment	9	124,198	3,728
Investments in subsidiaries	10	23,447	13,617
Marketable securities	11	33,375	13,778
Deferred tax assets	12	14,455	24,674
Financial assets		71,277	52,069
Total non-current assets		201,512	65,267
Trade receivables		88,050	72,917
Work in progress		52,617	82,965
Receivables from related parties		130,988	198,781
Tax receivables		739	10,588
Other receivables and prepayments	13	8,046	9,057
Marketable securities	11	10,091	9,430
Cash at bank and on hand		133,686	139,277
Assets held for sale	10	-	135,142
Total current assets		424,217	658,157
Total assets		625,729	723,424

BALANCE SHEET OF NNE A/S
(DKK 1,000)

	Note	2019	2018
Equity and liabilities			
Share capital	14	500	500
Retained earnings		211,624	213,041
Total equity		212,124	213,541
Provisions	15	25,507	21,435
Lease liabilities		109,059	-
Total non-current liabilities		134,566	21,435
Provisions	15	10,091	9,430
Lease liabilities		14,818	-
Prepayments for work in progress		39,763	84,669
Trade payables		21,401	32,636
Short term borrowing related parties		-	133,545
Other liabilities	16	192,966	228,168
Total current liabilities		279,039	488,448
Total liabilities		413,605	509,883
Total equity and liabilities		625,729	723,424
Accounting policies of the Company	1		
Commitments	17		
Fees to statutory auditors	18		
Transaction with related parties	19		

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER OF NNE A/S
(DKK 1,000)

2019	Share capital	Retained earnings	Total
Balance at the beginning of the year	500	213,041	213,541
Exchange rate adjustments of investment in subsidiaries	-	(2,237)	(2,237)
Net profit/(loss)	-	30,820	30,820
Dividend for the year (extraordinary paid and proposed)	-	110,000	110,000
Dividends paid extraordinary	-	(60,000)	(60,000)
Dividends paid ordinary	-	(80,000)	(80,000)
Balance at the end of the year	500	211,624	212,124

2018	Share capital	Retained earnings	Total
Balance at the beginning of the year	500	245,591	246,091
Adjustment related to IFRS 15		(15,796)	(15,796)
Exchange rate adjustments of investment in subsidiaries	-	1,199	1,199
Adjustment of investment in subsidiaries	-	(27,692)	(27,692)
Net profit/(loss)	-	(23,886)	(23,886)
Proposed dividend	-	80,000	80,000
Capital grant	-	23,625	23,625
Dividends paid	-	(70,000)	(70,000)
Balance at the end of the year	500	213,041	213,541

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

Basis of preparation

The Company's financial statements have been prepared in accordance with the Danish Financial Statements Act for reporting class C - large enterprises and following recognition and measurement principles from IFRS 15 and IFRS 16 as interpretation.

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

In conformity with section 112.1 of the Danish Financial Statements Act, no consolidated financial statement for NNE A/S and its subsidiaries is prepared. Please refer to the consolidated statement for Novo Nordisk Group.

Key accounting estimates and judgements

Management regards the following to be the key accounting estimates and judgements used in the preparation of the financial statements.

Revenue recognition

The determination of whether a sufficient basis to measure the percentage-of-completion exists is judgmental. The percentage-of-completion method requires estimation of total revenue and the stage of completion. The assumptions, estimates, and uncertainties inherent in determining the state of completion affect the timing and amounts of revenue recognised.

Changes in estimates of stage of completion and of contract revenue and costs are accounted for as cumulative catch-up adjustments to the reported revenue for the applicable contract.

Assessing whether distinct services are considered to be separate performance obligations requires judgment and might impact the timing and amount of revenue recognition.

The allocation of the total transaction fee of a contract to distinct deliverables requires judgment in determining an apportionment which reflects the fair value measurement of each performance obligation. This may impact the timing and amount of revenue recognised.

Determining whether different contracts with the same customer are accounted for as one contract involves the use of judgment as it requires that management assesses whether the contracts are negotiated together or linked in any other way. The timing and amount of revenue recognition can vary depending on whether two contracts are accounted for separately or as one single contract.

Accounting policies

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

Change in accounting policies

The Company has implemented IFRS 16 measurement and recognition principles as interpretation for treatment of leases, which was previously treated as operating leases. The standard requires that all leases, regardless of type and with few exceptions, is recognised in the

balance sheet as an asset with a related liability.

For the interpretation, the Company has used the modified retrospective approach meaning that comparative information is not restated.

The changes require capitalisation of the majority of the Company's operating lease contracts. This increases assets by DKK 122 million and liabilities by DKK 124 million as of 31 December 2019. Hence, it will affect the financial ratios related to the balance sheet.

The implementation of IFRS 16 has no material effect on the income statement and equity.

Presentation currency

The financial statements are presented in Danish kroner (DKK). Foreign currency transactions are translated, using the exchange rates prevailing at the transactions dates. 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, are recognised in the income statement.

Revenue

The Company provides engineering consulting services to the pharma industries.

Determining the transaction price

The Company's revenue is derived from time & material contracts and fixed price contracts.

For time & material contracts, the amount of revenue to be earned from each contract is determined by reference to the agreed hourly rates. Revenue from time & material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Some time & material contracts include a potential discount in case a pre-defined cap is reached. Revenue from these projects is recognised based on the value of the estimated number of expected hours, net of the estimated discount. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

For fixed price contracts, revenue is recognised based on stage of completion of the contract which is estimated by comparing the actual services provided in the project with the total services expected to complete the project. In case of a fixed price contract, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a Work in progress asset is recognised. If the payments exceed the services rendered, a Prepayments for work in progress is recognised.

When it is probable that the total contract costs will exceed the revenue

of a contract, the total expected loss is recognised in the Income Statement.

Allocating amounts to performance obligations

When a contract includes multiple deliverables, it is accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. If contracts include the material, revenue for the material is recognised at the point in time when the material is delivered, the legal title has passed, and the customer has accepted the material.

Estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss during the period in which the circumstances that have caused to the revision become known by management.

Contract modification

A modification is considered a separate contract, if additional services are promised and the price of the contract increases by an amount that reflects the stand-alone price of additional services.

Payment terms

The Company's general payment terms are customer specific but are generally within 30 to 60 days.

Cost of production

The cost of projects comprises all costs, including depreciation, 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, and depreciation.

Administration costs

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

Other operating income

Other income consists of income of a secondary nature in relation to the main activities of the Company.

Financial items

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

Income taxes

The tax expense for the period comprises current and deferred tax and interest, including adjustments to previous years.

IT systems and software

IT systems and software 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:

IT systems and software	3-5 years
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The historical cost includes external and internal costs, directly and indirectly allocated to the IT systems. Computer software licenses are included in the costs.

Minor acquisitions are expensed as incurred.

Leasehold improvements and other equipment

Leasehold improvements and other 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 Company, 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	5 years
Other equipment	5 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.

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

Leases, right-of-use assets

The Company leases office buildings and vehicles.

For contracts which are or contain a lease, the Company recognises a right-of-use asset and a lease liability. Contracts may contain both lease and non-lease components. The lease components are recognised in the balance sheet and the non-lease components are recognised as an expense in profit and loss. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at/or before

the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease contracts with a lease term of 12 months or less and low value lease assets are not recognised in the balance sheet. Short term leases and low value lease assets are expensed on a straight-line basis over the lease term or another systematic basis.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment is reviewed annually for indication of value decrease beyond the level of normal depreciation. If the asset or group of assets has decreased 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 for the asset or group of assets cannot be recognised, the need for write-down is based on the smallest group of assets for which the recoverable value can be maintained.

Investment in subsidiaries

In the financial statements of the Company, investments in subsidiaries are recorded under the equity method, which is at the respective share of the net asset values in subsidiaries.

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

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

Within share of profit in subsidiaries, the after tax profit of each subsidiary is recognised.

Marketable securities

Financial assets at fair value through the income statements consist of equity investments.

Net gains or losses arising from changes in the fair value of the financial assets are recognised in the income statement as financial income or expenses.

The fair values of quoted investments are based on current bid prices at the end of the reporting period.

Other receivables

Other receivables are recognised initially at the amount of the receivables that is unconditional. They are subsequently measured at amortised cost using the effective interest method less impairment.

Deferred tax

Deferred taxes arise from temporary differences between the accounting and taxable values of the Company, and from realisable tax loss is carried forward, using the liability method. The tax value of the tax loss carried 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 in accordance to the current tax rules and at tax rates expected to be in force at the elimination of the temporary differences.

Management judgement is required in determining the company's provision for deferred tax assets and liabilities. The Company 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.

Trade Receivables

Trade receivables and other receivables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful trade receivables.

The allowance for doubtful receivables is deducted from the carrying amount of trade receivables, and the loss amount is recognised in the income statement under sales and distribution costs.

Allowances for doubtful trade receivables

The allowance is an estimate based on shared credit risk characteristics and the days past due. Loss allowance is calculated using an aging factor and specific customer knowledge.

Work in progress

Work in progress is the right to payment in exchange for services transferred to the customer. If the Company performs services to a customer before the customer pays, a work in progress asset is recognised for the earned compensation.

For further details on Work in progress, please refer to section on Revenue.

Dividend

Proposed dividend for the year is presented as a separate line under Equity and in the notes.

Provisions

Provisions cover warranty obligations for projects, dilapidation and non-current employee benefits.

Provisions, including tax and legal cases, are recognised where a legal or constructive obligation has occurred as a result of past events, and probable causes that can lead to an outflow of resources that can be

reliably estimated. In this connection, 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.

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 Company. In circumstances where the Company provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

Share-based payment

The incentive programme converts the granted share appreciation rights into a fixed number of Novo Nordisk

Shares for both management and employees. 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 of up to four years.

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.

Lease liabilities

The lease liability is initially measured at the present value of the lease payment claim at the commencement date, discounted using the interest rate implicit in the lease contract.

Lease payments consist of the following payments:

- fixed payments from commencement date
- certain variable payments
- residual value guarantees or the exercise price of a purchase option
- termination penalties

If the interest rate implicit in the lease contract cannot be readily determined, the Company's incremental borrowing rate is used.

DKK 56 million of the lease liability is due after more than 5 years.

For further information, please refer to section on Leases.

Prepayments for work in progress

Prepayments for work in progress is the obligation to deliver services to a customer for which the Company has received payment (or an amount of payment is due) from the customer, a prepayment for work in progress is recognised when the payment is made. Prepayments for work in progress are recognised as revenue when the Company deliver services under the contract.

For further details on Prepayments for work in progress, please refer to section on Revenue.

Borrowings and Other 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial ratios

Financial ratios have been calculated as follows:

Operating profit margin	$\frac{\text{Operating profit} \times 100}{\text{Turnover}}$
Profit margin before tax	$\frac{\text{Profit before tax} \times 100}{\text{Turnover}}$
Return on equity	$\frac{\text{Net profit} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Payout ratio	$\frac{\text{Total dividend for the year} \times 100}{\text{Net profit}}$
Dividend per share	$\frac{\text{Proposed dividend}}{\text{Number of shares}}$

NOTES**(DKK 1,000)**

	2019	2018
Note 2 Revenue		
Revenue from contracts with customers	983,379	1,260,531
Total	983,379	1,260,531

Disaggregation of revenue from contracts with customers

The Company derives revenue from the delivery of engineering services in following geographical regions

Denmark	913,520	1,159,583
US	27,358	38,155
Belgium	17,162	38,753
Other	25,339	24,040
Total	983,379	1,260,531

Note 3 Employee costs

Wages and salaries	578,012	674,213
Pensions	51,002	57,266
Share-based payment costs	9,273	9,046
Other contributions to social security	7,540	8,559
Other employee costs	12,405	13,870
Total	658,232	762,954

The average number of full-time employees in 2019 was 725 compared to 863 in 2018. At the end of 2019 the Company had 664 full-time employees compared to 810 at year end 2018.

NNE Management consist of the CEO.

In conformity with section 98.b.3 of the Danish Financial Statement Act, the remuneration for the Management team is stated as one category for CEO and Board of Directors.

Remuneration to the Board of Directors and the CEO is DKK 6 million in 2019 (2018: 6 million).

NOTES

(DKK 1,000)

	2019	2018
Note 4 Other operating income		
Relocation compensation	617	14,796
Other income comprises of compensation from the parent company to cover related relocation costs in connection with relocation of NNE headquarter in Denmark in 2018.		
The related relocation costs are included in the income statement under the following headings:		
Cost of production	549	13,168
Sales and distribution costs	19	444
Administrative costs	49	1,184
Total	617	14,796
Note 5 Financial income		
Interest income from group companies	723	880
Unrealised/realised capital gains on shares	6,480	-
Unrealised/realised adjustments of provisions (share-based payment)	-	1,456
Other financial income	2,162	4,880
Total	9,365	7,216
Note 6 Financial expense		
Interest expenses to group companies	103	80
Unrealised/realised capital loss on shares	-	2,724
Unrealised/realised adjustments of provisions (share-based payment)	5,894	-
Other financial expenses	3,989	1,728
Total	9,986	4,532
Note 7 Income taxes		
The Company paid DKK 24,1 million in income tax related to current year (DKK 40,6 million in 2018).		
Current tax on profit for the year	23,606	28,465
Deferred tax on profit for the year	6,324	(3,855)
Tax on profit for the year	29,930	24,610
Adjustments tax payable prior year	(6,743)	2,429
Adjustments deferred tax prior year	3,895	(1,865)
Tax for the year, total	27,082	25,174

The tax effect of joint taxation with the parent company Novo Nordisk A/S and affiliated companies is distributed to the companies according to their taxable income (the full costing method). The Danish jointly taxed companies are included in a Danish tax prepayment scheme.

NOTES

(DKK 1,000)

Note 8 Intangible assets

2019	IT systems and software	Intangible assets under construction	Total
Cost at 1 January	19,448	5,796	25,244
Additions during the year	194	599	793
Disposals during the year	(450)	-	(450)
Transfer from/(to) other items	6,395	(6,395)	-
Cost at 31 December	25,587	-	25,587
Depreciation and impairment losses at 1 January	15,774	-	15,774
Depreciation for the year	4,226	-	4,226
Disposals during the year	(450)	-	(450)
Depreciation and impairment losses at 31 December	19,550	-	19,550
Carrying amount at 31 December	6,037	-	6,037

Note 9 Property, plant and equipment

2019	Leasehold improvements	Other equipment	Right-of-use assets		Total
			Property	Vehicles	
Cost at 1 January	7,696	6,397	-	-	14,093
Right-of-use assets recognised on initial application of IFRS 16	-	-	133,528	3,586	137,114
Additions during the year	-	-	-	2,694	2,694
Disposals during the year	(2,328)	(4,192)	-	(923)	(7,443)
Cost at 31 December	5,368	2,205	133,528	5,357	146,458
Depreciation and impairment losses at 1 January	4,332	6,033	-	-	10,365
Depreciation for the year	1,247	364	15,092	1,857	18,560
Disposals during the year	(2,328)	(4,192)	-	(145)	(6,665)
Depreciation and impairment losses at 31 December	3,251	2,205	15,092	1,712	22,260
Carrying amount at 31 December	2,117	-	118,436	3,645	124,198

NOTES

(DKK 1,000)

	2019	2018
Note 10 Investments in subsidiaries		
Cost at 1 January	285,969	501,522
Additions during the year	461	79,214
Divestments during the year	-	(8,656)
Assets held for sale	-	(286,111)
Cost at 31 December	286,430	285,969
Revaluation at 1 January	(272,352)	(264,449)
Exchange rate adjustments	(2,237)	1,199
Net profit/(loss) for the year	20,796	8,156
Dividend received	(3,733)	(46,077)
Divestment during the year	(5,457)	(15,248)
Remeasurements pension and fair value adjustment etc.	-	(10,405)
Assets held for sale	-	54,472
Revaluation at 31 December	(262,983)	(272,352)
Depreciation and impairment losses at 1 January	-	(96,497)
Assets held for sale	-	96,497
Impairment losses and depreciation at 31 December	-	-
Carrying amount at 31 December	23,447	13,617
Net profit/(loss) for the year	20,796	8,156
Net gain/loss on divestment shares in subsidiaries	80,304	(23,905)
Share of profit/loss in subsidiaries	101,100	(15,749)

Company	Domicile	Share of ownership
NNE, Inc.	Durham, United States	100%
NNE Limited	Bangalore, India	100%
NNE AB (without activity)	Stockholm, Sweden	100%
NNE Pharmaplan OOO (without activity)	Moscow, Russia	100%
Pharmaplan SPOL s.r.o. (without activity)	Prague, Czech Republic	100%

NOTES

(DKK 1,000)

	2019	2018
Note 11 Marketable securities		
Shares in Novo Nordisk A/S	43,466	23,208
Total	43,466	23,208
Non-current	33,375	13,778
Current	10,091	9,430
Total	43,466	23,208
Original acquisition cost during the year	24,891	3,432
Total number of shares	112,418	77,904

The shares in Novo Nordisk are acquired for the share-based payment program and the employee restricted stock unit program.

Note 12 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 sheet items. The deferred tax is measured according to the tax rate expected to be in force on the elimination of the temporary differences.

Balance at 1 January	24,674	14,498
Adjustment adoption IFRS 15	-	4,456
Deferred tax on profit for the year	(6,324)	3,855
Adjustments related to previous years	(3,895)	1,865
Balance at 31 December	14,455	24,674

Specification:	2019			2018		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Property, plant and equipment	-	(23,417)	(23,417)	5,161	-	5,161
Work in progress	135	-	135	3,092	-	3,092
Provisions	38,412	-	38,412	16,421	-	16,421
Other	-	(675)	(675)	-	-	-
Balance at 31 December	38,547	(24,092)	14,455	24,674	-	24,674

	2019	2018
Note 13 Other receivables and prepayments		
Prepaid rent	35	38
Prepaid IT costs	3,767	4,723
Other prepaid costs	1,347	2,035
Other receivables	2,897	2,261
Total	8,046	9,057

NOTES**(DKK 1,000)**

	2019	2018
Note 14 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.

Proposed appropriation of net profit:

Dividend to shareholders	50,000	80,000
Extraordinary dividend to shareholders paid in 2019	60,000	-
Retained earnings	30,820	(23,886)
Total	140,820	56,114

Note 15 Provisions

	Share-based payment	Long-term employee benefits	Dilapidation	2019 Total	2018 Total
Other provisions at 1 January	20,997	6,700	3,168	30,865	27,651
Additions during the year	9,248	890	470	10,608	10,004
Unused amounts reversed	-	-	(167)	(167)	(3,292)
Used during the year	(11,112)	(490)	-	(11,602)	(3,498)
Value adjustment	5,894	-	-	5,894	-
Provisions at 31 December	25,027	7,100	3,471	35,598	30,865

Specification of provisions:

Current	10,091	9,430
Non-current	25,507	21,435
Total	35,598	30,865

Share-based payment

The Executive Management, NNE Management and senior executives participate in a long-term share-based incentive program linked to the financial performance of NNE.

In August 2019, all employees in the Novo Nordisk Group, including NNE, were offered 75 restricted stock units. A stock unit gives the right to receive one Novo Nordisk share free of charge on February 2023 subject to continued employment. The cost of the program is amortised over the period.

NOTES

(DKK 1,000)

	2019	2018
Note 16 Other liabilities		
Employee costs payable	143,284	164,548
VAT, taxes and other contributions to social security	22,835	26,807
Accruals	21,581	30,930
Deferred Income	5,266	5,883
Total	192,966	228,168

Other 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. Deferred income include prepaid compensation in connection with relocation of NNE headquarter.

Note 17 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, short term leases and low value leases are payable within the following periods as from the balance sheet date:

Within one year	31,119	54,768
Between one and two years	19,591	36,043
Between two and three years	18,613	34,325
Between three and four years	14,015	31,508
Between four and five years	3,953	31,156
After five years	16,647	85,452
Total	103,938	273,252

Short term and low value leases amount to DKK 14 million out of the total value.

Guarantees

Bank guarantees	10,655	15,122
Total	10,655	15,122

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.

Pending litigations

NNE is engaged in a few litigation proceedings. Management deems that the provisions made are appropriate, and settlements or continuation of these proceedings are not expected to have a material effect of the financial position of the Company.

NOTES

(DKK 1,000)

Note 18 Fees to statutory auditors

In conformity with section 96.3 of the Danish Financial Statements Act, no fees to statutory auditors is stated. Please refer to the Annual Report for Novo Nordisk Group.

Note 19 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 and the Novo Nordisk Foundation as well as related parties in these entities, including members of management.

All agreements relating to transactions with related parties 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.

Ownership

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

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.

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 2019.

The Annual Report have been prepared in accordance with the Danish Financial Statements Act, Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the results of the Company operations for the financial year 1 January - 31 December 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the

results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

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

Virum, 2 March 2020

Executive Management



Jesper Kløve
President and CEO

Board of Directors



Karsten Munk Knudsen
(Chairman)




Birgit W. Nørgaard
(Vice Chairman)




Michael Hallgren



Klaus Steen Mortensen



David Victor Tackie



Lis Thodberg

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of NNE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of NNE A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures,

and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

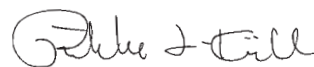
Hellerup, 2 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Torben Jensen
State Authorised Public Accountant
mne18651



Rikke Lund-Kühl
State Authorised Public Accountant
mne33507

NNE is an international company specialised in pharma engineering. Through focused pharma engineering we enable our customers to deliver on demand.

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Focused pharma engineering

