

Annual report 2016

(1st January 2016 – 31st December 2016)



Novo Nordisk Pharmatech A/S
Københavnsvej 216
4600 Køge

CVR. no. 13246149

Novo Nordisk
Pharmatech A/S



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Management's Statement

The Executive and Board of Directors have today approved the Annual Report of Novo Nordisk Pharmatech A/S for the financial year 1 January – 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, The Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the results of the Company operations for 2016.

In our opinion, Management's review includes a true and fair account of the matters addressed in the Review.

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

Køge, 27 January 2017

Executive Management:

.....
Rasmus Hother le Fevre
CEO

Board of Directors:

.....
Henrik Wulff
Chairman

.....
Joachim Juel Hagemeister

.....
Henrik Dvinge

.....
Michael Hallgren

.....
Ole F. Ramsby

Independent Auditor's Report

To the Shareholders of Novo Nordisk Pharmatech AS

Opinion

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

We have audited the Financial Statements of Novo Nordisk Pharmatech 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 ("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 scepticism 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, 27 January 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Torben Jensen
State Authorised Public Accountant

Conrad Lundsgaard
State Authorised Public Accountant

Management's review

Company Information

| | |
|---------------------|--|
| Activity: | Supply of ingredients and active pharmaceutical ingredients for the biopharmaceutical and pharmaceutical industries. |
| Board of Directors | Henrik Wulff, Chairman Michael Hallgren Ole F. Ramsby Henrik Dvinge Joachim Juel Hagemester |
| Executive Director | Rasmus Hother le Fevre |
| Location | Køge |
| CVR no: | 13 24 61 49 |
| Address: | Københavnsvej 216, 4600 Køge |
| Financial calendar: | 1 January – 31 December |
| Audit | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup |
| Share capital: | DKK 10,000,000 |

Company Relationship

Novo Nordisk Pharmatech A/S is 100% owned by:

Novo Nordisk A/S
Novo Alle
2880 Bagsværd

Consolidated financial statements

The financial statement of the company is part of the consolidated financial statements of Novo Nordisk A/S and finally in the consolidated financial statements of Novo Nordisk Foundation.

The consolidated financial statements of Novo Nordisk A/S may be obtained at the following web address: www.novonordisk.com

The consolidated financial statements of Novo Nordisk foundation may be obtained at the following address:

Novo Nordisk Fonden
Tuborg Havnevej 19
DK- 2900 Hellerup

Financial highlights

| Key figures (DKK 1,000) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---------|---------|---------|---------|---------|
| Key figures | | | | | |
| Result | | | | | |
| Revenue | 669,077 | 505,233 | 495,202 | 497,979 | 461,863 |
| Gross profit | 237,950 | 228,049 | 176,596 | 170,714 | 155,424 |
| Profit before financial income and expenses | 110,928 | 115,550 | 68,271 | 62,273 | 57,766 |
| Net financial | 896 | 4,558 | 3,929 | (2,739) | 3,857 |
| Net Profit for the year | 87,367 | 92,104 | 55,343 | 46,703 | 46,356 |
| Balance | | | | | |
| Balance sheet total | 653,833 | 618,589 | 452,142 | 427,784 | 467,067 |
| Investment in property, plant and equipment | 15,563 | 42,558 | 35,161 | 18,782 | 38,844 |
| Equity | 468,288 | 400,921 | 336,817 | 304,474 | 257,771 |
| Average number of employees | 158 | 150 | 150 | 141 | 130 |
| Ratios in % | | | | | |
| Gross margin | 35.6 | 45.1 | 35.7 | 34.3 | 33.7 |
| Profit margin | 16.6 | 22.9 | 13.8 | 12.5 | 12.5 |
| Return of assets | 17.0 | 18.7 | 15.1 | 14.6 | 12.3 |
| Solvency ratio | 71.6 | 64.8 | 74.5 | 71.2 | 55.1 |
| Return on equity | 20.1 | 25.0 | 17.3 | 16.6 | 20.0 |

Key figures are in accordance with The Danish Society of Financial Analysts' guidance from 2016.

Gross margin

Gross profit as a percentage of sales

Profit margin

Profit before financial income and expenses as a percentage of sales

Return on assets

Profit before financial income and expenses as a percentage of the total assets

Solvency ratio

Equity on the balance sheet date as a percentage of the total assets

Return on equity

Net profit for the year as a percentage of the shareholders' equity (average)

Review

Performance 2016

Novo Nordisk Pharmatech A/S (hereafter NNPR) is a company 100% owned by Novo Nordisk A/S (hereafter Novo Nordisk). Novo Nordisk is also the single biggest customer buying Silica gel, Enzymes, Analytical Columns and Micro-analysis services.

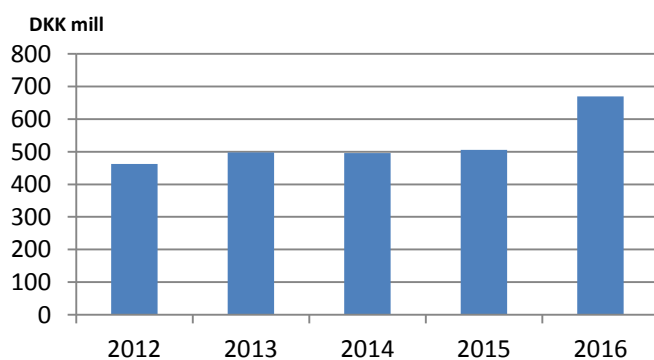
NNPR's other activities are manufacturing and sales of active pharmaceutical ingredients (API) and excipients to the pharmaceutical and biopharmaceutical industry comprising of quaternary amines and Human Insulin. The majority of these products are exported throughout the world, with the US as the single biggest market.

Development in 2016

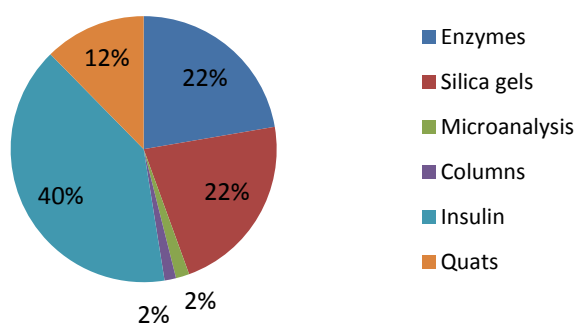
NNPR's revenue in 2016 was DKK 669,077k which was 32% higher than in 2015. The underlying reasons for the increase were.

- Strong sales development on exported products with a growth of 19% derived from a combination of increased volume, price and exchange rate.
- Increase in sales to Novo Nordisk of 51% compared to 2015. 2015 included a one-off reduction in IPC costs due to the new valuation method of valuing inventory.

SALES



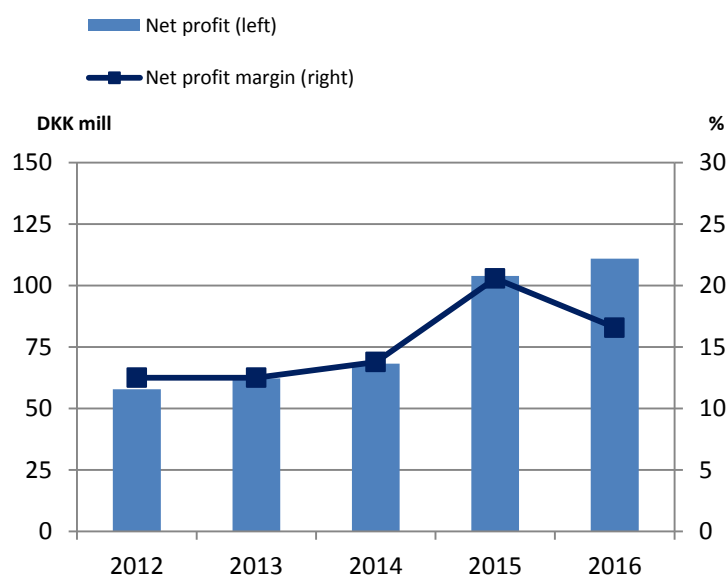
SALE PER PRODUCT GROUP



The growth in gross profit of 4% was driven by the increased sales partly offset by the one-off reduction of IPC costs in 2015. The profit before tax is DKK 111,824k vs DKK 120,108k in 2015, resulting in a profit margin of 16.6%. The net profit after tax is DKK 87,367k vs DKK 92,104k in 2015.

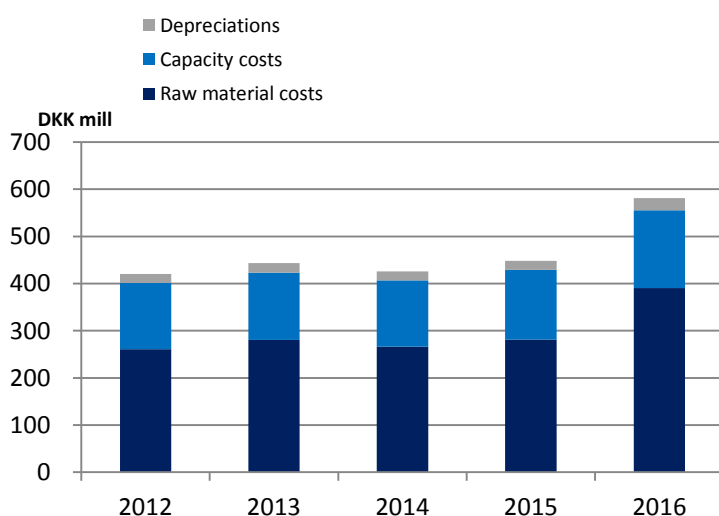
The one-off reduction of IPC costs in 2015 impacted net profit in 2015 with DKK 11,644K as costs were reduced offset by an increased inventory value.

NET PROFIT



The graph is adjusted for the one off reduction of IPC costs in 2015.

COSTS



The use of Silica gels is still being improved and it has proven possible to optimize the current manufacturing processes further enabling lower end costs.

Risks

NNPR does not have significant risks besides the dependency of trade with its owner Novo Nordisk.

Currency exposure

NNPR is exporting a major part of the sales, mainly in USD. Likewise a part of the raw materials purchases are in foreign currencies, mainly USD. Consequently, the currency exposure is partly hedged and therefore expected to be limited and not a significant financial risk for NNPR.

For 2016 the higher USD has had a positive impact of DKK 9 million on the revenue and DKK 1 million on the financial result.

Outlook 2017

For 2017 it is expected that sales in NNPR will be below 2016, driven by lower pricing of ALP, partially offset by higher external sales, which are expected to increase driven by both volume and prices.

It is expected that sales of both Silica gels and enzymes to Novo Nordisk will be in line with the 2016 level in terms of volume. The export of insulin for technical use and quaternary amines are expected to grow in line with the market of 6-8%.

It is expected that the level of investments in 2017 will be higher than in 2016, driven by further investments in current production facilities.

Foundations for the business

Knowledge capital of NNPR

It is the foundation of NNPR to be a quality supplier of high value products to the pharmaceutical and the biopharmaceutical industry. The knowledge capital of NNPR is within 6 main areas: silica gel technology, purification of proteins, micro-analysis, analytical columns, cGMP production of quaternary amines and insulin for technical use.

NNPR is a competence centre for the use of silica gels for chromatographical purification in Novo Nordisk. The technological knowledge is secured by interaction with users in production, process support and R&D departments in Novo Nordisk. Furthermore improvements are implemented to the mechanical and chemical lifetime of the product, often in close cooperation with the suppliers.

This work forms the basis for continuous improvements of the products in NNPR and contributes to reducing costs in Novo Nordisk for purification of products and this is expected to continue.

NNPR is building up knowledge within the application of insulin as excipients in the production of biopharmaceutical products. This will support and develop that part of NNPR's business.



Corporate Social Responsibility as required by section 99a of the Danish Financial Statements Act

NNPR strives to conduct its activities in a financially, environmentally and socially responsible way.

The Corporate social responsibility equals the concept of the Triple Bottom Line. The environmental and social activities are described below under "Health, safety and environment".

For NNPR, climate change is part of our approach to environmental management and encompasses ongoing focus on saving energy and reduction of emissions of organic solvents to the atmosphere.

With respect to human rights, NNPR defines the company's focus as its own employees and their rights and well-being. Therefore, beside ensuring legal compliance with worker's rights, discrimination and the right to organize at all times, our activities towards human rights include general safety and prevention of accidents, prevention of stress and work related illnesses as wells as ensuring general good health among our employees.

NNPR supports the fight against bribery in international business, as bribery undermines sustainable development and the rule of law. We are committed to complying with all local law and regulations, including the United States' Foreign Corrupt Practices Act and the United Kingdom's Bribery Act.



The picture is from World Diabetes Day 2016.

Health, safety and environment

Health and safety

Employee safety and health are important to NNPR.

The company works with large amounts of chemicals, and health and safety considerations are incorporated into all of NNPR's work tasks. This is ensured by adherence to the occupational health and safety guidelines set out in OHSAS 18001.

NNPR has focus on risk assessment, and every change in the company's production areas is risk assessed; in 2016, 90 risk assessments were made. Furthermore, the company has risk assessed the extreme weather scenarios according to Seveso III.

During 2016, NNPR has improved the working conditions in the Silica production area which include heavy lifting and has improved ergonomics in the production areas. Additionally, the company has worked to improve SCC (Strictly Controlled Conditions) sampling activities in the production areas.

In 2017 NNPR will continue to work to improve the working conditions for the employees according to the targets below.

NNPR has defined a health and safety policy protecting our employees and the environment.

Environment

Environmental considerations are an integrated part of the daily work. The company is very aware that the operations of a chemical company can affect the environment, and NNPR is certified according to ISO 14001.

The most significant impacts on the environment of NNPR's activities are: emission of CO₂, atmospheric emission of organic solvents used in manufacturing processes and disposal of hazardous waste - mainly chemical residues from production and laboratories. In addition, there are a number of outdoor facilities such as ventilation systems, cooling systems and pumps, all of which bring the company within the granted noise limits during evenings and nights.

The production at NNPR has been environmentally approved by the Danish Ministry of the Environment in 2009. The Danish Ministry of the Environment oversees the company's environmental concerns, and Køge Municipality is the authority that oversees the release of wastewater into the public sewer and waste disposal.

During 2016 NNPR completed a PH regulation facility so that chloride wastewater is now sent to local wastewater treatment instead of hazardous waste.

According to the environmental policy, NNPR has committed to the following targets:

- We reduce our waste volumes, noise impacts and emissions into the air.
- We reduce our CO₂ emission.
- We run our business safely by conducting environmental and risk assessments for all activities.
- We will continue to systematically minimize the environmental impact when we develop new products and processes.
- We will continue to encourage our customers to co-operate in the development of environmentally sound products and services.
- We regularly report on environmental efforts and performance.
- We maintain an open and trustworthy dialogue with our stakeholders.
- We encourage staff environmental awareness to ensure an environmentally sound culture

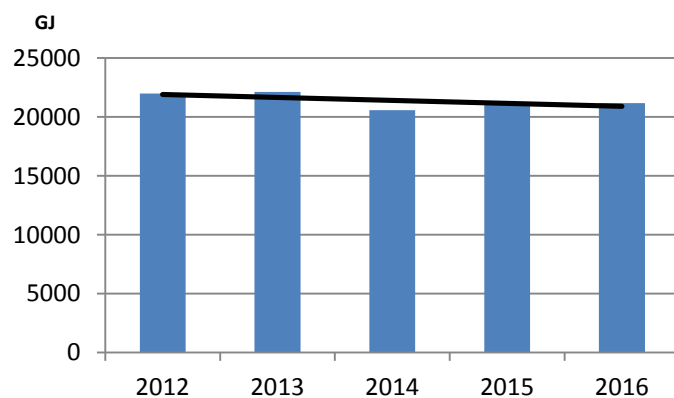
In 2016 the environmental impact from the company's energy consumption continued to decrease and was 5 % lower compared to the CO₂ emissions in 2015. This environmental improvement is due to an agreement about energy distribution, which makes sure that NNPR only is supplied with electricity produced by windmills.

In 2016 NNPR had 2 accidents with in total 3 days of absence.

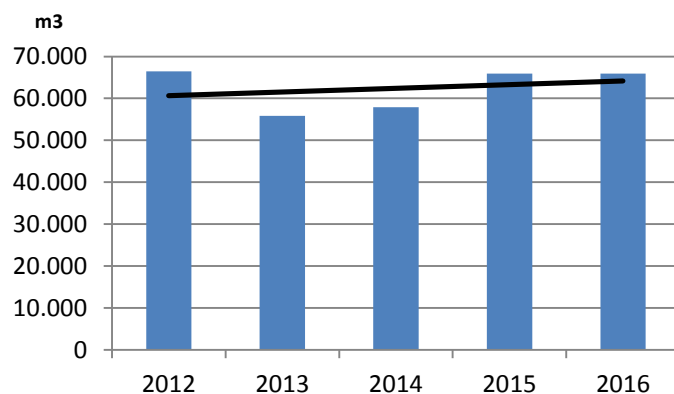
Key environmental data:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------|--------|--------|---------|--------|--------|
| Energy consumption (GJ) | 21,161 | 21,198 | 20,564 | 22,102 | 21,974 |
| Water consumption (m3) | 65,425 | 65,901 | 57,878 | 55,857 | 66,449 |
| Emissions to air | | | | | |
| Carbon dioxide (Tonnes) | 770 | 809 | 1,719 | 1,708 | 1,617 |
| Acetone (kg) | 4,374 | 10,041 | 15,646 | 21,829 | 10,296 |
| Emissions to sewer (m3) | 7,097 | 7,130 | 5,872 | 5,683 | 4,930 |
| Discharge to recipient (m3) | 87,079 | 86,298 | 107,744 | 96,412 | 71,276 |
| Waste | | | | | |
| Hazardous waste (Tonnes) | 590 | 657 | 525 | 502 | 426 |
| Non-hazardous waste (Tonnes) | 51 | 60 | 50 | 47 | 51 |
| Accidents with absence | 2 | 0 | 0 | 1 | 0 |
| Average number of employees | 158 | 150 | 150 | 141 | 130 |

ENERGY CONSUMPTION



WATER CONSUMPTION



Mandatory statement regarding the underrepresented gender on the Board of Directors, compliant with sec. 99 (b) of the Danish Financial Statements Act

To ensure that discussions include multiple perspectives representing the complex, global pharmaceutical environment, the Board of Directors aspires to be diverse in gender and nationality. It is the aim that by 2017, the Board consists of at least one shareholder-elected Board member with a nationality other than Danish - and at least one shareholder-elected Board members of each gender.

Currently all board members are Danes. In 2016 a member of the board left and a new member has not yet been appointed, and a more equal gender split in the BoD has not been realised.

Regarding our statement on diversity on other managerial levels and the activities and results, please refer to Novo Nordisk groups Communication on Progress Report (COP), which can be found at:

<http://www.novonordisk.com/content/dam/Denmark/HQ/Commons/documents/Novo-Nordisk-UN-Global-Compact-2016.pdf>

Subsequent events

There have not been any incidents after the balance sheet date, which have any significant impact on the annual report.

Financial Statements

Accounting policies

Basis of preparation

The financial statements included in this Annual Report have been prepared in accordance with the provisions of the Danish Financial Statement Act applying to large enterprises of reporting class C. The principal accounting policies set out below have been applied consistently for the years presented.

A reclassification due to improper classification of raw materials and finished goods last year has been made in the comparative figures in note 9 Inventory, with the amount of tDKK 55,314. Consequently, a reclassification of the corresponding comparison figure within gross profit in the income statement has been made. The correction has no effect on net profit or equity.

The accounting policies, as set out below, have been consistently applied for the full financial year and for the comparative figures (besides the reclassification above).

Cash flow statement is not included under reference to Danish Financial Statement Act §86, section 4 as Novo Nordisk Pharmatech A/S is included in the consolidated financial statement of Novo Nordisk.

All amounts are stated in DKK 1,000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities, measured at fair value or amortised cost, are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions, as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised when it is probable that future economic benefits associated with the item will flow to NNPR and the cost of the item can be measured reliably.

Liabilities are recognised when it is probable that future economic benefits associated with the item will flow from NNPR and the liability can be measured reliably.

Initially assets and liabilities are recognised at cost price and subsequently measured as described below.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is the original cost price with deduction of payments and adjusted for the accumulated depreciation of the difference between cost price and the nominal value. Hereby any adjustment to market rate is allocated over the lifetime.

At measurement, any loss or risk expected before balance sheet date is included and confirmed at the balance sheet date.

Leases

All lease contracts are operational lease commitments. Payments on operational lease commitments are measured in the income statement as per the leasing period.

Foreign currencies

Transactions in foreign currencies have been measured at the rate of the transaction date. Gains and losses arising from the transaction date to the payment date are measured in the income statement as a financial income or expense.

Receivables, debt and other monetary items in foreign currencies which have not been settled on the balance date are measured at the currency rate of the balance date. The differences from the rate of the balance date and the rate of the transaction date is measured in the income statement as a financial income or expense.

Corporate tax and deferred tax

The company takes part in group taxation with the owner Novo Nordisk A/S and other Danish group enterprises. The tax of the group taxation with the owner and the group enterprises is allocated to the companies in accordance with the taxable income. The Danish companies in the group taxation are part of the on account taxation.

Tax on the year's net profit consist of actual tax and deferred tax and is measured in the income statement directly in accordance with the profit of the year and to the equity in accordance with transactions on the equity.

Actual tax payments and tax receivables are measured in the balance as a receivable if prepaid tax exceeds actual tax and as a liability if prepaid tax is less than the actual tax.

Deferred tax arise from temporary differences between the accounting and taxable value of assets and liabilities using the liability method. Deferred tax is not recognised on temporary differences from non-tax deductible depreciation on goodwill and other items where temporary differences, except for company takeovers, have arisen at the time of acquisition without impact on profit or taxable income. In the situations where the taxable value can be measured after alternative tax rules, deferred tax is measured in accordance with the planned use of the assets and amortisation of the liability respectively.

Deferred tax assets including the taxable value of carried taxable losses are measured at the value, which the assets are expected to be realised by either offsetting in future taxable profit or by offsetting deferred tax liabilities within the same legal entity and the same jurisdiction.

Changes in deferred tax following changes in tax rates are measured in the income statement.

Income Statement

Revenue

Sale of goods is recognised in the income statement if delivery and risk have been transferred to the buyer before the balance sheet date. The revenue is measured excluding vat and after rebate associated with the sale.

Revenue from goods sold is recognised when all of the following conditions are met:

- NNPR has transferred the significant risks and rewards of ownership of the goods to the buyer
- NNPR retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity.

Sale of services is recognised on a straight line-basis over the service period.

Expenses for raw materials and consumables

Expenses for raw materials and consumables include the use of raw materials and consumables associated with the revenue for the year.

Other external expenses

Other external expenses include indirect production expenses and expenses for buildings, sales, distribution, administration etc.

Other external expenses also include research and development expenses not meeting the criteria for capitalisation, including expenses for maintenance of the existing product portfolio.

Staff expenses

Staff expenses include wages and salaries as well as staff related expenses other than production related salaries.

Management incentive programme

Executive management participate in Novo Nordisk A/S's incentive programme. Novo Nordisk bears the cost.

Depreciation and Impairments

Depreciation and impairments include the depreciation and impairments of plant, property and equipment for the year.

Financial income and expenses

Financial income and expenses include interest, realised and unrealised currency adjustments as well as interests associated with the prepayment of taxes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost price with deduction of accumulated impairments and depreciation.

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

| | |
|----------------------|------------|
| Buildings: | 50 years |
| Plant and machinery: | 8-16 years |
| Other equipment: | 3-10 years |

Intangible assets

Expenses incurred in connection with the development of software are recorded at cost less accumulated amortisation in the balance sheet to the extent that it is estimated that there is a connection between costs incurred and future earnings.

The amortisation of development costs is based on an estimate of the financial useful life of the individual projects and is calculated on a straight line basis over 5 years.

Development projects, which do not qualify for recognition in the balance sheet, are recognised in the income statement as costs in the year of acquisition.

Finished development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. If this is indicated, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises direct production costs such as raw materials, consumables and labour as well as indirect production costs (IPC). Production costs for work in progress and finished goods include IPC such as employee costs, depreciation, maintenance etc.

If the expected sales price less completion costs to execute sales (net realisable value) is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value.

Receivables

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

Prepayments

Prepayments are payments made concerning subsequent financial years.

Debt

Debt to banks, suppliers etc. is measured at amortised cost price or lower net realisable value which in most situations corresponds to the nominal value.

Prepayments are payments made concerning subsequent financial years.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Income statement

1 January – 31 December

| 2016 | | 2015 | Note |
|-----------|--|-----------|------|
| 669,077 | Revenue | 505,233 | 1 |
| 22,978 | Change in inventories of finished goods and work in progress | 58,493 | |
| 692,055 | | 563,726 | |
| (390,260) | Expenses for raw materials and consumables | (281,270) | |
| (63,845) | Other external expenses | (54,407) | 2 |
| 237,950 | Gross profit | 228,049 | |
| (101,498) | Staff expenses | (93,548) | 3 |
| (25,524) | Depreciation and impairments of assets | (18,951) | 8 |
| 110,928 | Profit before financial income and expenses | 115,550 | |
| 3,611 | Financial income | 19,306 | 4 |
| (2,715) | Financial expenses | (14,748) | 5 |
| 111,824 | Profit before tax | 120,108 | |
| (24,457) | Tax on profit for the year | (28,004) | 6 |
| 87,367 | Net Profit for the year | 92,104 | |

Distribution of profit

| 2016 | | 2015 |
|--------|-------------------|--------|
| 44,367 | Retained earnings | 72,104 |
| 43,000 | Dividend | 20,000 |
| 87,367 | | 92,104 |

Balance Sheet

31 December

| 2016 | | 2015 | Note |
|---------|--|---------|------|
| | Fixed assets | | |
| | Intangible assets | | 7 |
| 9,811 | Development projects | 12,302 | |
| 9,811 | Intangible assets | 12,302 | |
| | Property, plant and equipment | | 8 |
| 171,184 | Land and buildings | 175,486 | |
| 97,677 | Plant and machinery | 96,268 | |
| 537 | Other fixtures and fittings, tools and equipment | 989 | |
| 6,300 | Property, plant and equipment in progress | 11,267 | |
| 275,698 | Property, plant and equipment | 284,010 | |
| 285,509 | Fixed assets | 296,312 | |
| | Current assets | | |
| 292,762 | Inventories | 270,095 | 9 |
| | Receivables | | |
| 53,498 | Trade receivables | 36,737 | |
| 16,190 | Receivables from group enterprises | 2,850 | |
| 4,451 | Other receivables | 12,146 | |
| 1,422 | Prepayments | 449 | 10 |
| 75,562 | Receivables | 52,182 | |
| 0 | Cash at bank and in hand | 0 | |
| 368,323 | Current assets | 322,227 | |
| 653,833 | ASSETS | 618,589 | |

Balance Sheet

31 December

Liabilities and equity

| 2016 | | 2015 | Note |
|---------|--|---------|------|
| | Equity | | 11 |
| 10,000 | Share capital | 10,000 | |
| 415,288 | Retained earnings | 370,921 | |
| 43,000 | Proposed dividend | 20,000 | |
| 468,288 | Equity | 400,921 | |
| | Provisions | | |
| 28,834 | Provision for deferred tax | 17,396 | 6 |
| 28,834 | Provisions | 17,396 | |
| | Short-term debt | | |
| 8,959 | Trade payables | 10,809 | |
| 99,421 | Payables to group enterprises | 160,298 | |
| 445 | Corporation tax | 5,787 | 6 |
| 25,320 | Deferred income | 0 | |
| 22,566 | Other payables | 23,378 | |
| 156,711 | Short-term debt | 200,272 | |
| 653,833 | Liabilities and equity | 618,589 | |
| | Contingent assets, liabilities and other financial obligations | | 12 |
| | Related parties and ownership | | 13 |

Changes to equity

| | Share capital | Retained earnings | Proposed dividend for the year | Total |
|-------------------------|---------------|-------------------|--------------------------------|----------|
| Equity 1 Jan. 2016 | 10,000 | 370,921 | 20,000 | 400,921 |
| Paid dividend | | | (20,000) | (20,000) |
| Net profit for the year | | 44,367 | 43,000 | 87,367 |
| Equity 31 Dec. 2016 | 10,000 | 415,288 | 43,000 | 468,288 |

Notes to the financial statement

| 2016 | | 2015 |
|---------|---|----------|
| | 1. Revenue | |
| | Segmentation on activities | |
| 351,377 | Exports | 294,784 |
| 317,700 | Group | 210,449 |
| 669,077 | | 505,233 |
| | The geographical split follows the split of the business, as the segment Group covers Denmark and the segment Export primarily covers the revenue to the rest of the world. | |
| | 2. Fee to auditors appointed at the general meeting | |
| | No information is provided with reference to the Danish Financial Statement Act §96, section 3 | |
| | 3. Staff Expenses | |
| 91,794 | Wages and salaries | 84,460 |
| 8,655 | Pensions | 8,367 |
| 1,049 | Other social security expenses | 721 |
| 101,498 | | 93,548 |
| | Includes remuneration to the Executive Director and Board of Directors of DKK 2,188k compared to DKK 2,021k in 2015. | |
| 1,941 | Wages and salaries | 1,773 |
| 148 | Pensions | 146 |
| 99 | Other | 102 |
| 2,088 | | 2,021 |
| 158 | Average number of employees | 150 |
| | 4. Financial income | |
| 89 | Interest received from group enterprises | 14 |
| 3,522 | Other financial income | 19,292 |
| 3,611 | | 19,306 |
| | 5. Financial expenses | |
| (217) | Interest paid to group enterprises | (122) |
| (7,248) | Other financial expenses | (14,625) |
| (7,465) | | (14,748) |

Notes to the financial statement

6. Tax on profit/Loss for the year

| | Corporation tax | Deferred tax | Total tax for the year |
|------------------------------------|-----------------|---------------|------------------------|
| 1 January 2016 | 5,787 | 17,396 | |
| Adjustments concerning prior years | (7,631) | 7,427 | (204) |
| Current tax for the year | 20,650 | 4,011 | 24,661 |
| Settlement re: 2015 tax | 1,814 | 0 | |
| Prepaid tax for the year | (20,175) | 0 | |
| 31 December 2016 | 445 | 28,834 | 24,457 |

Specification deferred tax

| | 2016 | 2015 |
|---------------------------------|---------------|---------------|
| Trade receivables | (100) | 0 |
| Property, plant and equipment | 7,796 | 7,481 |
| Land and buildings | 9,956 | 8,927 |
| Inventories | 11,182 | 988 |
| Deferred tax 31 December | 28,834 | 17,396 |

Notes to the financial statement

7. Intangible assets

| | Development projects completed |
|--|---------------------------------------|
| Cost at 1 January 2016 | 12,510 |
| Additions for the year | 14 |
| Cost at 31 December 2016 | 12,524 |
| Impairment losses and amortisation at 1 January 2016 | 208 |
| Amortisation for the year | 2,505 |
| Impairment losses and amortisation at 31 December 2016 | 2,713 |
| Carrying amount at 31 December 2016 | 9,811 |

Notes to the financial statement

8. Property, plant and equipment

| | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Property, plant and equipment in progress | Total |
|---|--------------------|---------------------|--|---|----------------|
| Cost at 1 January 2016 | 211,227 | 286,701 | 7,252 | 11,267 | 516,447 |
| Adjustments to previous year | (110) | (723) | 0 | 0 | (833) |
| Additions for the year | 0 | 1,958 | 0 | 13,605 | 15,563 |
| Disposals for the year | 0 | (4,655) | 0 | 0 | (4,655) |
| Transfers for the year | 0 | 18,572 | 0 | (18,572) | 0 |
| Cost at 31 December 2016 | 211,117 | 301,853 | 7,252 | 6,300 | 526,522 |
| Impairment losses and depreciation at 1 January 2016 | 35,741 | 190,433 | 6,263 | 0 | 232,437 |
| Depreciation for the year | 4,192 | 18,375 | 452 | 0 | 23,019 |
| Reversal of impairment and depreciation of sold assets | 0 | (4,632) | 0 | 0 | (4,632) |
| Impairment losses and depreciation at 31 December 2016 | 39,933 | 204,176 | 6,715 | 0 | 250,824 |
| Carrying amount at 31 December 2016 | 171,184 | 97,677 | 537 | 6,300 | 275,698 |

Notes to the financial statement

9. Inventories

| 2016 | | 2015 |
|---------|------------------------------|---------|
| 139,405 | Raw material and consumables | 139,716 |
| 547 | Work in progress | 695 |
| 152,810 | Finished goods | 129,684 |
| 292,762 | | 270,095 |

10. Prepayments

Prepayments consist of payments made for subsequent years and concern insurance premiums, servicing of microscopes, IT licences, marketing events and canteen costs.

11. Equity

The share capital consists of shares at DKK 1,000 or multiples hereof. There have been no changes to share capital in the last five years.

12. Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Leasing obligations concerns cars and equipment

| 2016 | | 2015 |
|------|-----------------------|------|
| 134 | Within 1 year | 67 |
| 358 | Between 2 and 5 years | 0 |
| 492 | | 67 |

Contingent liabilities

Novo Nordisk Pharmatech A/S, 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 since 2014. 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.

Notes to the financial statement

13. Related parties

Controlling interest

| | |
|-------------------------|-----------------------------|
| Novo Nordisk Foundation | Parent foundation |
| Novo A/S | Intermediate parent company |
| Novo Nordisk A/S | Immediate parent company |

Other related parties

Executive director

Rasmus Hother le Fevre

Board of directors

Henrik Wulff *Chairman*

Michael Hallgren

Ole F. Ramsby

Henrik Dvinge

Joachim Juel Hagemester

Transactions

All group internal transactions are on market terms.