

Press release, 22 March 2017

Novo A/S annual report 2016:

Novo invests a record DKK 8.7 billion in life sciences in 2016

Novo A/S, the holding company of the Novo Group, increased its new investments in life science companies from DKK 3.2 billion in 2015 to DKK 8.7 billion in 2016 as part of a strategy to strengthen the position of Novo A/S as a leading international life science investor.

The increase in investment activity was primarily accounted for by the investments made in Synlab, a market leader in laboratory services in Europe, and in ERT, a US based leading clinical trial cloud platform provider, as well as by the increase in venture investments in the US.

In addition to this, Novo A/S executed the IPOs of eight venture portfolio companies in the US during 2016.

"We intend to continue to increase our level of investment in the life science sector over the coming years, with a focus on the US and European markets. We will invest in assets at all stages of development, from early stage seed companies through to well-established global enterprises," says Kasim Kutay, CEO of Novo A/S. "2016 has shown us that we should expect to see more proprietary investment opportunities in the years to come."

Financial results for 2016

Income and investment returns for 2016 were DKK 8.4 billion, compared with DKK 15.8 billion in 2015.

Income from the Novo Group in 2016 amounted to DKK 7.1 billion, corresponding to a significant increase of 67% compared with 2015.

Return on life science investments was negative at DKK -1.5 billion, compared with a positive return of DKK 8.6 billion for 2015. This was mainly due to a decrease in the share price of Chr. Hansen Holding A/S and a negative impact from the investments in Ophthotech Corporation following the unfavourable outcome of a pivotal Phase 3 study late in 2016.

The long-term return for life science investments remains at a highly attractive 21% and 16% on a 5- and 10-year basis, respectively. This is partly because, despite market volatility, the value of investments such as Chr. Hansen remains at a significantly higher level than our entry cost.

A return of 8% was realized in 2016 from financial investments, amounting to DKK 2.8 billion compared with DKK 2.9 billion in 2015. The Novo A/S shareholding in FLSmidth contributed to this return.

The Novo Group

The Novo Group, comprising Novo Nordisk, Novozymes and NNIT, all increased their dividend payouts in 2016.

In 2016, Novo Nordisk decided to introduce an interim dividend and, consequently, Novo Nordisk paid its first interim dividend in August 2016. Due to Novo Nordisk's introduction of interim dividends in 2016, Novo A/S experienced a significant increase in dividends received compared with 2015.

All three operating companies experienced challenging business environments in 2016, resulting in a decrease in the share prices of Novo Nordisk and Novozymes. As a result, Novo A/S closed 2016 with total holding and investment assets of DKK 276 billion, versus DKK 378 billion for 2015.

"While 2016 was a challenging year for the Novo Group, all companies continued to grow their businesses, profits and dividends," Kasim Kutay said.

The investment portfolio

As a holding and investment company, Novo A/S makes investment decisions with a view to long-term returns, as illustrated in the table below, which shows returns on a 5- and 10-year basis. The performance for 2016 and 2015 is included for the sake of comparison.

Performance overview – investment portfolio

	2016	2015	Last 5 years	Last 10 years
Return on life science investments – IRR (%)	-4%	35%	21%	16%
<i>MSCI Pharmaceuticals, Biotechnology and Life Sciences Index (%)</i>	<i>-7%</i>	<i>19%</i>	<i>18%</i>	<i>10%</i>
Return on financial investments – TWR (%)	8%	11%	11%	8%
<i>Benchmark index for financial investments (%)</i>	<i>9%</i>	<i>7%</i>	<i>10%</i>	<i>5%</i>

Summary of income and investment returns and of assets (in billions of DKK)

	2016	2015
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Income and investment returns

Income from the Novo Group	7.1	4.3
Return on life science investments	-1.5	8.6
Return on financial investments	2.8	2.9
Total income and investment returns	8.4	15.8

Holding and investment assets

The Novo Group	199.2	308.0
Life science investments	37.7	31.9
Financial investments	38.8	37.9
Total holding and investment assets	275.7	377.8

Notes: Income from the Novo Group includes dividends received from Novo Nordisk, Novozymes and NNIT, in addition to income related to the sale of shares in Novo Group companies. In the investment assets overview, the value of the Novo Group is presented with both A and B shares valued at the closing price on 31 December 2016. Income and investment returns as well as total holding and investment assets include the Novo Nordisk Foundation's share of returns and assets.

About the performance overview and returns

All returns and indices are calculated in DKK and reflect total returns excluding internal costs. Returns on life science investments are calculated as internal rate of return (IRR) based on the book value at the end of the measurement period and cash flows within the measurement period compared with the book value at the beginning of the measurement period.

Whereas the MSCI World Pharmaceuticals, Biotechnology and Life Sciences Index cannot be directly compared with the return of life science investments, among others, given that the latter, to a large extent, consist of investments into private companies, it is considered a relevant public reference point to the life science portfolio. Returns on the liquid component of financial investments are calculated as time-weighted rate of Return (TWR) and are benchmarked to a blended index of MSCI World, Merrill Lynch Global High Yield, J.P. Morgan Emerging Market Bond and EFFAS Denmark 1-3, reflecting the composition of the financial portfolio.

About Novo A/S

Novo A/S is a private limited liability company wholly owned by the Novo Nordisk Foundation.

The company is the holding company in the Novo Group and responsible for managing the Foundation's assets. Besides being the major shareholder in the Novo Group companies, Novo A/S provides seed and venture capital to development-stage companies, takes significant ownership positions in well-established companies within

the life sciences and manages a broad portfolio of financial assets. Read more at www.novo.dk.

About the Novo Nordisk Foundation

The Novo Nordisk Foundation is a Danish foundation with corporate interests. The Foundation has two objectives: 1) to provide a stable basis for the commercial and research activities of the companies in the Novo Group; and 2) to support scientific, humanitarian and social causes.

The vision of the Foundation is to contribute significantly to research and development that improves the health and welfare of people.

Since 2010, the Foundation has donated more than DKK 10 billion. Read more at www.novonordiskfoundation.com.

Further information

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