

Novo Holdings annual report 2017:

Novo Holdings strengthens its position as a leading international life science investor

Novo Holdings realized income and investment returns of DKK 20.7 billion (EUR 2.8 billion) in 2017. The return from the portfolio of life science investments outside the Novo Group provided more than half the profit.

Copenhagen, Denmark – March 26, 2018 – In line with its strategy of increasing investments in the life sciences, Novo Holdings made new investments in the sector of DKK 13.9 billion (EUR 1.9 billion) in 2017. The investments by the Principal Investments team in German companies Evotec and Synlab and in British company ConvaTec, all of which are market-leading life science companies, accounted for slightly more than DKK 11 billion (EUR 1.5 billion) of the new investment total.

On the venture front, Novo Holdings invested in 12 new companies and exited 14 others. With respect to early-stage seed investing, Novo Holdings invested in four new companies in the Nordic countries and Europe. At the end of 2017, the portfolio of life science investments outside the Novo Group (i.e. outside Novo Nordisk A/S, Novozymes A/S and NNIT A/S) was valued at DKK 56 billion (EUR 7.5 billion) across more than 80 investments.

“We executed in accordance with our strategy and invested with a long-term perspective. We are satisfied with the result, and our return on life science investments now stands at 21% for the past 5 years and 18% over 10 years on an annual basis,” says Kasim Kutay, CEO, Novo Holdings.

In the coming years, Novo Holdings is planning to increase its investments in life science companies at all stages of development: from seed companies in the early phases to well-established, cash-generative companies – with a focus on markets in the United States and Europe.

“We see a long-term positive trend for the life science industry and expect to continue increasing our investments in the coming years. The positive returns from our portfolio of life science investments and several successful exits and IPOs in recent years reinforce our optimism,” says Kasim Kutay.

An important part of the strategy of Novo Holdings is to diversify the investment portfolio by investing a certain amount in assets outside the life science sector. This largely comprises a broad global portfolio of liquid assets. These financial investments were valued at DKK 39 billion (EUR 5.3 billion) at the end of 2017. The return from these financial investments has been 11% annually over the past 5 years and 8% annually over the past 10 years.

Financial results for 2017

Income from the Novo Group in 2017 amounted to DKK 6.0 billion (EUR 0.8 billion), compared with DKK 7.1 billion (EUR 1.0 billion) in 2016. The reason for the decline was the introduction of an interim dividend by Novo Nordisk in August 2016, which resulted in a relatively large dividend in 2016. Adjusting for this, the DKK 6.0 billion in 2017 represents an increase of 18% compared with 2016.

Life science investments outside the Novo Group delivered a return of 24% totalling DKK 10.9 billion (EUR 1.5 billion) in 2017 versus negative DKK 1.5 billion (EUR 0.2 billion) in 2016. The primary reasons for this improvement are positive trends in the share prices of Chr. Hansen, Inogen, Evotec and BTG and the increased value of several unlisted companies in the portfolio.

The financial investments of Novo Holdings achieved a 10% return in 2017, totalling DKK 3.8 billion (EUR 0.5 billion) versus DKK 2.8 billion (EUR 0.4 billion) in 2016. The stakes in FLSmidth and Vestjysk Bank generated some of this return.

TOTAL INCOME AND INVESTMENT RETURNS

Investment portfolio results

The following table shows the 5- and 10-year returns for our investment portfolio consisting of life science investments and financial investments and for the whole investment portfolio of Novo Holdings. The results for 2017 and 2016 are included for comparison with the long-term returns.

Investment portfolio return, excl. Novo Group	2017	2016	Last 5 years	Last 10 years
Return on life science investments – IRR (%)	24%	-4%	21%	18%
Benchmark index for life science investments – PME (%)	5%	-4%	18%	17%
Return on financial investments – TWR (%)	10%	8%	11%	8%
Benchmark index for financial investments (%)	6%	9%	9%	6%
Return on total investment portfolio (%)	18%	2%	16%	11%

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

	2017	2016
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Income and investment returns

Income from the Novo Group	6.0	7.1
Return on life science investments	10.9	-1.5
Return on financial investments	3.8	2.8
Total income and investment returns	20.7	8.4

TOTAL HOLDING AND INVESTMENT ASSETS

As a holding and investment company, Novo Holdings invests to create long-term returns. The total value of the holding and investment assets was DKK 358 billion (EUR 48 billion) at the end of 2017.

(in billions of DKK)

	2017	2016
Novo Group	263	199
Life science investments	56	38
Financial investments	39	38
Total holding and investment assets	358	275

Notes: Income from the Novo Group includes dividends received from Novo Nordisk A/S, Novozymes A/S and NNIT A/S, 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 of B-shares on 31 December 2017. 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 of the investment portfolio

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.

The returns of Novo Holdings' life science investments are benchmarked by application of the Public Market Equivalent (PME) methodology. The life science investment benchmarks are based on portfolio-weighted benchmarks including MSCI World Healthcare Index and Nasdaq Biotechnology Index.

The returns on the liquid component of financial investments are calculated as the 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.

Converted EUR figures have been included for information purposes based on a DKK/EUR exchange rate of 7.44.

About Novo Holdings

Novo Holdings is a Danish private limited liability company wholly owned by the Novo Nordisk Foundation. It is the holding company of the Novo Group, comprising Novo Nordisk A/S, Novozymes A/S and NNIT A/S, and manages the Foundation's assets.

In addition to being the major shareholder in the Novo Group companies, Novo Holdings provides seed and venture capital to development-stage companies, takes significant ownership positions in well-established companies within life science and manages a broad portfolio of financial assets.

It is the vision of Novo Holdings to be recognized as a world-leading life-science investor with a focus on creating long-term value. Read more at www.novoholdings.dk.

About the Novo Nordisk Foundation

The Novo Nordisk Foundation is an independent Danish foundation with corporate interests. It has two main 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 16 billion (EUR 2.1 billion), primarily for research at public institutions and hospitals in Denmark and the other Nordic countries and for the treatment and prevention of diabetes. Read more at www.novonordiskfoundation.com.

Further information

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