

Novo Holdings annual report 2018

15 March 2019

Novo Holdings Investment Portfolio rises to DKK 104 billion (EUR 14 billion), and now owns stakes in more than 100 life science companies outside the Novo Group

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Novo Holdings made a profit of DKK 11.4 billion (EUR 1.5 billion) in 2018. It added 30 life science companies to its Investment Portfolio, valued at DKK 104 billion (EUR 14 billion) at the end of 2018 versus DKK 96 billion (EUR 12.9 billion) at the end of 2017.

Most of the profit in 2018 comprised dividends from the Novo Group (Novo Nordisk A/S and Novozymes A/S) and participation in the Novo Group's share repurchase programmes. This totalled DKK 10.6 billion (EUR 1.4 billion) – DKK 5.8 billion (EUR 0.8 billion) in dividends and DKK 4.8 billion (EUR 0.6 billion) from the share repurchase programmes – versus DKK 6.0 billion (EUR 0.8 billion) in 2017. The increase primarily resulted from participating in Novo Nordisk's share repurchase programme in 2018, in contrast to 2017.

"The Novo Group continues to generate good results, and this contributes to the Novo Nordisk Foundation being able to increase its payouts to benefit people and society," says Kasim Kutay, CEO of Novo Holdings.

Novo Holdings increased its investments in the life science sector (Life Science Investments), making 30 new investments totalling DKK 4.7 billion (EUR 0.6 billion). The Principal Investments team executed the largest single investment of 2018 in Swedish company Envirotainer. Novo Seeds and Novo Ventures had a very active year, investing in six new companies in the seed market and in twenty-three new venture companies.

Novo Holdings had one notable pending exit from the Principal Investments portfolio: the sale of BTG Plc, where Novo Holdings owns a 11% stake. The transaction is expected to close during 2019 after a shareholder vote and customary regulatory approvals.

At the end of 2018, the portfolio of more than 100 life science investments outside the Novo Group had a value of DKK 58 billion (EUR 7.8 billion). The return on these investments in 2018 was 3.8%, amounting to DKK 2.2 billion (EUR 0.3 billion). This primarily resulted from increases in the share prices of Veloxis, Evotec, Inogen and BTG Plc and the higher estimated value of several unlisted companies in the portfolio. The share price development in ConvaTec negatively affected the result.

"Against the backdrop of very challenging markets in 2018, I am pleased with the resilience and positive contribution of our Life Science Investments. We followed our long-term strategy of increasing these investments during the year. Our long-term return on life science investments is strong, thus contributing to the growth of the assets of the Novo Nordisk Foundation," says Kasim Kutay.

Over the past 5 and 10 years, Novo Holdings has had an average annual return of 17% and 18% respectively on Life Science Investments outside the Novo Group. Life Science Investments accounted for 56% of the Novo Holdings Total Investment Portfolio at the end of 2018.

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Novo Holdings diversifies its investment portfolio by investing in assets outside the life sciences. The assets primarily comprise a broad global portfolio of primarily liquid equity and fixed-income securities. At the end of 2018, these Financial Investments had a value of DKK 46 billion (EUR 6.2 billion) and accounted for 44% of the Total Investment Portfolio. The return for 2018 was -3.4% and totalled negative DKK 1.3 billion (EUR 0.2 billion) versus positive DKK 3.8 billion (EUR 0.5 billion) in 2017. The negative return resulted from the general challenges in the capital markets in 2018 and especially trends in Asian capital markets, where Novo Holdings has had long-term exposure.

OVERALL INCOME, RETURN AND ASSETS

Return on the investment portfolio

The following table shows the 5- and 10-year returns for Novo Holdings' life science investments, financial investments and total investment portfolio. The results for 2018 and 2017 are included for comparison along with the long-term returns.

Annual return on the investment portfolio, excluding the Novo Group	2018	2017	Last 5 years	Last 10 years
Return on life science investments (%)	+3.8%	+24%	+17%	+18%
Benchmark index for life science investments (%)	+7.1%	+5%	+15%	+16%
Return on financial investments (%)	-3.4%	+10%	+7%	+10%
Benchmark index for financial investments (%)	-3.0%	+6%	+6%	+8%
Return on total investment portfolio (%)	+0.8%	+18%	+12%	+13%

Income and investment returns (in billions of DKK (EUR))

	2018	2017

Income from the Novo Group	10.6 (1.4)	6.0 (0.8)
Return on life science investments	2.2 (0.3)	10.9 (1.5)
Return on financial investments	-1.3 (-0.2)	3.8 (0.5)
Total income and investment returns	11.4 (1.5)	20.7 (2.8)

As a holding and investment company, Novo Holdings invests to create long-term returns. The overall value of the holding and investment assets was DKK 331 billion (EUR 44.3 billion) at the end of 2018.

Holding and investment assets (in billions of DKK (EUR))

	2018	2017
Novo Group	227 (30.4)	263 (35.3)
Life science investments	58 (7.8)	56 (7.5)
Financial investments	46 (6.2)	40 (5.4)
Total value of holding and investment assets	331 (44.3)	359 (48.2)

Notes: Income from the Novo Group includes dividends received from Novo Nordisk A/S and Novozymes 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 2018. 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. The 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 on Novo Holdings' life science investments are benchmarked by applying the public market equivalent (PME) method. The life science investment benchmarks are based on portfolio-weighted benchmarks, including the 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.

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 and Novozymes A/S, and manages the Foundation's assets.

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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. 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 lives of people and the sustainability of society. Read more [here](#).

Further information

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