Annual Report 2018

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nne®
Focused pharma engineering

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A year of change

CHAIRMAN AND CEO STATEMENT

In a year of strategic transformation, the continuing business realised a satisfactory result with a turnover of DKK 1,437 million, an operating profit of DKK 75 million and an operating profit margin of 5% in 2018.

In 2018, the Board of Directors performed a strategic review of the NNE Group. As a consequence it was decided to divest the operations in China, Switzerland, France, Belgium and Germany (discontinuing operations), and focus future efforts on operations in Denmark, the US and India.

NNE will continue to execute on the strategy launched in 2015 delivering focused pharma engineering to our strategic customers, however with an intensified geographical focus on Denmark, the US and India. The intention with the intensified geographical focus is to reduce organisational complexity and to an increasing extent ensure profitability and competitiveness in these core markets.

A sale of NNE China has been completed, whereas the sales process for the other countries is ongoing. The performance in 2018 for continuing operations was impacted by restructuring costs in both Denmark and the US, driven by organisational adjustment to ensure a sustainable and competitive set-up for the coming years. Adjusted for restructuring costs in the US and Denmark, the underlying performance has been satisfactory and in line with the strategic goal of 8% in operating profit margin.

EXPECTATIONS FOR 2019

As a consequence of the restructuring of the continuing business to match the demand from key customers, turnover is expected to decline in 2019 while the operating profit margin is expected to remain in the mid single digits. We look forward to sharpening our competitive edge and to continue to execute many exciting projects.

Jesper Kløve
CEO and President

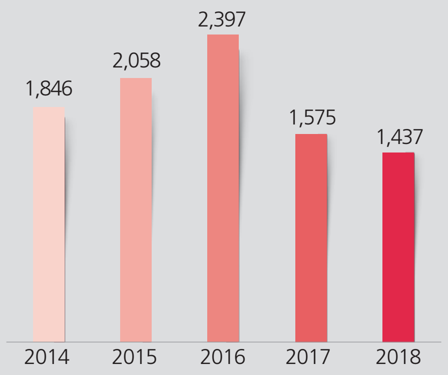
Karsten Munk Knudsen
Chairman of the NNE Board

KEY FIGURES

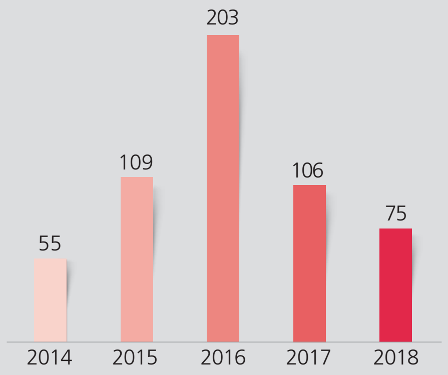
INCOME STATEMENT (DKK MILLION)	2018[1]	2017[2]	2016[3]	2015[3]	2014[3]
Revenue	1,437	1,575	2,397	2,058	1,846
Operating profit	75	106	203	109	55
Net profit/(loss)	57	100	171	63	9
ASSETS & EQUITY (DKK MILLION)					
Total assets	639	1,099	1,256	993	851
Total equity	269	301	425	292	224
FINANCIAL RATIOS					
Operating profit margin (EBIT margin)	5.2%	6.7%	8.4%	5.3%	3.0%
Return on equity	20.0%	27.7%	47.6%	24.2%	4.0%
Solvency ratio	42.0%	27.4%	33.8%	29.4%	26.3%
PEOPLE					
Number of employees at end of year (FTE)	1,023	1,694	1,773	1,719	1,813

[1] 2018 Key figures are reflecting continued operations.
[2] 2017 Income statement reflecting continued operations, whereas other key figures are not restated with discontinued operations.
[3] 2014-2016 Key figures are not restated with discontinued operations.

TURNOVER
DKK million



OPERATING PROFIT
DKK million



End-to-end engineering services tailored to pharma

BUSINESS STRATEGY

In 2018, NNE continued to execute the strategy launched in 2015 called 'Best In Class '21' (BIC'21) with the ambition of becoming the leading provider of focused pharma engineering.

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

Our expertise is tailored specifically towards the highly GMP-regulated industry. The pharma engineering cube (see figure below) describes our customers' needs, our expertise areas and how we deliver expert pharma engineering throughout the entire manufacturing and projects. We call this focused pharma engineering.

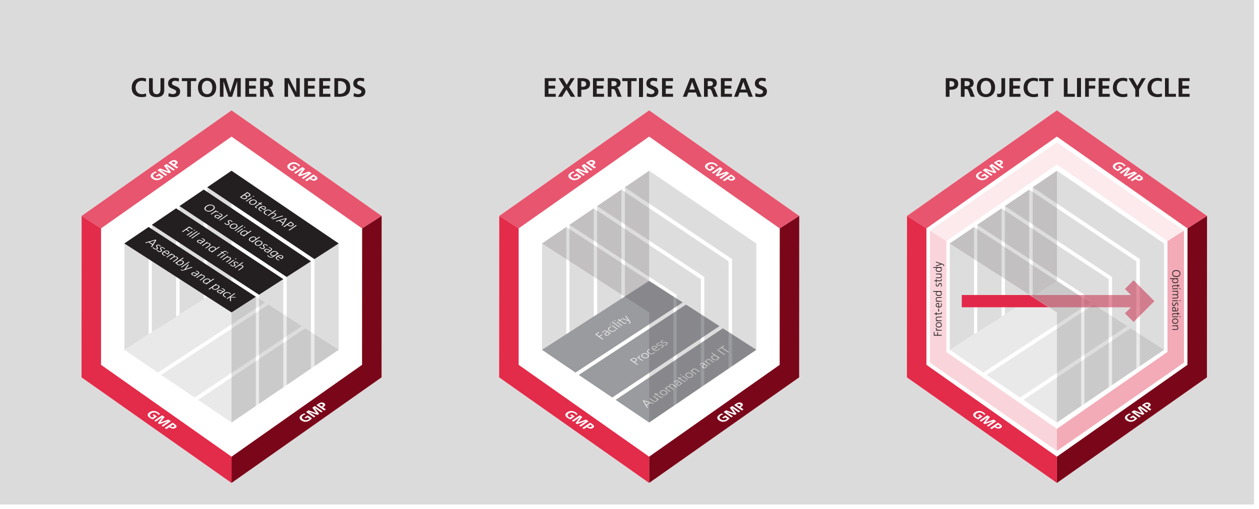
During 2018, we have thoroughly evaluated the impact and continued relevance of our strategy, from the perspective of our key customers and expected development of our core markets. This has led us to the conclusion that an intensified geographical focus is needed to strengthen our ability to deliver on current and future needs of our key customers, and further develop our core markets. A divestment of NNE operations in Central Europe and China, has therefore been initiated during 2018, to ensure this future focus.

DEFINING THE DIRECTION AND GOALS FOR THE NEXT STRATEGIC PERIOD 2019-2021

NNE is currently in the process of defining the strategy for the coming three years towards 2021. The key driver behind the strategic focus for the next period is an increasing need for our key customers to be operational excellent in their investment projects and operations within pharmaceutical production.

Applying digital tools in our offerings is a key element in our strategy. An example of that is Augmented Reality as seen in the picture.

THE PHARMA ENGINEERING CUBE



2018 STRATEGIC GOALS

LOYAL AND SATISFIED CUSTOMERS	LOYAL AND ENGAGED EMPLOYEES	COMPETITIVE AND SUSTAINABLE BUSINESS RESULTS
50%	40%	8%
CUSTOMER AMBASSADORS	EMPLOYEE AMBASSADORS	OPERATING PROFIT MARGIN

Developing top-notch pharma expertise

PEOPLE DEVELOPMENT

At NNE, our greatest assets are our people and their minds. Therefore, we continue to strengthen our core competencies and develop our people.

To strengthen our core competencies and build best-in-class pharma engineers, our global competency development programme 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. In 2018, we have continued our focus on core technology competencies, offering courses within e.g. biotechnology, GMP compliance, consultative engineering and automation and IT. The PEAK programme provided over forty different course offerings in 2018.

LEADERSHIP DEVELOPMENT

At NNE, we continuously strive to enhance our competencies at all levels of the organisation, including those of our managers. In 2018, we continued the focus on developing our project managers' leadership skills through our internal programme LEAD. LEAD strengthens project managers' ability to set direction, motivate their teams and drive performance to ensure that both the project and their team members are successful.

In 2018, we conducted five LEAD sessions for seventy participants from around the globe. four more sessions are expected for 2019.

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

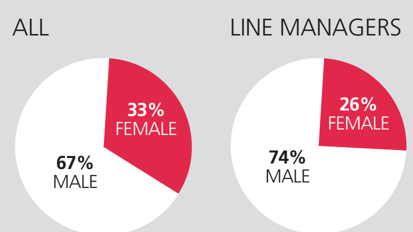
GENDER
In 2018, the Board consisted of six members, where two of them were females, one of them being employees-elected. The gender diversity at Board level according to Section §99B of the Danish financial statements act is achieved. NNE has obtained equal representation on its Board of Directors in accordance with the guidance from the Danish Business Authority.

Across all NNE management teams, we aim for a distribution equivalent to NNE's overall gender distribution, while taking local cultures and circumstances into account.

The gender split was 30% female and 70% male in 2018. Across all line management positions, 24% were held by women.

To balance the gender distribution within management teams with the organisation's overall gender distribution, NNE strives to include female candidates in the recruitment process for management positions and as successors for management positions wherever possible. We also try to maintain the general gender distribution in our talent development programmes.

These initiatives are an integral part of the annual Organisational Audit process.



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

For compliance please refer to the Annual Report 2018 for Novo Nordisk Group "Social Performance".


In January 2018, we moved to our new headquarter in Virum, Denmark. The new headquarter has been designed to foster collaboration and innovation.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

NNE is managed according to four principles called 'Our Values'. Additional guidance and commitments include our business ethics, quality management system and triple bottom line commitment to continuously improve our financial, environmental and social performance.

OWNERSHIP

NNE complies with the same principles of corporate governance as our parent company, Novo Nordisk A/S. Because NNE A/S is 100 percent owned by Novo Nordisk A/S, we are included in the consolidated financial statements of Novo Nordisk A/S[1]. Our ultimate parent company is the Novo Nordisk Foundation[2].

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

We assess short-term risks on a monthly basis, particularly project and business risks. Long-term, we protect the reputation of our company to maintain and grow our business. To reduce the risk of NNE employees violating business ethics, laws and regulations, we have established a compliance programme to ensure proper training, guidance and reporting facilities for our employees and business partners. NNE employees are obliged and committed to comply with the business ethics principles in their day-to-day business, and we also expect sub-consultants, suppliers, sub-suppliers and other business partners and representatives to comply with these principles. NNE's global compliance programme includes an e-learning programme and certification known as 'Doing business the right way'. This programme 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 monthly basis and challenged during quarterly business review meetings between the Executive Management and the individual countries General Managers.

1) To obtain a copy of The Annual Report of Novo Nordisk A/S, contact Novo Nordisk A/S, Novo Allé, DK-2880 Bagsværd, Denmark or see www.novonordisk.com

2) The Novo Nordisk Foundation, Tuborg Havnevej 19, DK-2900 Hellerup, Denmark.

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.

Our passion for pharma engineering began in the 1930s when we started as a group of in-house engineers for Novo Nordisk. Today, we are an independent global organisation working for the world's leading pharma companies. Everything we do is based on our in-depth understanding of GMP.

Trust and respect for each other are at our core, and we believe that we perform at our best when we embrace our diversity and play on our different strengths. Our Triple-Bottom-Line is a fundamental part of our business philosophy. We live our values every day in order to exceed customer expectations.

BOARD OF DIRECTORS AND MANAGEMENT

KARSTEN MUNK KNUDSEN
Chairman of the NNE Board since 2017

Karsten Munk Knudsen, CFO and EVP for Finance, Investor Relations & Procurement, Novo Nordisk A/S. Karsten joined Novo Nordisk in 2003 and has occupied several positions over the years within finance, both in Denmark and in the US. 1999-2003, Karsten headed up Finance in NNIT.

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 the Director for 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. He comes from Novo Nordisk, where he served as Senior Vice President of Device R&D and was responsible for research and development of the entire medical device portfolio 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. Since 2014, René was Head of Business Support at the DFP Site, Tianjin in China. Prior to that, René held various management positions within Novo Nordisk since joining the company in 1998.

FINANCIAL REVIEW 2018

Revenue and operating performance continuing operations
For the continuing operations, the NNE Group reported a revenue of DKK 1,437 million in 2018 (2017 DKK 1,575 million), which was a decrease of DKK 138 million or 9.0 percent compared to 2017.

The revenue derives mainly from NNE Denmark, which accounts for 88 percent of the total revenue corresponding to DKK 1,261 million. Total revenue generated from customers outside the Novo Nordisk Group was 26 percent in 2018.

The operating profit in 2018 was DKK 75 million (2017: DKK 106 million), which corresponds to an operating profit margin of 5 percent (2017: 7 percent).

Net financials and tax continuing operations
Net financials were an income of DKK 1 million in 2018 (2017: loss of DKK 5 million). Net financials in 2018 were impacted positively by realised currency development in transaction currencies.

Total tax for the year was an expense of DKK 19 million (2017: DKK 63 million), resulting in an effective tax rate of 25 percent for the year (2017: 63 percent). The tax rate for 2017 was significantly impacted by a reversal of the deferred tax asset in NNE, Inc.

Net profit continuing operations
The net profit was DKK 57 million, which was an increase of DKK 19 million compared to 2017 amount of DKK 38 million.

Balance sheet
The total assets as of 31 December 2018 amounted to DKK 1,020 million (2017: DKK 1,099 million). In 2018 the amount includes assets held for sale of DKK 381 million,

Non-current assets as of 31 December 2018 amounted to DKK 53 million (2017: DKK 152 million). The development is mainly explained by movement to assets held for sale and financial assets classified as current assets.

Current assets decreased to DKK 586 million (2017: DKK 946 million), mainly explained by movement to assets held for sale and a decrease in receivables from related parties.

Total liabilities decreased by DKK 47 million to DKK 751 million in 2018 (2017: DKK 798 million).

Non-current liabilities decreased by DKK 155 million to DKK 23 million (2017: DKK 178 million), primarily explained by retirement benefit obligations movement to liabilities associated with assets held for sales.

Total current liabilities decreased by DKK 221 million to DKK 409 million in 2018 (2017: DKK 620 million), mainly relating to movement to liabilities associated with assets held for sales.

The 2018 equity decreased by DKK 33 million to DKK 268 million (2017: DKK 301 million), mainly explained by the dividend payment of DKK 70 million declared last year. The solvency ratio is 42 percent by the end of December 2018 (2017: 27 percent).

Cash flow
The net change in cash and cash equivalents in 2018 were positive with DKK 32 million (2017: negative with DKK 132 million), which mainly are explained by less dividend payment and capital grant from Novo Nordisk Group.

Proposed dividend
The Board of Directors proposes a dividend for the year of DKK 80 million (2017: DKK 70 million).

Post-balance-sheet events
Due to the change of strategic focus, it has been decided to initiate a divestment for NNE operations in Central Europe and China. A sale of NNE China has been completed where as share purchase agrement for the sales of Switzerland, France, Belgium and Germany has been signed with final closing expected to take place in first half of 2019.

FINANCIAL HIGHLIGHTS AND RATIOS FOR NNE GROUP

Financial Highlights (DKK 1,000)

	2018*	2017*	2016*	2015*	2014*
Income statement					
Revenue	1,436,508	1,574,983	2,397,144	2,057,710	1,846,159
Operating profit	75,117	105,926	202,539	109,493	55,115
Net financials	573	(5,433)	4,321	(23,242)	(18,030)
Profit (loss) before income taxes	75,690	100,493	206,860	86,251	37,085
Net profit/(loss)	56,857	37,650	170,767	62,544	9,082
Net profit/(loss) discontinued operation	(743)	31,009	-	-	-
Proposed dividend to shareholders	80,000	70,000	200,000	17,000	-
Assets					
Non-current assets	52,754	152,221	166,728	170,515	177,262
Current assets	585,823	946,347	1,089,574	822,293	673,848
Total assets [1]	638,577	1,098,568	1,256,302	992,808	851,110
Capital expenditure net	9,152	6,283	5,225	17,374	15,690
Equity and liabilities					
Equity	268,278	300,824	424,992	291,614	224,188
Non-current liabilities	22,966	177,987	185,457	168,035	143,899
Current liabilities	408,920	619,757	645,853	533,159	483,023
Total equity and liabilities [1]	700,164	1,098,568	1,256,302	992,808	851,110
Cash flow statement					
Cash flow from operating activities [2]	91,454	83,121	267,238	75,672	(22,765)
Cash flow from investing activities [2]	(12,584)	(14,998)	(15,328)	(16,840)	(23,822)
Cash flow from financing activities [2]	(46,375)	(200,000)	(17,000)	-	(15,000)
Net change in cash and cash equivalents [2]	32,495	(131,877)	234,910	58,832	(61,587)
Financial ratios					
Operating profit margin (EBIT margin)	5.2%	6.0%	8.4%	5.3%	3.0%
Profit margin before tax	5.3%	5.8%	8.6%	4.2%	2.0%
Return on equity	20.0%	18.9%	47.7%	24.3%	4.0%
Solvency ratio	42.0%	27.4%	33.8%	29.4%	26.3%
Payout ratio	140.7%	102.0%	117.1%	27.2%	-
Dividend per share (DKK)	160	140	400	34	-
Number of employees at year end (FTE) [1])	1,023	1,694	1,773	1,719	1,813
Number of internal consultants year end (FTE)	134	294	269	287	224
Number of employees and internal consultants year end (FTE)	1,157	1,988	2,042	2,006	2,037

* 2018 Income statement and balance are related to continued operation. 2017 Income statement only relates to continued operation, balance not restated with discontinued operations, 2016- 2014 not restated with discontinued operations

[1] Only relates to continued operations

[2] Including discontinued operations

CONSOLIDATED – INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

CONSOLIDATED – INCOME STATEMENT

(DKK 1,000)

	Note	2018	2017 Restated
Revenue	2	1,436,508	1,574,983
Cost of projects	3,4,5	(1,264,730)	(1,356,611)
Gross profit - continuing operations		**171,778**	**218,372**
Sales and distribution costs	3,4,5	(37,813)	(45,866)
Administrative costs	3,4,5	(73,644)	(75,613)
Other income	4	14,796	9,033
Operating profit - continuing operations		**75,117**	**105,926**
Financial income	6	6,617	6,267
Financial expenses	7	(6,044)	(11,700)
Profit before income taxes - continuing operations		**75,690**	**100,493**
Income taxes	8	(18,833)	(62,843)
Net profit for the year - continuing operations		**56,857**	**37,650**
Net profit for the year - discontinuing operations	29	(743)	31,009
Net profit for the year		**56,114**	**68,659**

CONSOLIDATED – STATEMENT OF COMPREHENSIVE INCOME

Net profit for the year	**56,114**	**68,659**
Items that will not be reclassified to the income statement:		
Remeasurements on defined benefit plans	(7,145)	12,013
Income tax relating to items that will not be reclassified subsequently	1,566	(3,289)
Items that will be reclassified subsequently to the income statement:		
Exchange rate adjustment of foreign subsidiaries	1,204	(3,791)
Other comprehensive income for the year, net of tax	**(4,375)**	**4,933**
Total comprehensive income for the year	**51,739**	**73,592**

BALANCE SHEET AS AT 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

	Note	2018	2017
Assets			
Intangible assets	9	9,469	64,329
Property, plant and equipment	10	4,011	14,377
Deferred income tax assets	17	25,496	49,342
Financial assets	11, 23	13,778	22,207
Other financial assets		-	1,966
Total non-current assets		**52,754**	**152,221**
Contract assets	12	96,728	93,194
Trade receivables	13	92,688	241,904
Receivables from related parties	23	187,821	323,038
Tax receivables	18	13,346	3,240
Other receivables and prepayments	14	21,664	48,155
Financial assets	11, 23	9,430	3,020
Cash at bank		164,146	233,796
Assets held for sale	29	381,189	-
Total current assets		**967,012**	**946,347**
Total assets		**1,019,766**	**1,098,568**

BALANCE SHEET AS AT 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

	Note	2018	2017
Equity and liabilities			
Share capital	15	500	500
Retained earnings		246,063	279,813
Other reserves		21,715	20,511
Total equity		**268,278**	**300,824**
Retirement benefit obligations	20	-	149,861
Provisions	19	22,966	28,126
Total non-current liabilities		**22,966**	**177,987**
Contract liabilities	12	87,831	116,382
Trade payables		34,937	75,679
Payables to related parties	23	1,912	4,034
Tax payables	18	-	10,837
Other liabilities	16	274,154	408,815
Provisions	19	10,086	4,010
Liabilities associated with assets held for sales	29	319,602	-
Total current liabilities		**728,522**	**619,757**
Total liabilities		**751,488**	**797,744**
Total equity and liabilities		**1,019,766**	**1,098,568**
Commitments and contingencies	21		
Other notes	22-29		

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

	Note	2018	2017
Operating activities			
Operating profit		**97,560**	**135,746**
Reversals with no effect on cash flow	25	27,778	14,085
(Increase)/decrease in trade receivables, work in progress and prepayments etc.		77,573	(52,833)
Increase/(decrease) in trade payables and other payables etc.		(53,807)	39,685
Cash flow from operating activities before financials		**149,104**	**136,683**
Financial income		1,149	6,590
Financial expenses		(2,246)	(12,576)
Cash flow from operating activities before tax		**148,007**	**130,697**
Income taxes paid		(56,553)	(47,576)
Cash flow from operating activities		**91,454**	**83,121**
Investments			
Purchase of shares in Novo Nordisk A/S	11	(3,432)	(8,715)
Purchase of intangible assets		(5,796)	-
Purchase of tangible assets		(5,032)	(7,683)
Proceeds from sale of intangible assets		253	-
Proceeds from sale of tangible assets		1,423	1,400
Cash flow from investing activities		**(12,584)**	**(14,998)**
Financing			
Capital grant from Novo Nordisk group	23	23,625	-
Paid dividend	23	(70,000)	(200,000)
Cash flow from financing activities		**(46,375)**	**(200,000)**
Net change in cash and cash equivalents		**32,495**	**(131,877)**
Cash and cash equivalents at the beginning of the year		233,796	370,329
Unrealised gain/(loss) on exchange rates on cash and cash equivalents		1,569	(4,656)
Cash and cash equivalents at the end of the year		**267,860**	**233,796**
Net cash and cash equivalents at the end of the year:			
Cash at bank and on hand		82,215	49,977
Cash pool	23	185,645	183,819
Cash and cash equivalents at the end of the year		**267,860**	**233,796**
Maximum drawing facility, including cash pool arrangement with the Novo Nordisk Group		80,108	88,988
Financial resources at the end of the year		**347,968**	**322,784**

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER – CONSOLIDATED

(DKK 1,000)

			Other reserves	
2018	**Share capital**	**Retained earnings**	**Adjustments and exchange rates etc.**	**Total**
Balance at the beginning of the year	500	279,813	20,511	300,824
Adjustment related to IFRS 15		(37,910)		(37,910)
Adjusted balance at the begining of the year	**500**	**241,903**	**20,511**	**262,914**
Profit for the period	-	56,114	-	56,114
Other comprehensive income	-	(5,579)	1,204	(4,375)
Total comprehensive income	**-**	**50,535**	**1,204**	**51,739**
Transactions with owners, recognised directly in equity:				
Capital grant	-	23,625	-	23,625
Dividend 2017	-	(70,000)	-	(70,000)
Balance at the end of the year	**500**	**246,063**	**21,715**	**268,278**

			Other reserves	
2017	**Share capital**	**Retained earnings**	**Adjustments and exchange rates etc.**	**Total**
Balance at the beginning of the year	**500**	**402,430**	**22,062**	**424,992**
Profit for the period	-	68,659	-	68,659
Other comprehensive income	-	8,724	(3,791)	4,933
Total comprehensive income	**-**	**77,383**	**(3,791)**	**73,592**
Transactions with owners, recognised directly in equity:				
Dividend 2016	-	(200,000)	-	(200,000)
Other	-	-	2,240	2,240
Balance at the end of the year	**500**	**279,813**	**20,511**	**300,824**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GROUP ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and additional Danish disclosure requirements.

The financial statements of the parent company, NNE A/S, as presented on page 55-67, have been prepared in accordance with The Danish Financial Statements Act for reporting class C – large enterprises.

The consolidated financial statements have been prepared on the historical cost basis.

Key accounting estimates and judgements
The use of reasonable estimates and judgements is an essential part of the preparation of the consolidated financial statements. Given the uncertainties inherent in our business activities, management must make certain estimates regarding valuation and judgements. Those affect the application of accounting policies and reported amounts of assets, liabilities, sales, costs, cash flow, and related disclosures.

The management's estimates are based on historical experience and various other assumptions that are held to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis and, if necessary, changes are recognised in the period in which the estimate is revised. The management considers the carrying amounts recognised, in relation to the below mentioned key accounting estimates to be reasonable and appropriate, based on currently available information. However, the actual amounts may differ from the amounts estimated as more detailed information becomes available.

The management regards the following to be the key accounting estimates and judgements used in the preparation of its consolidated financial statements.

Revenue recognition
Revenue recognition requires management to make judgments, which are based on assumptions on historical and forecast information, as well as industrial economic conditions in which the Group or the customers operate. A short description of the main judgments made in relation to revenue recognition is described below.

Establishing 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 assess 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.

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.

The determination of whether a sufficient basis to measure the percentage-of-completion exists is judgmental. Changes in estimates of progress towards completion and of contract revenue and costs are accounted for as cumulative catch-up adjustments to the reported revenue for the applicable contract.

The carrying amount of contract assets at 31 December 2018 was DKK 96.7 million and contract liability was DKK 87.8 million (2017: net value DKK -23.2 million). Please refer to note 12 for further details.

Allowances for doubtful trade receivables
From 1 January 2018 management makes allowance for doubtful trade receivables based on the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. This has resulted in no material change in loss allowance compared with previous policy. 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.

The carrying amount of allowances for doubtful trade receivables was DKK 49.5 million at 31 December 2018 (2017: DKK 28.2 million). Please refer to note 13 for further details.

Deferred taxes
The management's judgement is required in determining the Group's provision for deferred tax assets and liabilities. NNE 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. The management has considered future taxable income in assessing whether deferred income tax assets should be recognised. The future taxable income is based on Board of Directors approved financial budgets, covering a three-year period.

The carrying amount of deferred tax assets is DKK 21 million at 31 December 2018 (2017: DKK 49.3 million). The tax value of tax loss carried forward of DKK 42 million (2017: DKK 66.0 million) has not been recognised in the balance sheet, as there currently is no convincing evidence that the Group will be able to use these tax losses due to local restrictions. Please refer to note 17 for further details.

Applying materiality
The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.

Accounting policies

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

Adoption of new and amended IFRSs
Management has assessed the impact of new or amended and revised accounting standards and interpretations ('IFRSs'), issued by IASB and IFRSs, endorsed by the European Union.

As of 1 January 2018 NNE, applies for the first time, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The impact of the implementation of IFRS 9 has been immaterial in relation to recognition and measurement. For the impact of the implementation of IFRS 15 see below.

Effect from IFRS 9
The group has implemented IFRS 9 Financial Instruments using the prospective approach. From 1 January 2018 management makes allowance for doubtful trade receivables based on the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables and intercompany receivables. This has resulted in no material change in loss allowance compared with previous policy. 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.

IFRS 9 replaces the current standard on Financial Instruments (IAS 39 Financial Instruments). The implementation of IFRS 9 has had the effect that financial assets are classified into new categories depending on purpose. There is no significant effect on the financial statements and the change of categories has not meant changes in measurement compared to the policy applicable before 1 January 2018.

Effect from IFRS 15
The group has implemented IFRS 15 'Revenue from Contracts with Customers' using the modified retrospective approach (IFRS 15 replaces the current standards on revenue (IAS 11 'Construction Contracts' and IAS 18 'Revenue').

The Group has applied IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 11 and IAS 18.

All open contracts at 1 January 2018 have been updated with the new accounting principles. The following issues have been reviewed:

- Revenue recognised on open contracts, where there is not any approved contract or change order
- Contracts with more than one performance obligation
- Variable elements such as all kind of discounts, incentives, penalties that need to be adjusted for
- When revenue can be recognised over time or at a point in time

Based on the review of all significant open contracts at 1 January 2018, it was concluded that there were a few contracts, where revenue was recognised even though an approved contract or change order was not received at the time of revenue recognition. Furthermore, one contract with an unadjusted variable element was identified.

It was concluded that on the open contracts all revenue can be recognised over time, as the Group has the right to payment for all work performed.

The total effect on the financial statements from implementing the standard based on the above identified adjustments, was a reduction of the contract assets with DKK 42 million with opposite postings of DKK 38 million to equity and DKK 4 million to deferred tax.

Other new interpretation effective 1 January 2018
It is assessed that the application of the following new interpretations effective on 1 January 2018 has not had a material impact on the consolidated financial statements in 2018. Further, management does not anticipate any significant impact on future periods from the adoption of these new interpretations.

- IAS 40, Investment property
- IFRS 2, Share-based payment:
- IFRIC 22 - Foreign currency transactions and advance consideration.
- Annual improvements (2014-2016):

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted
In addition to the above, IASB has issued new or amended and revised accounting standards and interpretations that have not yet come into effect. In general, the following standard is expected to have the most significant impact on current accounting regulation.

Standard	Description	Implementation	Impact
IFRS 16 Leases (Endorsed by EU)	IFRS 16 replaces IAS 17, and will change the accounting treatment of leases, which are currently treated as operating leases. The standard requires that all leases, regardless of type and with few exceptions, must be recognised in the balance sheet as an asset with a related liability. The lease payments will be split between a depreciation charge included in operating costs and an interest expense on lease liabilities included in financial expenses. Currently, the annual costs relating to operating leases are recognised as a single expense amount in the Income Statement.	NNE will adopt the standard on the effective date, being 1 January 2019. The standard will be implemented using the modified retrospective approach meaning that comparative information is not restated. The cumulative effect of initially applying IFRS 16 is presented as an adjustment to opening retained earnings under equity.	The changes require capitalisation of the majority of the Group's operating lease contracts. This will for the continuing operations increase assets and liabilities by approximately DKK 160 million of the group's total assets. Hence, it will affect the financial ratios related to the balance sheet. The impact on net profit will be insignificant.

Principles of consolidation
The consolidated financial statements incorporate the financial statements of NNE A/S and subsidiaries controlled by NNE A/S. Control exists when NNE has effective power over the entity and has the right to variable returns for the entity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full when consolidated.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Comparative figures are not restated for disposed or acquired companies.

Translation of foreign currencies
Functional and presentation currency
Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (functional currency). The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the parent company.

Translation of transactions and balances
Foreign currency transactions are translated into the functional currency, 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.

Translation of group companies
Financial statements of foreign subsidiaries are translated into Danish kroner at exchange rates prevailing at the end of the reporting period for balance sheet items, and at average exchange rates for income statement items.

All effects of exchange rate adjustments are recognised in the income statement with the exception of exchange gains and losses arising from:

- The translation of foreign subsidiaries´ net assets at the beginning of the year to the exchange rates at the end of the reporting period
- The translation of foreign subsidiaries' income statement using average exchange rates.

The above exchange rate gains and losses are recognised in other comprehensive income.

Asset held for sale and discontinued operations
The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made, or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset, and the sale expected to be completed within one year from the date of the classification.

Asset and liabilities qualify as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represent a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Discontinued operations are excluded from the result of continuing operations, and are presented as single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

The key accounting estimates and judgements described at page 24 are also applied to the asset held for sale and discontinued operations.

Additional disclosures are provided in note 29. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Revenue
Performance obligations and timing of revenue recognition

The Group provides engineering consulting services to the pharma and biotech industries. Revenue from providing the services is recognised typically on an over time basis. This is because the consulting services have no alternative use for the Group and the contracts would require payment to be received for the time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contract prior to completion for any reason other than the Group's failure to perform its obligations under the contract.

Revenue from current contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Some services are sold with an hourly rate discount if a certain cap is reached. Revenue from these sales 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. This is considered a faithful depiction of the transfer of services, as the contracts are initially priced on the basis of anticipated services to be completed in the projects, and therefore also represents the amount to which the Group would be entitled, based on its performance to date.

In case of a fixed price contract, the customer pays the fixed amount based on payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Determining the transaction price
The Group's revenue is derived from current contracts and fixed price contracts.

For current contracts, the amount of revenue to be earned from each contract is determined by reference to the agreed hourly rates.

For fixed price contracts, the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

The group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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 extend 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 in the period in which the circumstances that give rise 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 the additional services.

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

Cost of projects
The cost of projects comprises all costs, including office rent, depreciations, 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 of salaries and pension contributions for sales staff, marketing costs, office rent, car expenses and depreciations.

Administration costs
Administration costs comprise of salaries and pension contributions for administrative staff, management, office rent, office costs, car expenses and depreciation.

Other income
Other income comprises income of a secondary nature in relation to the main activities of NNE.

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

Dividend income is recognised when the right to receive payment is established.

Contract assets and contract liabilities
A contract asset is the right to consideration in exchange for services transferred to the customer. If the group performs by transferring services to a customer before the customer pays consideration, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

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

Provisions, including tax and legal cases, are recognised where a legal or constructive obligation has been incurred as a result of past events, and it is probable that it will lead to an outflow of resources that can be reliably estimated. In this connection, the 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.

Provisions are measured at the present value of the anticipated expenditures for settlement of the legal or constructive obligation, using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

Leases
Leases of assets, whereby the Group assumes substantially all the risks and rewards of ownership, are capitalised as finance leases under property, plant and equipment, and depreciated over the estimated useful lives of the assets, according to the periods listed below in the paragraph regarding tangible assets. The corresponding financial lease liabilities are included in liabilities.

Operating lease costs are charged to the income statement on a straight-line basis over the period of the lease.

Tax
The tax expense for the period comprises current and deferred tax and interest, including adjustments to previous years. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income.

Deferred income taxes arise from temporary differences between the accounting and taxable values of the individual consolidated companies, and from realisable tax loss carry forwards, using the liability method. The tax value of the tax loss carry 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 according to the current tax rules and at tax rates expected to be in force at the elimination of the temporary differences.

Intangible assets
Goodwill
Goodwill represents any cost in excess of identifiable net assets, measured at fair value in acquired companies. Goodwill recognised under intangible assets is related to subsidiaries mainly related to central European countries.

Goodwill is measured at historical cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is not amortised, but is allocated to cash-generating units for the purpose of yearly impairment testing.

Other intangible assets
Patents, ERP systems and software, trademark, contracts and customer lists 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:

Patents	10 years
ERP systems and software	3-5 years
Trademark	10 years
Contracts	3 years
Customer lists	3-10 years

Impairment of trademark and contracts
The value of the trademark and contracts acquired, and the expected useful life, are assessed based on long-term development of the trademark and contracts in the relevant markets, and the profitability of the trademark and contracts.

Measurement is based on expected future cash flows for trademark and contracts, on the basis of assumption about expected useful life, royalty rate, sales/licence income, expected useful life and calculated tax effect. The after-tax discount rate, reflecting the risk-free interest rate with addition of estimated future risks associated with trademark and contracts, is used.

When there is an indication of a reduction in the value or useful life, an impairment test is conducted and the trademark and contracts are written down, or the amortisation is increased in line with the shorter useful lives of the trademark and contracts.

The useful life of trademark is estimated to be ten years. Please refer to note 9 for further details.

ERP systems and software
The Group's finance and project systems (ERP systems) include external and internal costs, directly and indirectly allocated to the ERP systems. Computer software licenses are included in the costs.

The ERP systems are measured at historical cost less accumulated amortisation 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 Group, and when the cost of the item can be measured reliably.

Amortisation is provided under the straight-line method over the estimated useful life of the asset set at a period of three to five years.

Tangible assets

Property, plant and equipment

Property, plant and 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 Group, 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	7-10 years
IT equipment	3-5 years
Plant, machinery and other equipment	5-10 years

The asset's 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.

Assets with limited expected useful lives are expensed in the income statement in the year of acquisition.

Impairment of assets

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

Goodwill is tested for impairment at least annually, or more frequently, if there are indications that the value might be impaired. The test is done based on an evaluation of the cash-generating unit to which goodwill is related. The evaluation is based on an evaluation of the discounted future expected cash flows of the cash-generating unit.

For goodwill and other assets, where it is not possible to assess the present value as the assets themselves do not generate future cash flows, the impairment test is done on the basis of the cash-generating unit to which the assets belong.

Impairments are recognised in the income statement in the cost area where the asset is present.

Financial assets and liabilities

The implementation of IFRS 9 'Financial Instruments' has had the effect that financial assets are classified into new categories depending on purpose. The changes of categories have not contributed to changes in measurement compared to the policy applicable before 1 January 2018.

All financial assets previously categorised as loans and receivables will from 1 January 2018 be classified as financial assets at amortised cost.

Cash at bank previously classified as cash and cash equivalents will going forward be classified as financial assets at amortised cost, with no change to measurement.

Management determines the classification of its financial assets on initial recognition, and re-evaluates this at the end of each reporting period to the extent that such a classification is permitted and required.

Recognition and measurement

Purchases and sales of investments are recognised on the settlement date. Investments are initially recognised at fair value.

Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Disposal of investments

Investments are removed from the balance sheet when the rights to receive cash flows from the investments have expired or have been transferred and NNE has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through the income statement

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.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets solely with payments of principal and interest that are not quoted in an active market. NNE has a business model of 'hold-to-collect' of the contractual cash flows of the assets. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables

Trade receivables and other receivables are recognised initially 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 amount of the loss is recognised in the income statement under sales and distribution costs. Subsequent recoveries of amounts previously written off are credited against sales and distribution costs.

Dividend

Dividend is recognised as a liability in the period in which it is declared at the Annual General Meeting.

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 Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

Pensions

In a few countries, the Group still operates with defined benefit plans, primarily located in Germany and Switzerland. The Group contributions to the defined contribution plans are charged to the income statement in the year to which they are related. The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the dates of valuation and are based on actuarial assumptions, primarily regarding discount rates used in determining the present value of benefits, projected rates of remuneration growth. Discount rates are based on the marked yields of high-rated corporate bonds in the country concerned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

Pension assets are only recognised to the extent that the Group is able to derive future economic benefits, such as refunds from the plan or reductions in future contributions.

The Group's defined benefit plans are pension plans and are usually funded by payments from Group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognised in the balance sheet. Costs recognised for pension plan are included in cost of projects, sales and distribution costs and administrative costs.

Share-based payment schemes

The incentive programme converts the granted share appreciation rights into a fixed number of Novo Nordisk shares. 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 four-year vesting period.

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.

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

Statement of cash flows
The statement of cash flows and financial resources is presented in accordance with the indirect method commencing with operating profit. The statement shows cash flows for the year, the net change in cash and cash equivalents for the year, and cash and cash equivalents at the beginning and the end of the year.

Cash and cash equivalents consist of cash less short-term bank loans. Financial resources consist of cash and cash equivalent and undrawn committed credit facilities expiring after more than one year.

The statement of cash flows includes both continuing and discontinuing operations.

Financial ratios
Financial ratios have been calculated as follows:

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

NOTES – CONSOLIDATED

(DKK 1,000)

	2018	2017 Restated
Note 2 Revenue		
The Group has recognised the following amounts relating to revenue in the consolidated income statement		
Revenue from contracts with customers	1,436,508	1,574,983
Total	**1,436,508**	**1,574,983**
Disaggregation of revenue from contracts with customers		
The Group derives revenue from the transfer of services over time in the following major geographical regions		
Denmark	1,159,583	1,254,563
US	207,940	293,725
Belgium	38,614	-
India	15,368	14,956
Switzerland	4,894	1,256
Other Countries	10,109	10,483
Total	**1,436,508**	**1,574,983**

Turnover consists of 71% (73% in 2017) to companies in the Novo Nordisk Group, 3% (3% in 2017) to the Novozymes and Xellia Group and 26% (24% in 2017) to other customers.

The Group supplies engineering and consulting services to the pharma and biotech industries.

Note 3 Employee costs		
Wages and salaries	787,821	808,853
Pensions defined contribution plans	64,449	68,985
Share-based payment costs (note 24)	9,046	4,672
Other social security contributions	15,365	17,532
Other employee costs	27,586	35,541
Total	**904,267**	**935,583**
Included in the income statement under the following headings:		
Cost of projects	820,810	840,816
Sales and distribution costs	30,690	33,615
Administrative costs	52,767	61,152
Total	**904,267**	**935,583**

NOTES – CONSOLIDATED

(DKK 1,000)

	2018	2017 Restated
Note 3 Employee costs (continued)		
Average number of full-time employees, continued operation	1,123	1,189
Average number of full-time employees, including discontinued operations	1,664	1,732

At the end of the year the Group had 1,023 full time employees compared to 1,694 at year end 2017.
The main reason for the decrease in number of full time employees is due to the discountinued activities.

	2018	2017 Restated
Management's remuneration and share-based payments:		
Salary, cash bonus etc. to NNE Management and Board of Directors	27,084	28,086
Pension contribution to NNE Management	1,927	1,932
Share-based payment to NNE Management (note 24)	4,530	2,614
Total	**33,541**	**32,632**

The fee to the Board of Directors is a fixed amount applying to employee elected members and to members outside the Novo Nordisk Group.
The employment of the CEO may be terminated by giving 12 months´notice. The CEO may terminate his employment by giving 6 months´notice.
In addition to the notice period, the CEO is entitled to a severance payment. NNE Management consist of CEO, CFO, Chief Project Officer and each country general manager in total 13 persons.

	2018	2017 Restated
Note 4 Other income		
Relocation compensation	**14,796**	**9,033**

Other income comprises of compensation from the parent company in connection with relocation of NNE headquater in Denmark to cover related relocation costs of DKK 15 million.

	2018	2017 Restated
The related relocation costs are included in the income statement under the following headings:		
Cost of projects	13,168	8,039
Sales and distribution costs	444	271
Administrative costs	1,184	723
Total	**14,796**	**9,033**

	2018	2017 Restated
Note 5 Depreciation, amortisation and impairment losses		
Depreciation and amortisation are derived from:		
Intangible assets	3,449	4,759
Property, plant and equipment	3,271	3,809
Total	**6,720**	**8,568**
Included in the income statement under the following headings:		
Cost of projects	6,127	7,886
Sales and distribution costs	139	193
Administrative costs	454	489
Total	**6,720**	**8,568**

NOTES – CONSOLIDATED

(DKK 1,000)

	2018	2017 Restated
Note 6 Financial income		
Interest income on loan to related parties	2	7
Interest income on short-term bank deposits	65	15
Other financial income	2,301	434
Unrealised/realised capital gains on shares	-	5,099
Unrealised/realised adjustments on provisions (share-based payment, note 19)	1,456	-
Unrealised/realised foreign exchange gains	2,793	712
Total	**6,617**	**6,267**

	2018	2017 Restated
Note 7 Financial expense		
Other interest expenses	10	55
Unrealised/realised capital loss on shares	2,724	-
Unrealised/realised adjustments on provisions (share-based payment, note 19)	-	2,923
Unrealised/realised foreign exchange loss	2,915	8,485
Other financial expenses	395	237
Total	**6,044**	**11,700**

	2018	2017 Restated
Note 8 Income taxes		
Current tax on profit for the year (note 18)	28,972	40,873
Deferred tax on profit for the year (note 17)	(3,935)	(5,472)
Tax on profit for the year	**25,037**	**35,401**
Adjustments related to previous years – deferred tax (note 17)	(8,528)	(596)
Adjustments related to previous years – current tax (note 18)	2,324	28,038
Total	**18,833**	**62,843**

The adjustment to deferred tax assets in prior years is mainly related to grant recieved by NNE AB.

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

	2018	2017 Restated
Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	22.0%	22.0%
Adjustments to previous years	3.1%	-0.6%
Adjustments to deferred tax assets	-11.3%	27.9%
Non-tax income less non-tax deductible expenses	2.6%	-1.3%
Tax loss carry-forward, not recognised	9.6%	17.4%
Adjustment to current years taxes	-0.2%	4.5%
Changes in tax rate from 2017 to 2018 and 2018 to 2019	0.0%	0.2%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate	-0.9%	-7.5%
Effective tax rate	**24.9%**	**62.6%**

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(DKK 1,000)

	2018	2017
Note 8 Income taxes (continued)		
Income taxes paid		
Income taxes paid in Denmark	44,758	38,088
Income taxes paid outside Denmark	2,303	9,488
Total income taxes paid	**47,061**	**47,576**

Note 9 Intangible assets

2018	Goodwill	Patents/ certificates	Contracts	Customer lists	Trademark	ERP systems and software	Intangible assets under construction	Total
Cost at 1 January	56,966	558	25,287	3,663	13,164	26,171	-	125,809
Additions during the year	-	-	-	-	-	-	5,796	5,796
Disposals during the year	(2,240)	-	(25,363)	(3,713)	(13,164)	(2,043)	-	(46,523)
Transfer, assets held for sale	(54,726)	-	-	-	-	(3,018)	-	(57,744)
Exchange rate adjustments	-	30	76	50	-	84	-	240
Cost at 31 December	**-**	**588**	**-**	**-**	**-**	**21,194**	**5,796**	**27,578**
Depreciation and impairment losses at 1 January	-	558	25,287	3,663	13,164	18,808	-	61,480
Depreciation for the year	-	-	-	-	-	3,458	-	3,458
Disposals during the year	-	-	(25,363)	(3,713)	(13,164)	(1,815)	-	(44,055)
Transfer, assets held for sale	-	-	-	-	-	(3,018)	-	(3,018)
Exchange rate adjustments	-	30	76	50	-	88	-	244
Depreciation and impairment losses at 31 December	-	**588**	**-**	**-**	**-**	**17,521**	**-**	**18,109**
Carrying amount at 31 December	**-**	**-**	**-**	**-**	**-**	**3,673**	**5,796**	**9,469**

2017	Goodwill	Patents/ certificates	Contracts	Customer lists	Trademark	ERP systems and software	Intangible assets under construction	Total
Cost at 1 January	56,964	636	25,250	3,639	13,164	28,362	-	128,015
Additions during the year	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	(1,769)	-	(1,769)
Exchange rate adjustments	2	(78)	37	24	-	(422)	-	(437)
Cost at 31 December	**56,966**	**558**	**25,287**	**3,663**	**13,164**	**26,171**	**-**	**125,809**
Depreciation and impairment losses at 1 January	-	636	25,250	3,639	13,164	15,794	-	58,483
Depreciation for the year	-	-	-	-	-	5,189	-	5,189
Disposals during the year	-	-	-	-	-	(1,769)	-	(1,769)
Exchange rate adjustments	-	(78)	37	24	-	(406)	-	(423)
Depreciation and impairment losses at 31 December	-	**558**	**25,287**	**3,663**	**13,164**	**18,808**	**-**	**61,480**
Carrying amount at 31 December	**56,966**	**-**	**-**	**-**	**-**	**7,363**	**-**	**64,329**

NOTES – CONSOLIDATED

(DKK 1,000)

Note 10 Property, plant and equipment

2018	Leasehold improvements	Other equipment	Total
Cost at 1 January	13,944	21,601	35,545
Additions during the year	3,170	1,990	5,160
Disposals during the year	(6,293)	(7,311)	(13,604)
Transfer, assets held for sale	(3,190)	(9,490)	(12,680)
Exchange rate adjustments	65	2	67
Cost at 31 December	**7,696**	**6,792**	**14,488**
Depreciation and impairment losses at 1 January	7,709	13,459	21,168
Depreciation for the year	2,225	3,697	5,922
Disposals during the year	(5,225)	(5,196)	(10,421)
Transfer, assets held for sale	(385)	(5,880)	(6,265)
Exchange rate adjustments	8	65	73
Depreciation and impairment losses at 31 December	**4,332**	**6,145**	**10,477**
Carrying amount at 31 December	**3,364**	**647**	**4,011**
Financially leased assets amount to	**-**	**-**	**-**

2017	Leasehold improvements	Other equipment	Total
Cost at 1 January	14,156	25,056	39,212
Additions during the year	1,032	6,383	7,415
Disposals during the year	(646)	(9,294)	(9,940)
Exchange rate adjustments	(598)	(544)	(1,142)
Cost at 31 December	**13,944**	**21,601**	**35,545**
Depreciation and impairment losses at 1 January	5,963	19,153	25,116
Depreciation for the year	2,072	3,790	5,862
Disposals during the year	-	(9,050)	(9,050)
Exchange rate adjustments	(326)	(434)	(760)
Depreciation and impairment losses at 31 December	**7,709**	**13,459**	**21,168**
Carrying amount at 31 December	**6,235**	**8,142**	**14,377**
Financially leased assets amount to	**-**	**3,632**	**3,632**

The Group leases cars under non-cancellable finance lease agreements.

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(DKK 1,000)

	2018	2017
Note 11 Financial assets		
Fair value at the end of the year	**23,208**	**25,227**
Original acquisition cost during the year	3,432	8,715
Total number of shares	77,904	75,416
Non-current	13,778	22,207
Current	9,430	3,020
Total	**23,208**	**25,227**

The share portfolio consists of shares in Novo Nordisk A/S. These shares hedge the share-based payment.

	2018	2017
Note 12 Assets and liabiltiies related to contracts with customers		

The Group has recognised the following assets and liabilities related to contracts with customers:

	2018	2017
Contract assets	**96,728**	**93,194**
Contract liabilities	**87,831**	**116,382**

The contract assets are mainly increasing as a result of a significant increase in the current contracts of DKK 41 million, but also impacted by a decrease due to asset held for sale of DKK 38 million. The significant decrease in contract liabilities in 2018 is mainly due to the amount classified as asset held for sale of DKK 43 million.

	2018	2017
Revenue recognised from performance obligations satisfied in previous year	**22,533**	**N/A**

All unsatisfied performance obligations is either related to a contract that is less than a year or the Group has the right to payment for all services provided. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

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(DKK 1,000)

Note 13 Trade receivables

2018	Gross carrying amount	Loss allowance	Net carrying amount
Neither past due nor impaired	47,496	(117)	47,379
Past due:			
Between 1 and 90 days	42,588	(1,511)	41,077
Between 91 and 180 days	3,685	(162)	3,523
Between 181 and 270 days	443	(104)	339
Between 271 and 360 days	494	(124)	370
More than 360 days	47,475	(47,475)	-
Trade receivables	**142,181**	**(49,493)**	**92,688**

2017	Gross carrying amount	Loss allowance	Net carrying amount
Neither past due nor impaired	163,138	-	163,138
Past due:			
Between 1 and 90 days	48,845	-	48,845
Between 91 and 180 days	43,124	(24,877)	18,247
Between 181 and 270 days	396	(99)	297
Between 271 and 360 days	2,106	(35)	2,071
More than 360 days	12,455	(3,149)	9,306
Trade receivables	**270,064**	**(28,160)**	**241,904**

	2018	2017
Allowance for doubtful trade receivables:		
Balance at the beginning of the year	(28,160)	(4,266)
Transfer, assets held for sale	386	-
Change in allowance during the year	(24,114)	(24,152)
Realised losses during the year	3,812	205
Exchange rate adjustments	(1,417)	53
Allowance at the end of the year	**(49,493)**	**(28,160)**

Historically, the Group has only had minor losses on trade receivables and the implementation of IFRS 9 has no material effect on the provision matrix on trade receivables. Trade receivables are generally due for settlement within 30 to 60 days

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(DKK 1,000)

	2018	2017
Note 14 Other receivables and prepayments		
Prepaid rent	38	2,341
Prepaid IT costs	4,990	8,036
Other prepaid costs	3,117	5,989
Deposits	1,953	4,462
Employee costs	1,401	3,268
Other project related receivables	-	13,112
Other receivables	10,165	10,947
Total	**21,664**	**48,155**

Note 15 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. The share capital has been unchanged for the last 5 years.

At the end of 2018, proposed dividend (not yet declared) of DKK 80 million is included in retained earnings. The declared dividend included in retained earnings was DKK 70 million in 2017.

Note 16 Other liabilities

Employee costs payable	193,972	260,981
VAT, taxes and other contributions to social security	17,643	40,955
Accruals	62,531	102,959
Financial lease commitments	-	3,272
Other payables	8	648
Total	**274,154**	**408,815**

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. Accruals include prepaid compensation.

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(DKK 1,000)

	2018	2017
Note 17 Deferred tax		
At the beginning of the year	49,342	69,829
Adjustment adoption of IFRS 15	4,455	-
Transfer, assets held for sale*	(34,068)	-
Deferred tax on profit for the year (note 8)	3,935	5,313
Adjustments related to previous years (note 8)	8,528	(19,109)
Deferred tax on items recognised in other comprehensive income	(6,663)	(3,289)
Exchange rate adjustments	(33)	(3,402)
Total deferred tax assets/liabilities (net)	**25,496**	**49,342**

*Assets classified as held for sale and other disposals

2018	Intangible assets	Property, plant and equipment	Work in progress	Tax loss carry-forward	Provisions	Other	Offset within countries	Total
Deferred tax assets at 1 January	567	4,976	51	8,938	41,952	461	(7,603)	49,342
Deferred tax liabilities at 1 January	(1,104)	-	(5,423)	-	(658)	(418)	7,603	-
Adjustment adoption of IFRS 15	-	-	4,455	-	-	-	-	4,455
Net deferred tax assets/(liabilities) at 1 January	**(537)**	**4,976**	**(917)**	**8,938**	**41,294**	**43**	**-**	**53,797**
Transfer, assets held for sale	(87)	(959)	4,382	(8,938)	(28,555)	89	-	(34,068)
Exchange rate adjust	(20)				(11)	(2)		(33)
Income/(charge) to the income statement	657	1,631	(342)	-	3,968	(114)	-	5,800
Other comprehensive income	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) at 31 December	**13**	**5,648**	**3,123**	**-**	**16,696**	**16**	**-**	**25,496**
Specified as follows:								
Deferred tax assets at 31 December	13	5,648	3,123	-	16,696	16	-	25,496
Deferred tax liabilities at 31 December	-	-	-	-	-	-	-	-
Net deferred tax assets/(liabilities) at 31 December	**13**	**5,648**	**3,123**	**-**	**16,696**	**16**	**-**	**25,496**

Tax losses carried forward

The tax value of tax losses carried forward of DKK 42 million (2017: DKK 66 million) has not been recognised in the balance sheet, due to the likelihood that the tax losses will not be realised in the near future. Of the unrecognised tax losses carried forward, DKK 0 million expires within one year, DKK 0 million between 2-5 years and DKK 42 million after more than five years.

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(DKK 1,000)

Note 17 Deferred tax (continued)

2017	Intangible assets	Property, plant and equipment	Work in progress	Tax loss carry-forward	Provisions	Other	Offset within countries	Total
Deferred tax assets at 1 January	1,161	2,342	63	21,845	50,689	351	(6,622)	69,829
Deferred tax liabilities at 1 January	(750)	(136)	(5,159)	-	-	(577)	6,622	-
Net deferred tax assets/(liabilities) at 1 January	**411**	**2,206**	**(5,096)**	**21,845**	**50,689**	**(226)**	**-**	**69,829**
Exchange rate adjustments	(45)	(63)	(10)	(2,014)	(1,299)	29	-	(3,402)
Income/(charge) to the income statement	(903)	2,833	(266)	(10,893)	(4,807)	240	-	(13,796)
Other comprehensive income	-	-	-	-	(3,289)	-	-	(3,289)
Deferred tax assets/(liabilities) at 31 December	**(537)**	**4,976**	**(5,372)**	**8,938**	**41,294**	**43**	**-**	**49,342**
Specified as follows:								
Deferred tax assets at 31 December	567	4,976	51	8,938	41,952	461	(7,603)	49,342
Deferred tax liabilities at 31 December	(1,104)	-	(5,423)	-	(658)	(418)	7,603	-
Net deferred tax assets/(liabilities) at 31 December	**(537)**	**4,976**	**(5,372)**	**8,938**	**41,294**	**43**	**-**	**49,342**

Note 18 Tax receivables/Tax payables

	2018	2017
At the beginning of the year	(7,597)	(8,010)
Corporate tax paid during the year	6,502	9,692
Prepaid tax	40,561	37,884
Adjustments related to previous years (note 8)	(2,324)	1,173
Current tax for the year (note 8)	(28,972)	(48,478)
Transfer, assets held for sale	5,280	-
Exchange rate adjustments	(104)	142
Total tax receivables/(tax payables)	**13,346**	**(7,597)**
Classified in the balance as shown below:		
Current assets	13,346	3,240
Current liabilities	-	(10,837)
Total	**13,346**	**(7,597)**

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(DKK 1,000)

Note 19 Provisions

NNE gives 1-5 years' warranties on certain deliverables and thus, has an obligation to rectify or replace deliverables that are not satisfactory. The calculation of employee benefits is based on certain benefit, economic and demographic assumptions.

The provision regarding the dilapidation is expected to be used within the next 8 years and is based on the management's best estimate. Other provisions consist of various types of provisions and employee provision etc.

	Warranties	Long-term employee benefits	Dilapidation	Long-term incentive programme	Other	2018 Total	2017 Total
Provisions at 1 January	1,021	8,627	5,901	16,134	453	32,136	43,113
Additions during the year	-	1,085	226	9,046	27	10,384	8,025
Unused amounts reversed	-	(1,102)	(2,370)	-	(274)	(3,746)	(10,535)
Used during the year	-	(792)	-	(2,727)	-	(3,519)	(10,361)
Value adjustment	-	-	-	(1,456)	-	(1,456)	2,923
Transfer, assets held for sale	(521)	(223)	(39)	-	(79)	(862)	-
Exchange rate adjustments	25	(25)	111	-	4	115	(1,029)
Provisions at 31 December	**525**	**7,570**	**3,829**	**20,997**	**131**	**33,052**	**32,136**
Specification of provisions:							
Current provisions						10,086	4,010
Non-current provisions						22,966	28,126
Total						**33,052**	**32,136**

Note 20 Retirement benefit obligations

Most employees in the Group are covered by post-employment retirement plans, in form of primarily defined contribution plans or alternatively defined benefit plans. Group companies sponsor these plans, either directly or by contributing to independently administered funds. The nature of such plans varies according to the legal regulations, fiscal requirements and economic conditions of the countries in which, the employees are employed and the benefits are generally based on the employees' remuneration and years of service.The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees.

Post-employment benefit plans are usually funded by payments from Group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognised in the consolidated balance sheet. In accordance with the accounting policies, the costs recognised for post-employment benefits are included in cost of projects, sales and distribution costs or administrative costs.

	Germany	Switzerland	Other	2018 Total	2017 Total
Retirement benefit obligations:					
Beginning of the year	88,420	133,683	1,095	223,198	231,868
Current service cost	1,811	12,818	249	14,878	13,478
Interest cost	1,995	1,031	-	3,026	1,969
Remeasurements (gains)/losses [1]	(494)	11,256	-	10,762	(11,683)
Benefits paid to employees	(1,336)	2,088	-	752	(6,433)
Curtailments/Plan amendments	-	(5,997)	-	(5,997)	-
Other	-	6,488	-	6,488	4,897
Transfer, assets held for sale	(90,660)	(167,371)	(1,347)	(259,378)	-
Exchange rate adjustments	264	6,004	3	6,271	(10,898)
At the end of the year	**-**	**-**	**-**	**-**	**223,198**

[1] Remeasurements relates primarily to change in financial assumptions and are included in Other Comprehensive Income.

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(DKK 1,000)

Note 20 Retirement benefit obligations (continued)

	Germany	Switzerland	Other	2018 Total	2017 Total
Fair value of plan assets of the year:					
Beginning of the year	-	72,242	1,095	73,337	71,304
Interest income	-	598	3	601	203
Remeasurements gains/(losses)	-	3,617	-	3,617	330
Employer contributions	1,351	9,667	246	11,264	8,739
Benefits paid (to)/by employees	(1,351)	2,088	-	737	(6,433)
Other	-	6,496	-	6,496	4,894
Transfer, assets held for sale	-	(97,952)	(1,347)	(99,299)	-
Exchange rate adjustments	-	3,244	3	3,247	(5,700)
At the end of the year	**-**	**-**	**-**	**-**	**73,337**

Net retirement benefit obligations at the end of the year (unfunded)	**-**	**-**	**-**	**-**	**149,861**

All retirement benefit obligations relate to the companies classified as asset held for sale

In 2018, the retirement benefit plan in Switzerland was updated to a fully insured defined benefit plan.
This change resulted in an income of DKK 6 million in 2018 included in discontinued operations. No changes were made in 2017.

	2018	2017
Note 21 Commitments and contingencies		

Operating leases

The operating lease commitments are related to non-cancellable operating leases, which comprise of office rent and company cars. Expenses related to lease contracts amount to DKK 32.4 million in 2018 and DKK 28.5 million in 2017. Approximately 17% (2017: 37%) of the commitments are related to leases outside Denmark.

The duration period for the NNE Group's rental leases varies. However, the longest commitment is for an office lease. This leasing is non-cancellable for 10 years for NNE.

Lease commitments are expiring within the following periods as from the balance sheet date:

	2018	2017
Within one year	22,851	37,514
Between one and two years	22,047	28,889
Between two and three years	21,385	25,888
Between three and four years	17,503	24,204
Between four and five years	16,507	19,153
After five years	64,220	93,249
Total	**164,513**	**228,897**

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(DKK 1,000)

	2018	2017
Note 21 Commitments and contingencies (continued)		

Other 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 are payable within the following periods as from the balance sheet date:

	2018	2017
Within one year	38,232	80,305
Between one and two years	20,109	11,717
Between two and three years	19,169	3,124
Between three and four years	18,876	2,291
Between four and five years	18,636	2,158
After five years	21,232	12,006
Total	**136,254**	**111,601**

Guarantees

	2018	2017
Bank guarantees	16,039	12,136
Total	**16,039**	**12,136**

Bank guarantees are guarantees that the banks of NNE Group have issued towards other banks NNE is using or towards NNE Group customers.

Pending litigation against NNE

NNE Group is engaged in a few litigation proceedings. In the opinion of the management, settlements or continuation of these proceedings are not expected to have a material effect on the financial position.

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(DKK 1,000)

	2018	2017
Note 22 Fees to statutory auditors		
Statutory audit fee to PwC	2,069	2,406
Audit-related services	177	25
Tax advisory services	14	15
Other services	80	17
Total	**2,340**	**2,463**

Note 23 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, the Novo Nordisk Foundation, Novo Holdings A/S, the NNIT Group, the Novozymes Group, the Xellia Group and members of the management of these entities. Related parties also include companies in which the above persons have significant interests.

All agreements relating to these transactions 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. The material items of these agreements are renegotiated regularly. Guarantees have been given to related parties in connection with the execution of engineering projects.

The Group had the following transactions with related parties:

	2018	2017
Value of services sold		
Novo Nordisk Group	1,015,794	1,250,161
Novozymes Group	29,142	40,015
NNIT Group	-	324
Novo Holdings A/S	25	345
Novo Nordisk Foundation	739	-
Hallas Park	6,477	951
Xellia Group	872	12,704
Total	**1,053,049**	**1,304,500**
Value of services acquired		
Novo Nordisk Group	4,972	21,614
NNIT Group	7,544	2,722
Total	**12,516**	**24,336**
Financial income		
Novo Nordisk Group (interest received)	2	40
Novo Nordisk Group (dividend received)	556	434
Total	**558**	**474**
Dividend		
Novo Nordisk Group	70,000	200,000
Total	**70,000**	**200,000**

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(DKK 1,000)

	2018	2017
Note 23 Transactions with related parties (continued)		
Receivables		
Novo Nordisk Group	179,014	304,820
Novozymes Group	7,067	13,510
Novo Holdings A/S	32	34
Novo Nordisk Foundation	36	-
Hallas Park	1,542	34
Xellia Group	130	4,640
Total	**187,821**	**323,038**
Cash and cash equivalents		
Novo Nordisk Group	185,645	183,819
Total	**185,645**	**183,819**
Payables		
Novo Nordisk Group	905	2,365
NNIT Group	1,007	1,669
Total	**1,912**	**4,034**
Shares Novo Nordisk A/S		
Non-current	13,778	22,207
Current	9,430	3,020
Total	**23,208**	**25,227**
Grants to NNE		
Novo Nordisk Group	23,625	-
Total	**23,625**	**-**

Ownership

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

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.

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(DKK 1,000)

	2018	2017
Note 24 Share-based payment schemes		

Long-term incentive programme:
The Executive Management, NNE Management and senior executives of the NNE Group participate in a long-term share-based incentive program linked to the financial performance of NNE. The LTIP operates with a yearly maximum share allocation equal to 8 months' fixed base salary plus pension contribution for the chief executive officer and 5 month' base salary for other participants. The Board of directors determines at the beginning of each year the maximum allocation per participant for the given year.

	2018	2017
Long-term share-based incentive programme	9,046	4,672
Total cost of share-based payment for the year	**9,046**	**4,672**

Included in the income statement under the following headings:

	2018	2017
Cost of projects	8,121	4,127
Sales and distribution costs	306	188
Administrative costs	619	357
Total	**9,046**	**4,672**

This amount can be specified as follow:

	2018	2017
NNE Management	4,530	2,614
Other employees	4,516	2,058
Total	**9,046**	**4,672**

	2018	2017
Financial income/(expenses), realised and unrealised loss (note 6, 7)	1,456	(2,923)
The liability of the long-term share-based incentive programme	20,997	16,134

NOTES – CONSOLIDATED

(DKK 1,000)

Note 25 Reversals with no effect on the cash flow	2018	2017
Depreciation, including gain and loss on fixed assets sold	13,311	10,583
Change in provisions	5,964	(4,214)
Change in pensions etc.	8,503	7,716
Total	**27,778**	**14,085**

Note 26 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, "is on a monthly basis included in the report to the Board of Directors. In addition, the long-term risk profile is reported to the NNE Management and Novo Nordisk. NNE's project portfolio of varied size as well as the company's international profile are both main reasons that the company's profitability and cash flows are exposed to financial risks. The financial risks include foreign exchange risk, interest rate risk, counterpart risk and project risk.

Foreign exchange risk
The company's foreign exchange exposure is related to transactions and net investments in foreign operations. In relation to transactions, the major part of the sales is in DKK, EUR, USD and CHF. NNE's foreign exchange risk is most significant in USD, CHF and RUB, as the foreign exchange risk on EUR is regarded as limited due to the Danish fixed-rate policy to the EUR.

As the income and cost are predominately carried in the same currency on the individual projects the foreign exchange risk on the above currencies from the company's activities is low. A 10% change in the currencies, other things being equal, will have a full-year impact on profit before income taxes of approximately:

DKK million	2018	2017
USD	0.9	4.7
CHF	0.7	0.1
RUB/EUR	1.1	1.1

NNE's investment in foreign operations are managed primarily through borrowings denominated in the relevant foreign currency. NNE Denmark's investments in subsidiaries: US, India, France, Germany, Switzerland and Belgium amounts to a total of DKK 131.5 million (2017: DKK 140.6 million).

DKK million	2018	2017
EUR	135.1	121.3
USD	2.2	10.3
CNY	-	21.8
CHF	-	(4.8)
INR	11.0	8.9
RUB	(17.3)	(17.9)

NOTES – CONSOLIDATED

(DKK 1,000)

Note 26 Financial risk management (continued)

Interest rate risk
NNE's interest rate risk consists of the sensitivity of net interest bearing item to changes in the interest rate. The net interest bearing debt in NNE amounts to an asset of DKK 164.1 million (2017: An asset of DKK 233.8 million).

At the end of 2018 a one percentage point increase/decrease in the interest rate level, everything else being equal, is estimated to have an isolated effect on the profit before income taxes of DKK +/- 1.6 million (2017: DKK +/-2.3 million).

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. In 2018 the five largest customers accounted for 75% (2017: 70%) of the total project portfolio." The majority of the transactions occurs within the top 20 pharma companies in the world with a generally limited counterpart risk.

Counterpart risk related to supply is limited through a use of back-to-back contracts and supplier guarantees. Performance bonds (guarantees) are imposed in all other significant supply contracts, thereby minimising the Group's risk on counterparts.

Project risk
NNE's risk on large projects is managed through a continuous risk assessment of the projects, hereunder conducting risk profiles of the individual projects supported through a project governance structure. The projects are evaluated on risk meetings on a monthly basis.

Share portfolio risk
A 10% decrease of the market price of the Novo Nordisk shares will result in a loss of DKK 2.3 million.

Liquidity risk
The Group's underlying business is based on projects. To ensure adequate liquidity and maintain flexibility in operation, liquidity is managed through the use of consultancy services agreements and short term credit facilities with Novo Nordisk.

The table in note 27 analyses the Group's financial liabilities and assets into relevant maturity groupings, based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting are not significant.

Capital management
When managing the capital structure the Group's objective is to ensure operational stability and maintain a flexible structure. The capital structure can be managed by adjusting the dividend payments to the shareholder or issuing new shares.

The solvency ratio, calculated as equity to total assets, amounted to 42% by the end of the year (2017: 27%). The decrease is mainly related to the dividend payment for 2017 of DKK 70 million.

Carrying amounts and fair value of the financial assets and liabilities
As of 31 December 2018, the carrying amounts of the financial assets and liabilities are not materially different from the calculated fair value.
The following methods and assumptions were used to estimate the fair values:
Cash and short term deposits, work in progress, trade receivables, receivables from related parties, other receivables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of other financial liabilities and obligations under finance lease, as well as other non-current financial liabilities, is estimated by discounting future cash flows, using rates currently available for debt on similar terms, credit risk and remaining maturities.

NOTES – CONSOLIDATED

(DKK 1,000)

Note 27 Financial assets and liabilities by category

The accounting policies for financial assets and liabilities have been applied to the line items below:

2018	Financial assets at fair value through the income statement	Financial assets at amortised cost	Total
Contract assets	-	96,728	96,728
Trade and other receivables	-	106,207	106,207
Receivables from related parties	-	187,821	187,821
Financial assets	23,208	-	23,208
Cash at bank and on hand	-	164,146	164,146
Assets at the end of the year by category [1]	**23,208**	**554,902**	**578,110**
Assets at the end of the year by category, 2017	**25,227**	**923,721**	**948,948**

[1] Financial assets are all due within one year except for DKK 14 milion due within the next four years

2018	Financial liabilities measured at amortised cost	Total
Contract liabilities	87,831	87,831
Trade payables	34,937	34,937
Payables to related parties	1,912	1,912
Other liabilities	274,154	274,154
Liabilities at the end of the year by category	**398,834**	**398,834**
Liabilities at the end of the year by category, 2017	**604,910**	**604,910**

Fair value measurement hierarchy
Financial assets and liabilities measured at fair value can be categoriesed using the fair value measurement hierachy. All above fair value measurements are within the category active market data (level 1).

NOTES – CONSOLIDATED

(DKK 1,000)

Note 28 Companies in the NNE Group

	Country	Year of incorporation/ acquisition	Issued share capital/paid in capital	Currency	Percentages of shares owned
Parent company NNE A/S	**Denmark**	**1989**	**500,000**	**DKK**	**100**
NNE AB	Sweden	2002	100,000	SEK	100
NNE, Inc.	United States	2003	375,568	USD	100
NNE SAS	France	2004	1,000,000	EUR	100
NNE GmbH	Germany	2007	550,000	EUR	100
NNE AG	Switzerland	2007	300,000	CHF	100
NNE Limited	India	2007	5,000,000	INR	100
NNE Pharmaplan OOO	Russia	2007	50,000	RUB	100
Pharmaplan SPOL s.r.o.	Czech Republic	2008	3,000,000	CZK	100
NNE SA	Belgium	2012	440,000	EUR	100

The ownership of NNE Limited, NNE Pharmaplan OOO and Pharmaplan SPOL s.r.o has changed from NNE GmbH to NNE A/S in 2018.

Note 29 Discontinued operations and assets held for sale

NNE (Tianjin) Engineering Co., Ltd, NNE SAS, NNE GmbH, NNE AG and NNE SA are classified as discontinued operations and assets held for sale at 31 December 2018.

NNE(Tianjin) Engineering Co. Ltd was sold in Q4 2018. The sale of the remaining four subsidiaries is expected to be completed within a year from the reporting date.

In the consolidated financial statements, the result for above companies are classified under discontinued operations with a net loss of DKK 1 million.

The result of discontinued businesses are presented in one separate line in the income statement, and balance sheet. The cash flow is stated below. The income statement has been restated in 2017, while the cash flow statement and balance sheet has not been restated.

	2018	2017
Revenue	712,003	670,218
Expenses	(689,560)	(639,499)
Operating profit	**22,443**	**30,719**
Finance costs	(1,669)	(553)
Profit/(loss) before tax from a discountined operations	**20,774**	**30,166**
Tax benefit/(expense) Related to pre-tax profit/(Loss) from the ordinary activities for the period *	(21,517)	1,743
Profit/(loss) for the year from a discountined operations	**(743)**	**31,909**

* The tax expense for 2018 is significantly impacted by reversal of deferred tax on tax loss carry forward.

NOTES – CONSOLIDATED

(DKK 1,000)

Note 29 Discontinued operations and assets held for sale (continued)

During 2018 net assets with a booked value of DKK 22 million related to activities in China and a specific department in Denmark were sold. The sales resulted in a net loss of DKK 21 million after tax which has been recognised in discontinued operations. Furthermore, the activities in Central Europe have been classified as discontinued business and have resulted in a write-down of DKK 10 million in 2018.

The major classes of assets and liabilities that are classified as held for sale at 31 December 2018 are as follow:

Assets	**2018**
Intangibles	54,733
Property, plant and equipment	6,596
Deferred income tax	22,538
Work in progress	37,775
Account receivables and contract assets	154,572
Other financial assets	1,261
Cash at bank and in hand	103,714
Assets held for sale	**381,189**
Liabilities	
Retirement benefit obligation and other long term provisions	160,944
Trade payables and contract liabilities	42,866
Other accounts payables	115,792
Liabilities associated with assets held for sale	**319,602**

The net cash flows incurred by the discontinued companies are, as follow:

Cash flow from operating activities	29,926
Cash flow from investing activities	(657)
Cash flow from financing activities	(15,647)
Net cash (outflow)/inflow	**13,622**

Financial statements 2018 of the parent company NNE A/S

The Annual Report for the parent company NNE A/S is an integrated part of the Annual Report 2018 for NNE

INCOME STATEMENT OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

	Note	2018	2017
Revenue	2	1,260,531	1,357,001
Cost of projects	3,4	(1,092,265)	(1,114,548)
Gross profit		**168,266**	**242,453**
Sales and distribution costs	3,4	(28,476)	(29,721)
Administrative costs	3,4	(60,233)	(63,083)
Other income	4	14,796	9,033
Operating profit		**94,353**	**158,682**
Share of profit/loss in subsidiaries	10	8,156	(54,464)
Financial income	5	5,760	1,359
Financial expenses	6	(26,981)	(5,642)
Profit before income taxes		**81,288**	**99,935**
Income taxes	7	(25,174)	(33,137)
Net profit for the year		**56,114**	**66,798**
Proposed appropriation of net profit:			
Dividend to shareholders		80,000	70,000
Retained earnings		(23,886)	(3,202)
Total		**56,114**	**66,798**

BALANCE SHEET OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

	Note	2018	2017
Assets			
Intangible assets	8	9,470	7,346
Property, plant and equipment	9	3,728	6,918
Investments in subsidiaries	10	13,617	140,576
Deferred income tax assets	11	24,674	14,498
Financial assets	12,13	13,778	22,207
Total non-current assets		**65,267**	**191,545**
Contract assets		82,965	22,764
Trade receivables		72,917	54,223
Receivables from related parties	13	198,781	364,991
Tax receivables		10,588	-
Other receivables		2,261	2,444
Prepayments		6,796	9,946
Financial assets	12,13	9,430	3,020
Cash at bank and on hand		139,277	120,291
Investment in subsidiaries held for sale	10	135,142	-
Total current assets		**658,157**	**577,679**
Total assets		**723,424**	**769,224**

BALANCE SHEET OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

	Note	2018	2017
Equity and liabilities			
Share capital	14	500	500
Retained earnings		213,041	245,591
Total equity		**213,541**	**246,091**
Provisions		21,435	24,631
Total non-current liabilities		**21,435**	**24,631**
Contract liabilities		84,669	55,223
Trade payables		23,623	35,640
Payables to related parties	13	9,012	9,841
Short term borrowing related parties	13	133,545	117,647
Tax payables		-	5,238
Provisions		9,430	3,022
Other liabilities	15	228,168	271,891
Total current liabilities		**488,447**	**498,502**
Total liabilities		**509,882**	**523,133**
Total equity and liabilities		**723,424**	**769,224**
Commitments	16		

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER OF THE PARENT COMPANY NNE A/S

(DKK 1,000)

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 income/(loss) recognised directly in equity	**-**	**(42,289)**	**(42,289)**
Net profit/(loss)	-	(23,886)	(23,886)
Proposed dividend	-	80,000	80,000
Total income/(loss)	**-**	**9,370**	**9,370**
Capital grant	-	23,625	23,625
Dividends paid	-	(70,000)	(70,000)
Balance at the end of the year	**500**	**213,041**	**213,541**

Share capital cannot be used for dividend declaration.

2017	Share capital	Retained earnings	Total
Balance at the beginning of the year	**500**	**371,615**	**372,115**
Exchange rate adjustments of investment in subsidiaries	-	(3,786)	(3,786)
Adjustment of investment in subsidiaries	-	10,964	10,964
Net income/(loss) recognised directly in equity	**-**	**7,178**	**7,178**
Net profit/(loss)	-	(3,202)	(3,202)
Proposed dividend	-	70,000	70,000
Total income/(loss)	**-**	**73,976**	**73,976**
Dividends paid	-	(200,000)	(200,000)
Balance at the end of the year	**500**	**245,591**	**246,091**

Share capital cannot be used for dividend declaration.

NOTE 1 ACCOUNTING POLICIES OF THE PARENT COMPANY

The parent company's financial statements have been prepared in accordance with the Danish Financial Statements Act for reporting class C - large enterprises.

The accounting policies are also updated with the implementation of IFRS 9 and IFRS 15 in the parent company as for the Group consolidated statement.

For the parent company all other accounting policies are unchanged compared to the last financial year and are the same as for the Group with the following additions.

Direct changes in the equity of subsidiaries relating to pension plans are taken directly to the parent company's equity by DKK 6 million (2017: 8 million), in order to give a more true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the implementation of IFRS 15 has resulted in a direct posting on equity of DKK 16 million.

For a description of the accounting policies of the Group, please see note 1 – summary of significant accounting policies, page 24-32

Supplementary accounting policies for the parent company

Financial assets
In the financial statements of the parent company, investments in subsidiaries are recorded under the equity method, which is at the respective share of the net asset values in subsidiaries. Any cost, in excess of net assets in the acquired company, is capitalised in the parent company under financial assets as part of investments in subsidiaries (goodwill). Amortisation of goodwill is provided under the straight-line method over a period of ten years, based on estimated useful life.

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

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, according to the equity method under equity.

The profit in subsidiaries is shown as profit after tax.

Tax
The parent company is assessed jointly for Danish tax purposes with its Danish parent company Novo Nordisk A/S and other Danish affiliated companies. The Danish jointly taxed companies are included in a Danish on-account tax payment scheme for Danish corporate income tax. All current taxes under the scheme are recorded in the individual companies.

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

NOTES – PARENT COMPANY

(DKK 1,000)

	2018	2017
Note 2 Revenue		
Sales value of engineering sales	1,260,531	1,357,001
Total	**1,260,531**	**1,357,001**

	2018	2017
Note 3 Employee costs		
Wages and salaries	674,213	677,715
Pensions	57,266	59,034
Share-based payment costs	9,046	4,672
Other contributions to social security	8,559	9,449
Other employee costs	13,870	17,413
Total	**762,954**	**768,283**
Included in the income statement under the following headings:		
Cost of projects	695,635	692,204
Sales and distribution costs	24,711	24,869
Administrative costs	42,608	51,210
Total	**762,954**	**768,283**

The average number of full-time employees in 2018 was 863 compared to 910 in 2017. At the end of 2018 the company had 810 full-time employees compared to 875 at year end 2017.

For information on remuneration to the Board of Directors and NNE Management please refer to note 3 in the consolidated notes. 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 the whole management team.

Remuneration to the Board of Directors and the CEO is DKK 6 million in 2018 (2017: 6 million).

	2018	2017
Note 4 Other income		
Relocation compensation	**14,796**	**9,033**

Other income comprises of compensation from the parent company in connection with relocation of NNE headquater in Denmark to cover related relocation cots of DKK 15 million.

	2018	2017
The related relocation cots are included in the income statement under the following headings:		
Cost of projects	13,168	8,039
Sales and distribution costs	444	271
Administrative costs	1,184	723
Total	**14,796**	**9,033**

	2018	2017
Note 5 Financial income		
Interest income from group companies	880	662
Other financial income	4,880	697
Total	**5,760**	**1,359**

NOTES – PARENT COMPANY

(DKK 1,000)

	2018	2017
Note 6 Financial expenses		
Interest expenses to group companies	80	91
Loss on shares in subsidiaries	23,905	-
Other financial expenses	2,996	5,551
Total	**26,981**	**5,642**

Note 7 Income taxes

The parent company paid DKK 40,6 million in tax related to current year (DKK 35.3 million in 2017).

	2018	2017
Current tax on profit for the year	28,465	40,708
Deferred tax on profit for the year	(3,855)	(6,255)
Tax on profit for the year	**24,610**	**34,453**
Adjustments tax payable prior year	2,429	(427)
Adjustments deferred tax prior year	(1,865)	(889)
Tax for the year, total	**25,174**	**33,137**

Note 8 Intangible assets

2018	ERP-system and software	Intangible assets under construction	Total
Cost at 1 January	20,360	-	20,360
Additions during the year	-	5,796	5,796
Disposals during the year	(912)	-	(912)
Cost at 31 December	**19,448**	**5,796**	**25,244**
Depreciation and impairment losses at 1 January	13,014	-	13,014
Depreciation for the year	3,444	-	3,444
Disposals during the year	(684)	-	(684)
Depreciation and impairment losses at 31 December	**15,774**	**-**	**15,774**
Carrying amount at 31 December	**3,674**	**5,796**	**9,470**

Note 9 Property, plant and equipment

2018	Leasehold improvements	Other equipment	Total
Cost at 1 January	7,243	9,029	16,272
Additions during the year	453	-	453
Disposals during the year	-	(1,929)	(1,929)
Cost at 31 December	**7,696**	**7,100**	**14,796**
Depreciation and impairment losses at 1 January	2,462	6,892	9,354
Depreciation for the year	1,870	1,133	3,003
Disposals during the year	-	(1,289)	(1,289)
Depreciation and impairment losses at 31 December	**4,332**	**6,736**	**11,068**
Carrying amount at 31 December	**3,364**	**364**	**3,728**

NOTES – PARENT COMPANY

(DKK 1,000)

	2018	2017
Note 10 Investments in subsidiaries		
Investments in subsidiaries		
Cost at 1 January	501,522	474,180
Additions during the year	79,214	28,481
Divestments during the year	(8,656)	(1,139)
Assets regarding discontinued operation	(286,111)	-
Cost at 31 December	**285,969**	**501,522**
Revaluation at 1 January	(264,449)	(189,338)
Exchange rate adjustments	1,199	(3,786)
Net profit/(loss) for the year	8,156	(52,611)
Dividend received	(46,077)	(27,324)
Divestment during the year	(15,248)	634
Remeasurements pension and fair value adjustment etc.	(10,405)	7,976
Assets regarding discontinued operation	54,472	-
Revaluation at 31 December	**(272,352)**	**(264,449)**
Depreciation and impairment losses at 1 January	(96,497)	(94,644)
Amortisation of goodwill	-	(1,853)
Assets regarding discontinued operation	96,497	-
Impairment losses and depreciation at 31 December	**-**	**(96,497)**
Carrying amount at 31 December	**13,617**	**140,576**

A list of companies in the NNE Group is found in note 28 to the consolidated financial statements

In 2018, NNE A/S increased its investment in NNE, Inc. when part of NNE, Inc.'s debt to NNE A/S was converted into paid in capital.
In 2018 NNE A/S purchased the shares in NNE Limited, NNE Pharmaplan OOO and Pharmaplan SPOL s.r.o. from NNE GmbH.

Note 11 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 sheets.
The deferred tax is measured according to the tax rate expected to be in force on the elimination of the temporary differences.

	2018	2017
Balance at 1 January	14,498	7,354
Adjustment adoption of IFRS 15	4,456	6,255
Deferred tax on profit for the year	3,855	6,255
Adjustments related to previous years	1,865	889
Balance at 31 December	**24,674**	**14,498**

NOTES – PARENT COMPANY

(DKK 1,000)

Note 11 Deferred tax assets/Deferred tax liabilities (continued)

	2018			2017		
Specification:	**Assets**	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Property, plant and equipment	5,161	-	5,161	2,999	-	2,999
Work in progress	3,092	-	3,092	-	(1,041)	(1,041)
Provisions	16,421	-	16,421	12,540	-	12,540
Balance at 31 December	**24,674**	**-**	**24,674**	**15,539**	**(1,041)**	**14,498**

Note 12 Financial assets

For information regarding financial assets please refer to note 11 in the consolidated notes.

Note 13 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, the Novo Nordisk Foundation, Novo Holdings A/S, the NNIT Group, the Novozymes Group, the Xellia Group and members of management of these entities. Related parties also include companies in which the above persons have significant interests.

All agreements relating to these transactions 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. The material items of these agreements are renegotiated regularly. NNE A/S has had the following transactions with related parties:

	2018	2017
Value of services sold		
Novo Nordisk Group	911,897	1,122,294
NNE Group	44,023	62,824
Novozymes Group	23,028	27,278
NNIT Group	-	324
Novo Nordisk Foundation	739	-
Novo Holdings A/S	25	345
Hallas Park	6,477	951
Xellia Group	965	1,655
Total	**987,154**	**1,215,671**

NOTES – PARENT COMPANY

(DKK 1,000)

Note 13 Transactions with related parties (continued)

	2018	2017
Value of services acquired		
Novo Nordisk Group	4,731	21,535
NNE Group	40,456	40,121
NNIT Group	7,544	2,722
Total	**52,731**	**64,378**
Financial income		
Novo Nordisk Group	558	441
NNE Group	322	221
Total	**880**	**662**
Financial expenses		
NNE Group	80	91
Total	**80**	**91**
Dividend		
Novo Nordisk Group	70,000	200,000
Total	**70,000**	**200,000**
Receivables		
Novo Nordisk Group	172,577	283,294
NNE Group	6,452	54,644
Novozymes Group	6,631	10,578
Novo Nordisk Foundation	36	-
Novo Holdings A/S	32	34
Hallas Park	1,542	34
Xellia Group	130	234
Total	**187,400**	**348,818**
Loans		
NNE Group	11,381	16,173
Total	**11,381**	**16,173**

NOTES – PARENT COMPANY

(DKK 1,000)

	2018	2017
Note 13 Transactions with related parties (continued)		
Cash and cash equivalents		
Novo Nordisk Group	138,532	120,335
Total	**138,532**	**120,335**
Payables		
Novo Nordisk Group	842	2,195
NNE Group	7,163	5,977
NNIT Group	1,007	1,669
Total	**9,012**	**9,841**
Short term borrowing related parties		
NNE Group	133,545	117,647
Total	**133,545**	**117,647**
Investment in subsidaries		
NNE Group	79,214	28,481
Total	**79,214**	**28,481**

In 2018, NNE A/S increased its investment in NNE, Inc. when part of NNE, Inc.'s debt to NNE A/S was converted into paid in capital.
In 2018 NNE A/S purchased the shares in NNE Limited, NNE Pharmaplan OOO and Pharmaplan SPOL s.r.o. from NNE GmbH.

	2018	2017
Shares Novo Nordisk A/S		
Non-current	13,778	22,207
Current	9,430	3,020
Total	**23,208**	**25,227**
Grants to NNE		
Novo Nordisk Group	23,625	-
Total	**23,625**	**-**

Ownership

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

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.

NOTES – PARENT COMPANY

(DKK 1,000)

	2018	2017
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.

Note 15 Other liabilities

For information regarding other liabilities please refer to note 16 in the consolidated notes.

Note 16 Commitments

Operating leases
The operating lease commitments are related to non-cancellable operating leases, related to office rent and company cars. Expenses related to lease contracts amount to DKK 18.3 million in 2018 and DKK 22.0 million in 2017.

Other 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. Operating leases and other commitments are payable within the following periods as from the balance sheet date:

	2018	2017
Within one year	54,768	38,453
Between one and two years	36,043	27,154
Between two and three years	34,325	17,771
Between three and four years	31,508	16,106
Between four and five years	31,156	13,973
After five years	85,452	83,879
Total	**273,252**	**197,336**
Guarantees		
Bank guarantees	15,122	7,884
Total	**15,122**	**7,884**

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.

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 2018.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements 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 Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2018.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Virum, 28 March 2019

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 Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018, in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2018, and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018, in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of NNE A/S for the financial year 1 January to 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("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 Group 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements, and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group's and the Parent 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 Group or the Parent 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 judgement 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

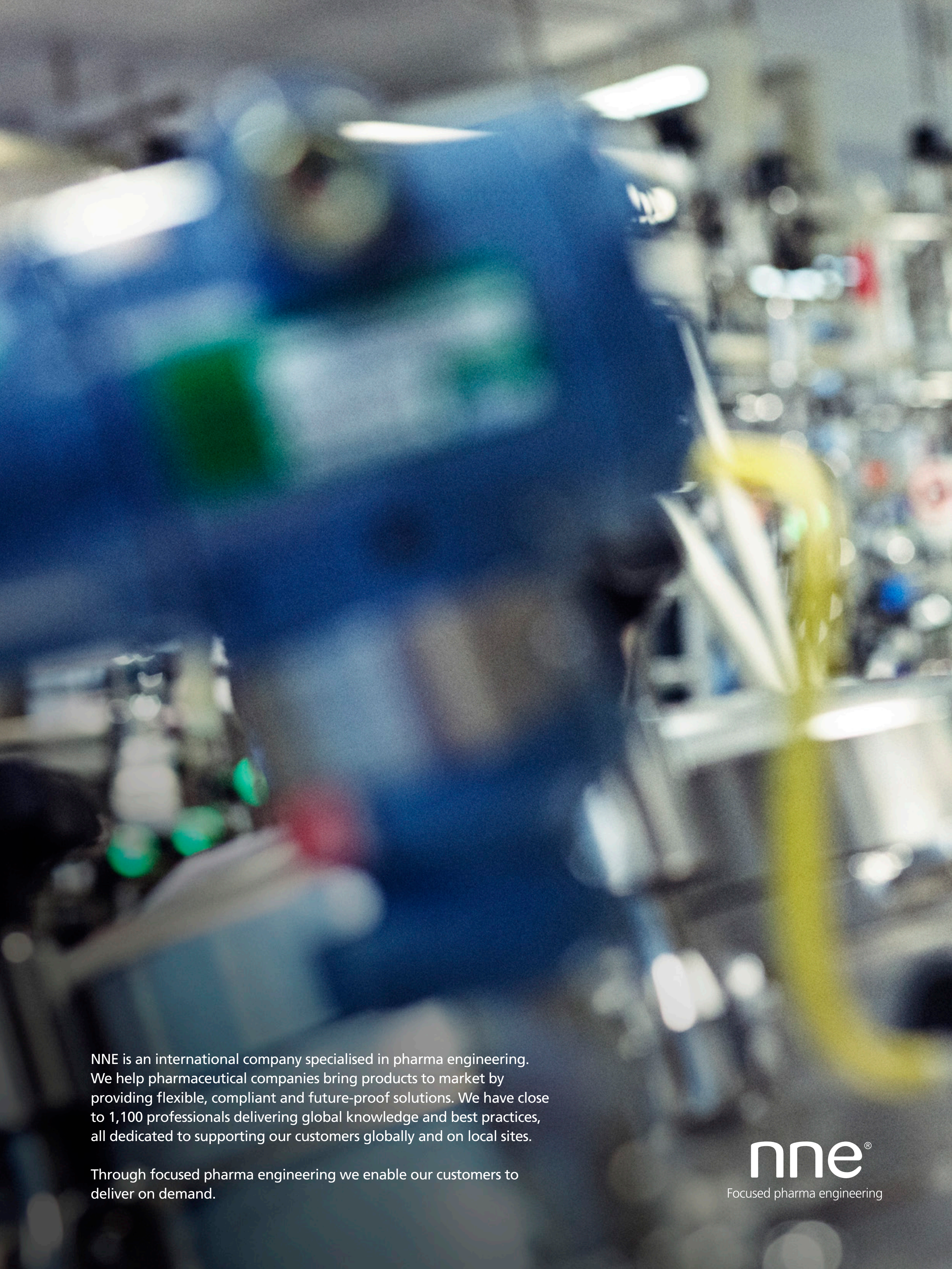
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 28 March 2018

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. We help pharmaceutical companies bring products to market by providing flexible, compliant and future-proof solutions. We have close to 1,100 professionals delivering global knowledge and best practices, all dedicated to supporting our customers globally and on local sites.

Through focused pharma engineering we enable our customers to deliver on demand.

nne®

Focused pharma engineering