Western Union CO
Form 10-Q
November 07, 2007
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to_____

Commission File Number 001-32903

# THE WESTERN UNION COMPANY

**(Exact Name of Registrant as Specified in Its Charter)**

| **DELAWARE** | **20-4531180** |
|---|---|
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |
| **12500 EAST BELFORD AVENUE** | |
| **ENGLEWOOD, CO** | **80112** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant s telephone number, including area code (866) 405-5012**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer ¨ Accelerated filer ¨ Non-Accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 31, 2007, 750,917,400 shares of our common stock were outstanding.

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**THE WESTERN UNION COMPANY**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**THE WESTERN UNION COMPANY**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**(Unaudited)**

**(in millions, except per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | |
| Transaction fees | $ 1,019.7 | $ 940.1 | $ 2,931.2 | $ 2,731.7 |
| Foreign exchange revenue | 203.2 | 169.0 | 555.6 | 478.6 |
| Commission and other revenues | 34.3 | 31.3 | 104.3 | 86.7 |
| Total revenues | 1,257.2 | 1,140.4 | 3,591.1 | 3,297.0 |
| Expenses: | | | | |
| Cost of services | 722.2 | 626.0 | 2,055.7 | 1,779.4 |
| Selling, general and administrative | 204.9 | 177.3 | 578.0 | 541.4 |
| Total expenses* | 927.1 | 803.3 | 2,633.7 | 2,320.8 |
| Operating income | 330.1 | 337.1 | 957.4 | 976.2 |
| Interest expense | (47.1) | (1.2) | (141.9) | (1.9) |
| Interest income | 20.3 | 8.1 | 58.9 | 20.8 |
| Interest income from First Data, net | | 12.2 | | 35.7 |
| Derivative gains/(losses), net | 2.0 | 5.4 | 5.1 | (21.8) |
| Foreign exchange effect on notes receivable from First Data, net | | 14.2 | | 10.1 |
| Other income, net | 1.6 | 4.1 | 7.7 | 9.5 |
| Total other (expense)/income, net | (23.2) | 42.8 | (70.2) | 52.4 |
| Income before income taxes | 306.9 | 379.9 | 887.2 | 1,028.6 |
| Provision for income taxes | 90.6 | 121.8 | 273.2 | 331.8 |
| Net income | $ 216.3 | $ 258.1 | $ 614.0 | $ 696.8 |
| Earnings per share: | | | | |
| Basic | $ 0.29 | $ 0.34 | $ 0.80 | $ 0.91 |
| Diluted | $ 0.28 | $ 0.34 | $ 0.79 | $ 0.91 |
| Weighted-average shares outstanding: | | | | |
| Basic | 757.5 | 763.9 | 763.6 | 763.9 |
| Diluted | 767.4 | 764.0 | 776.6 | 763.9 |

* As further described in Note 4, total expenses include amounts paid to related parties of $64.7 million and $110.1 million for the three months ended September 30, 2007 and 2006, respectively, and $180.4 million and $306.6 million for the nine months ended September 30, 2007 and

2006, respectively.

See Notes to Condensed Consolidated Financial Statements.

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**THE WESTERN UNION COMPANY**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

**(in millions, except per share amounts)**

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,669.0 | $ 1,421.7 |
| Settlement assets | 1,411.5 | 1,284.2 |
| Property and equipment, net of accumulated depreciation of $243.7 and $213.1, respectively | 199.2 | 176.1 |
| Goodwill | 1,639.6 | 1,648.0 |
| Other intangible assets, net of accumulated amortization of $219.3 and $211.4, respectively | 308.3 | 287.7 |
| Other assets | 457.7 | 503.4 |
| Total assets | $ 5,685.3 | $ 5,321.1 |
| **Liabilities and Stockholders (Deficiency)** | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 659.1 | $ 554.8 |
| Settlement obligations | 1,409.8 | 1,282.5 |
| Pension obligations | 52.7 | 52.9 |
| Deferred tax liability, net | 258.8 | 274.8 |
| Borrowings | 3,272.6 | 3,323.5 |
| Other liabilities | 178.7 | 147.4 |
| Total liabilities | 5,831.7 | 5,635.9 |
| Commitments and contingencies (Note 5) | | |
| Stockholders (Deficiency): | | |
| Preferred stock, $1.00 par value; 10 shares authorized; no shares issued | | |
| Common stock, $0.01 par value; 2,000 shares authorized; 772.7 shares and 772.0 shares issued, respectively | 7.7 | 7.7 |
| Capital deficiency | (380.2) | (437.1) |
| Retained earnings | 776.2 | 208.0 |
| Accumulated other comprehensive loss | (88.2) | (73.5) |
| Less treasury stock at cost, 22.8 shares and 0.9 shares, respectively | (461.9) | (19.9) |
| Total Stockholders (Deficiency) | (146.4) | (314.8) |
| Total Liabilities and Stockholders (Deficiency) | $ 5,685.3 | $ 5,321.1 |

See Notes to Condensed Consolidated Financial Statements.

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**THE WESTERN UNION COMPANY**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(in millions)**

| | Nine Months Ended September 30, 2007 | 2006 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 614.0 | $ 696.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 35.7 | 24.8 |
| Amortization | 56.5 | 50.4 |
| Deferred income tax provision | 2.2 | 19.5 |
| Realized gain on derivative instruments | | (4.1) |
| Stock compensation expense | 45.6 | 16.3 |
| Other non-cash items, net | 21.5 | 18.6 |
| Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in: | | |
| Other assets | 28.7 | (37.1) |
| Accounts payable and accrued liabilities | 95.9 | (6.4) |
| Other liabilities | (16.8) | (1.2) |
| Net cash provided by operating activities | 883.3 | 777.6 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capitalization of contract costs | (36.1) | (106.7) |
| Capitalization of purchased and developed software | (21.7) | (8.4) |
| Purchases of property and equipment | (64.5) | (42.5) |
| Notes receivable issued to agents | (5.9) | (140.0) |
| Repayments of notes receivable issued to agents | 16.2 | 12.8 |
| Cash received on maturity of foreign currency forwards | | 4.1 |
| Net cash used in investing activities | (112.0) | (280.7) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net repayments of commercial paper | (49.7) | |
| Net (repayments)/proceeds from net borrowings under credit facilities | (3.0) | 100.0 |
| Proceeds from issuance of debt | | 2,400.0 |
| Proceeds from exercise of options | 109.5 | |
| Purchase of treasury shares | (580.8) | |
| Dividends to First Data | | (2,953.9) |
| Advances from affiliates of First Data | | 160.2 |
| Repayments of notes payable to First Data | | (154.5) |
| Repayments of notes receivable from First Data | | 776.2 |
| Additions to notes receivable from First Data | | (7.5) |
| Net cash (used in)/provided by financing activities | (524.0) | 320.5 |
| Net change in cash and cash equivalents | 247.3 | 817.4 |
| Cash and cash equivalents at beginning of period | 1,421.7 | 510.2 |
| Cash and cash equivalents at end of period | $ 1,669.0 | $ 1,327.6 |

| | | | | |
|---|---|---|---|---|
| **Supplemental cash flow and non-cash activities information:** | | | | |
| Interest paid (prior to the September 29, 2006 spin-off, amounts were paid primarily to First Data) | $ | 103.8 | $ | 3.1 |
| Income taxes paid (prior to the September 29, 2006 spin-off, amounts were paid primarily to First Data) | $ | 242.8 | $ | 236.1 |
| Notes issued in conjunction with dividend to First Data, net of debt issuance costs and discount | $ | | $ | 995.1 |
| Net liabilities and (assets) transferred from First Data in connection with the September 29, 2006 spin-off | $ | | $ | 148.2 |

See Notes to Condensed Consolidated Financial Statements.

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**THE WESTERN UNION COMPANY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Business and Basis of Presentation**

The Western Union Company ( Western Union or the Company ) is a leader in global money transfer, providing people with fast, reliable and convenient ways to send money around the world, pay bills and purchase money orders. The Western Union® brand is globally recognized. The Company s services are available through a network of agent locations in more than 200 countries and territories. Each location in the Company s agent network is capable of providing one or more of the Company s services.

The Western Union business consists of the following segments:

Consumer-to-consumer provides money transfer services between consumers, primarily through a global network of third-party agents using the Company s multi-currency, real-time money transfer processing systems. This service is available for both international transfers that is, the transfer of funds from one country to another and intra-country transfers that is, money transfers from one location to another in the same country.

Consumer-to-business processes payments from consumers to businesses and other organizations that receive consumer payments, including utilities, auto finance companies, mortgage servicers, financial service providers and government agencies, refered to as billers, through Western Union s network of third-party agents and various electronic channels. While the Company continues to pursue international expansion of its offerings in select markets, as demonstrated by the December 2006 acquisition of Servicio Electrónico de Pago S.A. and related entities ( SEPSA or Pago Fácil see Note 3), most of the segment s revenue for the nine months ended September 30, 2007 was generated in the United States.

All businesses that have not been classified into the consumer-to-consumer or consumer-to-business segments are reported as Other and include the Company s money order and prepaid services businesses. The Company s money order business sells Western Union branded money orders issued by Integrated Payment Systems Inc. ( IPS ), a subsidiary of First Data Corporation ( First Data ), to consumers at non-bank retail locations primarily in the United States and Canada. Western Union also markets a Western Union branded prepaid card, and provides top-up services for third parties that allow consumers to pay in advance for mobile phone and other services. Also included in Other are certain expenses incurred by Western Union to effect its spin-off from First Data, as described below.

The primary entities providing the services described above are Western Union Financial Services, Inc. and its subsidiaries ( WUFSI ), Vigo Remittance Corp. ( Vigo ), Orlandi Valuta, E Commerce Group, Paymap, Inc. and SEPSA. There are additional legal entities included in the condensed consolidated financial statements of The Western Union Company, including First Financial Management Corporation ( FFMC ), WUFSI s immediate parent company.

Various aspects of the Company s services and businesses are subject to United States federal, state and local regulation, as well as regulation by foreign jurisdictions, including certain banking and other financial services regulations. In addition, there are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located, or which constitute undistributed earnings of affiliates of the Company accounted for under the equity method of accounting. However, there are generally no limitations on the use of thesent-size: 10pt; font-weight: bold; margin-top: 0pt; margin-right: 0; margin-bottom: 0pt; text-align: left">NET FINANCIALS AND TAX

Net financials showed a net loss of DKK 5,961 million compared with a net loss of DKK 396 million in 2014. The reported net financial loss in 2015 is larger than the latest guidance of ‘around DKK 5.6 billion’ primarily reflecting higher than expected losses on

commercial balances following the depreciation of the Argentine peso in December 2015 as well as an effect from the depreciation of the Russian rouble and the Brazilian real during the fourth quarter of 2015.

In line with Novo Nordisk's treasury policy, the most significant foreign exchange risks for the group have been hedged, primarily through foreign exchange forward contracts. The foreign exchange result was a loss of DKK 5,898 million compared with a loss of DKK 381 million in 2014. This development reflects losses on foreign exchange hedging involving especially the US dollar due to its appreciation versus the Danish krone compared with the prevailing exchange rates in 2014. As of 31 December 2015, foreign exchange hedging losses of around DKK 700 million have been deferred for recognition in the income statement in 2016.

The effective tax rate for 2015 was 19.8%, which is in line with the latest guidance of a tax rate of 'around 20%' for the full year 2015. The lower tax rate compared with the 2014 level of 22.3% primarily reflects the tax-free gain from the partial divestment of NNIT, the gradual reduction of the corporate income tax rate in Denmark from 24.5% in 2014 to 23.5% in 2015 as well as changes in provisions related to international tax cases.

CAPITAL EXPENDITURE AND FREE CASH FLOW

Net capital expenditure for property, plant and equipment was DKK 5.2 billion compared with DKK 4.0 billion in 2014, which is in line with the latest guidance of 'around DKK 5.0 billion'. Net capital expenditure was primarily related to investments in additional insulin filling capacity, expansion of the manufacturing capacity for biopharmaceutical products and the construction of new research facilities.

Free cash flow was DKK 34.2 billion compared with DKK 27.4 billion in 2014, which is in line with the latest guidance of DKK 33-35 billion. The increase of 25% compared with 2014 primarily reflects the increased cash flow from operating activities as well as the non-recurring proceeds from the partial divestment of NNIT.

KEY DEVELOPMENTS IN THE FOURTH QUARTER OF 2015

Please refer to appendix 1 for an overview of the quarterly numbers in DKK and appendix 6 for details on sales in the fourth quarter of 2015.

Sales in the fourth quarter of 2015 increased by 17% in Danish kroner and by 8% in local currencies compared with the same period in 2014. The growth was primarily driven by the three modern insulins and Victoza® but also with a notable contribution from Tresiba® and Saxenda®. From a geographic perspective, sales growth in local currencies

was driven by North America and International Operations representing 78% and 22% of the growth, respectively. Growth in North America was driven by Levemir, which gained market share in the growing basal insulin segment, as well as Victoza®, which benefits from the growing GLP-1 market partly offset by a modest market share decline. International Operations delivered solid growth, with contribution from Brazil and Argentina due to positive impact from tender business and improved pricing.

Company announcement No 8 / 2016

The gross margin was 84.0% in the fourth quarter of 2015 compared with 83.7% in the same period last year. The increase of 0.3 percentage point reflects an underlying positive currency impact of 0.8 percentage point countered by ramp-up costs for new manufacturing capacity.

Sales and distribution costs increased by 20% in Danish kroner and by 11% in local currencies in the fourth quarter of 2015 compared with the same period last year. The increase in costs was driven by launch costs related to Saxenda® and preparations for the Tresiba® launch in the US and sales force investments in selected countries in International Operations as well as increased provisions related to legal cases.

Research and development costs increased by 4% in Danish kroner and were unchanged in local currencies in the fourth quarter of 2015 compared with the same period last year. The costs were impacted by continued expansion of the early diabetes and obesity pipeline which was countered by the gradual finalisation of the SUSTAIN development programme for semaglutide.

Administrative costs increased by 9% in Danish kroner and by 5% in local currencies in the fourth quarter of 2015 compared with the same period last year.

Other operating income (net) was DKK 94 million in the fourth quarter of 2015 compared with DKK 182 million in the same period last year. The lower income compared with the same period last year reflects reduced royalty income.

Operating profit in Danish kroner increased by 21% and by 7% in local currencies in the fourth quarter of 2015 compared with the same period last year.

OUTLOOK

**OUTLOOK 2016**

The current expectations for 2016 are summarised in the table below:

| Expectations are as reported, if not otherwise stated | Expectations 3 February 2016 |
|---|---|
| Sales growth | |
| in local currencies | 5-9% |
| as reported | Around 1 percentage point lower |
| Operating profit growth* | |
| in local currencies | 5-9% |
| as reported | Around 1 percentage point lower |
| Net financials | Loss of around DKK 1.3 billion |
| Effective tax rate | 20-22% |
| Capital expenditure | Around DKK 7.0 billion |
| Depreciation, amortisation and impairment losses | Around DKK 3.0 billion |
| Free cash flow | DKK 36-39 billion |

* Adjusted DKK 2,376 million for the partial divestment of NNIT and DKK 449 million for the income related to the out-licensing of assets for inflammatory disorders, both in 2015.

**Sales growth** for 2016 is expected to be 5–9% measured in local currencies. This reflects expectations for continued robust performance for the portfolio of modern insulin, Victoza® and Tresiba® as well as a contribution from Saxenda® and Xultophy®. These sales drivers are expected to be partly countered by an impact from a contract loss in the US, healthcare reforms, the loss of exclusivity for products within hormone replacement therapy, intensifying competition within diabetes and biopharmaceuticals as well as macroeconomic conditions in China and a number of markets in International Operations. Given the current level of exchange rates versus the Danish krone, growth reported in DKK is expected to be around 1 percentage point lower than the local currency level.

For 2016, **operating profit growth** is expected to be 5–9% measured in local currencies, adjusted by DKK 2,376 million for the partial divestment of NNIT and by DKK 449 million for the income related to the out-licensing of assets for inflammatory disorders, both in 2015. The expectations for operating profit growth reflect growth in selling and distribution costs to support continued launch activities as well as in research and development costs to support the progress of Novo Nordisk's pipeline. Given the current level of exchange rates versus the Danish krone, growth reported in DKK is expected to be around 1 percentage point lower than the local currency level.

For 2016, Novo Nordisk expects a **net financial loss** of around DKK 1.3 billion. The current expectation primarily reflects losses associated with foreign exchange hedging contracts, mainly related to the appreciation of the US dollar versus the Danish krone compared to the prevailing exchange rates in 2015.

Company announcement No 8 / 2016

The **effective tax rate** for 2016 is expected to be in the range of 20–22%.

**Capital expenditure** is expected to be around DKK 7.0 billion in 2016, primarily related to investments in an expansion of the manufacturing capacity for biopharmaceutical products, additional capacity for active pharmaceutical ingredient production within diabetes care, an expansion of the insulin filling capacity and construction of new research facilities. **Depreciation, amortisation and impairment losses** are expected to be around DKK 3.0 billion. **Free cash flow** is expected to be DKK 36-39 billion.

All of the above expectations are based on the assumption that the global economic environment will not significantly change business conditions for Novo Nordisk during 2016, and that currency exchange rates, especially the US dollar, will remain at the current level versus the Danish krone. Please refer to appendix 7 for key currency assumptions.

Novo Nordisk has hedged expected net cash flows in a number of invoicing currencies and, all other things being equal, movements in key invoicing currencies will impact Novo Nordisk's operating profit as outlined in the table below.

| **Key invoicing Currencies** | **Annual impact on Novo Nordisk's operating profit of a 5% movement in currency** | **Hedging period (months)** |
|---|---|---|
| USD | DKK 2,000 million | 12 |
| CNY | DKK 300 million | 11* |
| JPY | DKK 150 million | 12 |
| GBP | DKK 85 million | 11 |
| CAD | DKK 70 million | 11 |

* USD and Chinese Yuan traded offshore (CNH) used as proxy when hedging Novo Nordisk's CNY currency exposure

The financial impact from foreign exchange hedging is included in 'Net financials'.

LONG-TERM FINANCIAL TARGETS UPDATE

Novo Nordisk introduced four long-term financial targets in 1996 to balance short- and long-term considerations thereby ensuring a focus on shareholder value creation. The targets were subsequently revised and updated on several occasions most recently in connection with the annual results for 2012 released in January 2013.

In 2015, Novo Nordisk reached these four long-term financial targets and consequently, the Board of Directors has approved three updated long-term financial targets to guide Novo Nordisk's performance. The targets have been revised based on an assumption of a continuation of the current business environment. Significant changes to the business environment, including the structure of the US healthcare system, regulatory requirements, pricing and market access environment, competitive environment, healthcare reforms, exchange rates and changes to accounting standards may significantly impact the time horizon for achieving the long-term targets or require them to be revised.

Company announcement No 8 / 2016

| PERFORMANCE AGAINST LONG-TERM FINANCIAL TARGETS | Result 2015 | Average 2012-2015* | Previous target | Updated target |
|---|---|---|---|---|
| Operating profit growth | **43%** | 23% | 15% | **10%** |
| Operating margin | **46%** | 40% | 40% | **N/A**** |
| Operating profit after tax to net operating assets | **149%** | 111% | 125% | **125%** |
| Cash to earnings | **98%** | | | |
| Cash to earnings (three-year average) | **97%** | 97% | **90%** | **90%** |

* Calculated as a simple average

** A new target has not been established, as operating margin is expected to remain around 44%

The target level for long-term operating profit growth has been set at 10%, reflecting the current outlook for organic sales growth and opportunities for operating margin leverage.

Novo Nordisk’s current operating margin level of 43.6% (adjusted for the effect of the partial divestment of NNIT) has been achieved by continuous improvement in manufacturing efficiency, positive pricing impact, sales and distribution leverage, reprioritisation of focus areas within research and development as well as administrative efficiencies. It is a strategic priority to continue to invest in future organic sales growth, and as a consequence operating margin improvement is not expected to be a major contributor to operating profit growth. This expectation reflects an expanded product portfolio, a significant number of product launches and continued investments within research and development. Consequently, no target for operating margin has been established, as the operating margin is expected to remain at the current level around 44%.

The target level for operating profit after tax to net operating assets is unchanged at 125%. The target reflects the expectation of a continued robust operating profit growth combined with a stable effective tax rate and gradual increase in net operating assets, partly related to an expanded fixed asset investment to sales ratio to accommodate future sales growth primarily within diabetes care.

The target level for the cash to earnings ratio is maintained at 90%, as expected continued growth in International Operations and expanding investment priorities will gradually impact net operating assets. As previously and given

the inherent volatility in this ratio, the target will be pursued looking at the average over a three-year period.

Company announcement No 8 / 2016

RESEARCH & DEVELOPMENT UPDATE

**DIABETES**

*Tresiba® demonstrates significantly lower rate of hypoglycaemia than insulin glargine in the SWITCH 2 blinded phase 3b trial in people with type 2 diabetes*

In January 2016, Novo Nordisk announced the headline results from SWITCH 2, the first of two 2x32-weeks randomised, double-blind, cross-over, treat-to-target trials, comparing the safety and efficacy of Tresiba® (insulin degludec) and insulin glargine. The overall purpose of the trial was to compare the hypoglycaemia occurrence in people with type 2 diabetes treated with Tresiba® or insulin glargine.

In the trial, 721 people with type 2 diabetes were randomised to cross-over treatment with Tresiba® and insulin glargine in combination with metformin. The timing of the daily injections of both Tresiba® and insulin glargine was randomised equally to take place either in the morning or evening. The primary end-point of the trial was the number of treatment emergent severe or blood glucose confirmed symptomatic hypoglycaemia episodes during the maintenance period (ie after 16 weeks of treatment) in each treatment period.

From a mean baseline of 7.6%, the trial showed non-inferiority in HbA1c reduction of Tresiba® compared to insulin glargine, thus fulfilling the requirements for objectively comparing hypoglycaemia rates between the two treatments. Likewise, the end-of-trial insulin doses were similar at the end of treatment in the two treatment periods.

The observed rate of severe or blood glucose confirmed symptomatic hypoglycemia was 186 events per 100 patient years exposed to Tresiba® and 265 events per 100 patient years exposed to insulin glargine during the maintenance period. This reduction was statistically significant, and the trial thus met its primary endpoint by demonstrating a reduction of 30% when people were treated with Tresiba® compared to insulin glargine.

The observed rate of severe or blood glucose symptomatic nocturnal confirmed hypoglycaemia in the maintenance period was 55 events per 100 patient years exposed to Tresiba® and 94 events per 100 patient years exposed to insulin glargine, corresponding to a 42% reduction with Tresiba® compared to insulin glargine and showing statistical significance on this confirmatory secondary end-point.

The confirmatory secondary endpoint of proportions of subjects experiencing severe hypoglycaemia during the maintenance period did not reach statistical significance. However, the supportive end-point, rate of severe hypoglycaemia, showed a 46% reduction with Tresiba® in the maintenance period and a statistically significant

reduction of 51% with Tresiba® in the full treatment period.

In the trial, Tresiba® appeared to have a safe and well-tolerated profile. Adverse events were comparable between the two treatment arms. The most common adverse events were nasopharyngitis and upper respiratory tract infections.

Company announcement No 8 / 2016

*Phase 3b trial initiated comparing Xultophy® (IDegLira) (NN9068) with insulin glargine*

In January 2016, Novo Nordisk initiated DUAL VIII, a 104-week, open-label, phase 3b trial investigating the long-term glycaemic control of Xultophy® versus insulin glargine, in about 1,000 adults with type 2 diabetes mellitus, who are insulin naïve and inadequately controlled with oral anti-diabetics.

*Novo Nordisk files for regulatory approval of faster-acting insulin aspart (NN1218) in the EU and the US for the treatment of type 1 and 2 diabetes*

In December 2015, Novo Nordisk announced the submissions of the Marketing Authorisation Application (MAA) to the European Medicines Agency (EMA) and the New Drug Application (NDA) to the US Food and Drug Administration (FDA) for faster-acting insulin aspart. Faster-acting insulin aspart is a mealtime insulin for improved control of postprandial glucose excursions and has been developed for the treatment of people with type 1 and type 2 diabetes.

The filing of faster-acting insulin aspart is based on the results from the 'onset' clinical trial programme which involved around 2,100 people with type 1 and 2 diabetes. In the onset programme, people treated with faster-acting insulin aspart achieved improvements in postprandial control versus NovoRapid® and an HbA1c reduction on par with NovoRapid®. For people with type 1 diabetes, faster-acting insulin aspart results from the double-blinded onset 1 trial showed statistically significantly greater HbA1c reduction when dosed at mealtime or similar HbA1c reduction when dosed 20 minutes after a meal compared to NovoRapid®. Across the onset trials, faster-acting insulin aspart had a safe and well tolerated profile, with the most common adverse event being hypoglycaemia, similar to the levels observed with NovoRapid®.

*Phase 1 trial initiated with a liver-preferential mealtime insulin (NN1406)*

In November 2015, Novo Nordisk initiated the first phase 1 trial with a liver-preferential mealtime insulin. The trial will investigate safety, tolerability, pharmacokinetics and pharmacodynamics of single doses of the drug in around 50 male adults with type 1 diabetes.

*Novo Nordisk successfully completes SUSTAIN 4 trial comparing once-weekly subcutaneous administration of the GLP-1 analogue semaglutide (NN9535) with once- daily insulin glargine*

In November 2015, Novo Nordisk announced the results for SUSTAIN 4, the third phase 3a trial for semaglutide which included a total of 1,089 people with type 2 diabetes previously treated with metformin with or without sulfonylurea.

From a mean baseline, HbA1c of 8.2%, people treated once-weekly with doses of 0.5 mg and 1.0 mg semaglutide achieved statistically significant and superior improvements in HbA1c of 1.2% and 1.6%, respectively, compared to 0.8% with insulin glargine after 30 weeks of treatment. The mean daily insulin glargine dose was 29 units. 58% of the people treated with 0.5 mg semaglutide and 73% of the people treated with 1.0 mg semaglutide achieved the American Diabetes Association (ADA) and the European

Company announcement No 8 / 2016

Association for the Study of Diabetes (EASD) treatment target of HbA1c below 7% compared with 38% of the people treated with insulin glargine.

Furthermore, from a mean baseline body weight of 93 kg, people treated with 0.5 mg and 1.0 mg semaglutide experienced statistically significant and superior weight loss of 3.5 kg and 5.2 kg, respectively, compared with a weight gain of 1.2 kg with insulin glargine.

In the trial, semaglutide appeared to have a safe and well-tolerated profile. The most common adverse event was nausea which diminished over time. Nausea was reported by up to 22% of people treated with semaglutide compared with 4% of people treated with insulin glargine. Severe or blood glucose-confirmed symptomatic hypoglycaemia was experienced by 4% and 6% of people treated with 0.5 mg or 1.0 mg once-weekly semaglutide, respectively, compared with 11% in the insulin glargine group. The discontinuation rate due to adverse events was 6% and 8% for people treated with 0.5 mg semaglutide and 1.0 mg semaglutide respectively, compared to 1% for people treated with insulin glargine.

*Novo Nordisk successfully completes SUSTAIN 2 trial comparing once-weekly subcutaneous administration of the GLP-1 analogue semaglutide (NN9535) with once- daily 100 mg sitagliptin*

In December 2015, Novo Nordisk announced the headline results from the fourth phase 3a trial for semaglutide, SUSTAIN 2. The double-blinded trial investigated the efficacy and safety of 0.5 mg and 1.0 mg semaglutide compared with 100 mg sitagliptin, a once- daily DPP-IV inhibitor, after 56 weeks of treatment in 1,231 people with type 2 diabetes, where both drugs were added on to metformin, thiazolidinedione (TZD) or a combination of metformin and TZD.

The trial successfully achieved its objective by demonstrating that, from a mean baseline HbA1c of 8.1%, people treated with 0.5 mg or 1.0 mg semaglutide achieved a statistically significant and superior improvement in HbA1c of 1.3% and 1.6% respectively, compared to an improvement in HbA1c of 0.5% with 100 mg sitagliptin. 69% of the people treated with 0.5 mg semaglutide and 78% of the people treated with 1.0 mg semaglutide achieved the American Diabetes Association (ADA) and the European Association for the Study of Diabetes (EASD) treatment target of HbA1c below 7% compared with 36% of the people treated with 100 mg sitagliptin.

Furthermore, from a mean baseline body weight of 89 kg, people treated with 0.5 mg and 1.0 mg semaglutide experienced a statistically significant and superior weight loss of 4.3 kg and 6.1 kg respectively, compared with a weight loss of 1.9 kg for people treated with 100 mg sitagliptin.

In the trial, semaglutide appeared to have a safe and well-tolerated profile. The most common adverse event was nausea which diminished over time. Nausea was reported by 18% of the people treated with 0.5 mg semaglutide and by 18% of the people treated with 1.0 mg semaglutide, compared with 7% of people treated with 100 mg sitagliptin.

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The discontinuation rate due to adverse events was 8% and 10% for people treated with 0.5 mg semaglutide and 1.0 mg semaglutide respectively, compared to 3% for people treated with 100 mg sitagliptin.

*LATIN T1D, liraglutide as adjunct therapy to insulin in type 1 diabetes (NN9211) discontinued in phase 3 development*

In January 2016, Novo Nordisk decided to discontinue the further development of liraglutide as adjunct therapy to insulin for people with type 1 diabetes as the overall benefit/risk profile emerging from the ADJUNCT ONE™ and ADJUNCT TWO™ phase 3a trial results did not support the regulatory filing for a label extension for Victoza®.

*Initiation of phase 2 trial with Anti-IL-21 and liraglutide in people with recent onset type 1 diabetes (NN9828)*

In November 2015, Novo Nordisk initiated the phase 2 trial investigating the potential of Anti-IL-21 and liraglutide 1.8 mg, alone or as combination treatment, to preserve insulin- producing beta cells in people with newly diagnosed type 1 diabetes. The trial is a four- arm randomised, double-blinded, double-dummy, placebo-controlled trial including approximately 300 newly diagnosed adults with type 1 diabetes. Trial subjects will be treated for a period of 54 weeks with a subsequent follow-up period of 26 weeks.

*OG987GT (NN9926) and OG987SC (NN9927) discontinued in phase 1 development*

In January 2016, Novo Nordisk decided to discontinue the further development of the oral GLP-1 projects OG987GT and OG987SC in phase 1 as a consequence of the decision to initiate phase 3a development with OG217SC (oral semaglutide) during the first quarter of 2016 as announced in August 2015.

BIOPHARMACEUTICALS

*Novo Nordisk completes 3b extension trial mentor 2 with rFXIII, NovoThirteen®*

In December 2015, Novo Nordisk received additional data from the mentor 2 phase 3b extension trial with NovoThirteen® in around 60 people who were treated for a planned minimum of 52 weeks and up to 276 weeks for the longest treated person. All were treated with a monthly prophylaxis dose of 35IU/kg of rFXIII. In line with previous results, the reported data showed that the monthly recombinant factor XIII, NovoThirteen®, appeared to have a safe and well-tolerated profile with no subjects developing antibodies against rFXIII. The annualised bleeding rate (ABR) was 0.04 over 186.5 patient years.

*Novo Nordisk completes first part of the pathfinder 2 extension trial with N8-GP (NN7088)*

In November 2015, Novo Nordisk announced the results from the completion of the first part of the pathfinder 2 extension trial. In line with previous results, the reported data showed that the long-acting recombinant factor VIII, N8-GP (turoctocog alfa pegol), appeared to have a safe and well-tolerated profile, and that 95% of mild to moderate bleeds could be managed with 1-2 infusions.

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Additionally, a subset of 55 patients, who experienced up to 2 bleeds during 6 months on every four days prophylaxis, were in the extension phase randomised to either every four days (50 IU/kg) or once-weekly (75 IU/kg) treatment. During the 180-day observation period of this sub-study, the median annualised bleeding rate (ABR) was 0 (zero) for patients in both treatment arms.

*Novo Nordisk files for regulatory approval of long-acting factor IX, N9-GP (NN7999) in the EU for the treatment of haemophilia B*

In January 2016, Novo Nordisk announced the submission of the MAA to the EMA for the approval of long-acting factor IX, nonacog beta pegol. Nonacog beta pegol is a glycopegylated recombinant factor IX with a significantly improved pharmacokinetic (PK) profile, developed for patients with haemophilia B. Novo Nordisk expects to file the Biologics License Application (BLA) for nonacog beta pegol to the FDA during first half of 2016.

The filing of nonacog beta pegol is based on the results from the paradigm clinical trial programme, which involved 115 patients with severe or moderately severe haemophilia B. Nonacog beta pegol was found to be efficacious in routine prophylaxis, treatment of bleeding episodes and surgery for adults, adolescents and children. Furthermore, nonacog beta pegol appeared to be well-tolerated and no safety concerns were identified.

Compared to standard factor IX products, nonacog beta pegol has a five times longer half-life. Patients in the paradigm study achieved a higher level of factor IX in the blood despite less frequent dosing of nonacog beta pegol. In the phase 3 trials, once-weekly administration of 40 IU/kg nonacog beta pegol maintained factor IX activity levels above 15%, reduced the median annualised bleeding rate (ABR) to 1.0 and showed a potential to prevent bleeds in target joints. Furthermore, these patients reported an improvement in quality of life during the trial.

OTHER

*NASH phase 2 clinical programme with semaglutide to be initiated in 2016*

Novo Nordisk plans to initiate a phase 2 clinical programme with once-daily semaglutide for treatment of non-alcoholic steatohepatitis (NASH) in 2016. The plans are based on the positive results from a study conducted by independent researchers with liraglutide 1.8 mg for NASH. Novo Nordisk is currently preparing for discussions with relevant regulatory authorities prior to initiating the trial.

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SUSTAINABILITY

**HIGHLIGHTS FROM THE CONSOLIDATED SOCIAL AND ENVIRONMENTAL STATEMENTS FOR 2015**

| SOCIAL PERFORMANCE | 2015 | 2014 | 2013 | 2012 | **2011** | **% change** 2014 to 2015 |
|---|---|---|---|---|---|---|
| Patients | | | | | | |
| Patients reached with diabetes careproducts (estimate in millions) | 26.8 | 24.4 | 24.3 | 22.8 | 20.9 | 10% |
| Least developed countries where Novo Nordisk sells insulin according to the differential pricing policy[1)] | 23 | 32 | 35 | 35 | 36 | -28% |
| Employees | | | | | | |
| Employees (FTEs)[2)] | 40.638 | 40.957 | 37.978 | 34.286 | 32.136 | -1% |
| Employee turnover | 9.2% | 9.0% | 8.1% | 9.1% | 9.8% | |
| Gender in Management (men/women) | 59%/41% | 60%/40% | 61%/39% | 61%/39% | 63%/37% | |
| Assurance | | | | | | |
| Relevant employees trained in business ethics | 98% | 98% | 97% | 99% | 99% | |
| Product recalls | 2 | 2 | 6 | 6 | 5 | - |
| Failed inspections | 0 | 0 | 0 | 1 | 0 | - |
| ENVIRONMENTAL PERFORMANCE | | | | | | |
| Resources | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Energy consumption (1,000 GJ) | 2.778 | 2.556 | 2.572 | 2.433 | 2.187 | 9% |
| Water consumption (1,000 $m^3$) | 3.131 | 2.959 | 2.685 | 2.475 | 2.136 | 6% |
| Emissions and waste | | | | | | |
| CO2 emissions from energy consumption (1,000 tons) | 107 | 120 | 125 | 122 | 94 | -11% |

1) According to the UN there are 48 least developed countries in the world

2) 2015 data exclude employees in NNIT, which was divested in 2015 (approximately 2,400 employees in NNIT in 2014)

SOCIAL PERFORMANCE

*Patients*

In 2015, Novo Nordisk provided medical treatments to an estimated 26.8 million patients with diabetes worldwide, compared with 24.4 million in 2014, calculated based on WHO's recommended daily doses for diabetes medicines. The number reflects an overall increase in the number of patients treated with Novo Nordisk's insulin products and was driven by human insulin in International Operations (1.2 million patients) and modern and new-generation insulins globally (0.9 million patients). Novo Nordisk focuses on enhancing quality of care through product innovation, while remaining committed to expand access to medical treatment and care for patients with diabetes throughout the world. The company has several programmes specifically targeting people in low- and middle-income countries who have limited access to health services.

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Novo Nordisk sold human insulin according to the company's differential pricing policy in 23 of the world's 48 poorest countries (the Least Developed Countries – LDC), compared with 32 countries in 2014. According to this policy the price should not exceed 20% of the average insulin price in the western world (defined as the EU, Norway, Switzerland, the US, Canada and Japan). In 2015 the LDC ceiling price for insulin treatment per patient per day was USD 0.19, while the average realised price for insulin sold under the programme was USD 0.15, corresponding to USD 3.85 per vial. The decline in number of countries is attributed to fewer insulin tenders in 2015, and lack of response from governments or private wholesalers and other partners to Novo Nordisk's offer. The total number of patients treated with insulin sold at or below ceiling price was approximately 411,000 in 2015, which is a slight decrease compared with approximately 431,000 in 2014. Beyond this scheme, Novo Nordisk sells human insulin at similar prices in low-income countries. In 2015, an estimated 5.5 million patients have been treated with insulin for USD 0.19 per day or less, corresponding to a price per vial of USD 4.81 or less. In comparison an estimated 4.3 million patients were treated with insulin at or below the ceiling price in 2014.

*Employees*

At the end of 2015, the total number of employees was 41,122, corresponding to 40,638 full-time positions, which is a 1% decrease compared with 2014 due to the divestment of NNIT in March 2015. The underlying growth (5%) is primarily driven by expansion within the sales region International Operations and in Denmark, primarily within research & development and production.

Employee turnover increased from 9.0% in 2014 to 9.2% and was primarily driven by Region China. In previous years, the turnover rates have been 8-10%.

To ensure a robust pipeline of talent for management positions, a new aspiration has been set that strives for enhanced diversity in all management teams, including entry- level and middle management. By the end of 2015 the gender diversity among managers was 59% men and 41% women. Of the newly promoted managers 44% were women.

Tragically, a sales representative in India died in a traffic accident while on duty in 2015. The 2015 average frequency rate of occupational accidents with absence decreased to 3.0 per million working hours, compared with 3.2 in 2014. Novo Nordisk is working with a zero-injury mindset, and the long-term commitment is to continuously improve performance. Focus is on strengthening risk awareness and preventing occupational accidents for all employees.

ENVIRONMENTAL PERFORMANCE

*Energy and water*

In 2015, 2,778,000 GJ energy and 3,131,000 m3 water were used at production sites around the world. In spite of a high focus on process optimisation, the energy consumption increased by 9% and the water consumption by 6%. This

development reflects increased production and capacity as well as increased activities within research and development. Of the water used at production sites, 14% is in water scarce regions

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in Brazil and China, and these sites have particular focus on good water stewardship.

*CO2 emissions*

While the main focus of Novo Nordisk's climate action programme has been to reduce CO2 emissions from production as well as emissions from distribution of products, Novo Nordisk is now extending the scope of the climate programme to encompass indirect emissions from relevant business activities. The initial focus is on the supply chain, and emissions from company cars and business travel.

The CO2 emissions related to consumption of energy at the production facilities decreased by 11% despite the increase in energy use of 9%. The production plant in Tianjin, China has started sourcing wind power from a windfarm in Inner Mongolia and the Danish production facilities are now sourcing bio-natural gas. This is biogas produced from liquid manure, food waste and organic waste from the industry. The biogas is upgraded to meet the quality requirements of natural gas and feeds into the natural gas distribution system.

CO2 emissions from transport (product distribution) decreased significantly by 25% compared with 2014. This is mainly due to an increase in the volume of products distributed via sea from 72% in 2014 to 83% in 2015. In 2015, CO2 emissions from sea freight accounted for 16%, transport via trucks accounted for 5% and air transport accounted for 79% of total emissions. Distributing as many products as possible by sea is a priority for Novo Nordisk, as it reduces both CO2 emissions and costs.

EQUITY

Total equity was DKK 46,969 million at the end of the fourth quarter of 2015, equivalent to 51.2% of total assets, compared with 52.3% at the end of the fourth quarter of 2014. The decrease in equity as a percentage of total assets reflects the sustained policy of returning excess capital to the company's shareholders while the underlying operating activities have continued to expand and in addition been impacted by currencies primarily related to the appreciation of the US dollar versus the Danish krone.

On 29 October 2015, Novo Nordisk announced a share repurchase programme of up to DKK 4.5 billion to be executed from 29 October 2015 to 1 February 2016, as part of an overall 2015 programme of up to DKK 17.5 billion to be executed during a 12-month period beginning 30 January 2015. The purpose of the programme is to reduce the company's share capital. Under the programme announced 29 October 2015, Novo Nordisk has repurchased 11,835,964 B shares for an amount of DKK 4.5 billion in the period. The programme was concluded 1 February 2016.

As of 2 February 2016, Novo Nordisk A/S has repurchased a total of 47,739,215 B shares equal to a transaction value of DKK 17.5 billion under the up to DKK 17.5 billion programme beginning 30 January 2015.

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*Holding of treasury shares and reduction of share capital*

As of 2 February 2016, Novo Nordisk A/S and its wholly-owned affiliates owned 56,325,667 of its own B shares, corresponding to 2.2% of the total share capital.

In order to maintain capital structure flexibility, the Board of Directors will, at the Annual General Meeting in 2016, propose a reduction in the B share capital from DKK 520,000,000 to DKK 510,000,000 by cancelling 50,000,000 B shares of DKK 0.20 from the company's own holdings of B shares at a nominal value of DKK 10,000,000 equivalent to 1.92% of the total share capital. After implementation of the share capital reduction, the company's share capital will amount to DKK 510,000,000; divided into an A share capital of DKK 107,487,200 and a B share capital of DKK 402,512,800

*Proposed dividend and introduction of interim dividend*

At the Annual General Meeting on 18 March 2016, the Board of Directors will propose a 28% increase in dividend to DKK 6.40 per share of DKK 0.20, corresponding to a payout ratio of 46.6%. Adjusting for the impact from the divestment of shares in NNIT A/S, where the related cash flow was returned to shareholders via an expansion of the 2015 share repurchase programme, the payout ratio will be 50.0%. For 2014, the Novo Nordisk payout ratio was 48.7%, whereas Novo Nordisk's peer group of comparable pharmaceutical companies operated with a payout ratio around 54%. No dividend will be paid on the company's holding of treasury shares.

At the Annual General Meeting in March 2015, the Board was granted an authorisation to distribute extraordinary dividends. Hence the Board of Directors has been given authority to pay biannual dividends without obtaining specific approval from the Annual General Meeting. Subject to final approval, Novo Nordisk intends to introduce the first interim dividend in August 2016.

*2016 share repurchase programme*

The Board of Directors has approved a new share repurchase programme of up to DKK 14 billion to be executed during the coming 12 months. As part of the up to DKK 14 billion share repurchase programme, a new share repurchase programme has now been initiated in accordance with the provisions of the European Commission's Regulation No 2273/2003 of 22 December 2003 (The Safe Harbour Regulation). For that purpose, Novo Nordisk has appointed Nordea Bank Danmark A/S as lead manager to execute the programme independently and without influence from Novo Nordisk. The purpose of the programme is to reduce the company's share capital. Under the agreement, Nordea Bank Danmark A/S will repurchase shares on behalf of Novo Nordisk for an amount of up to DKK 3.3 billion during the trading period starting today, 3 February and ending on 27 April 2016. A maximum of 519,896 shares can be bought during one single trading day, equal to 20% of the average daily trading volume of Novo Nordisk B shares on Nasdaq Copenhagen during the month of January 2016, and a maximum of 29,634,072 shares in total can be bought during the trading period. At least once every seven trading days, Novo Nordisk will issue an announcement in respect of the transactions made under the repurchase programme.

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As announced in January 2014, Novo Nordisk's majority shareholder Novo A/S, a holding company fully owned by the Novo Nordisk Foundation, has informed Novo Nordisk that it intends to consider its participation in the Novo Nordisk share repurchase programme on a case by case basis. For 2016, Novo A/S has informed Novo Nordisk that it does not plan to participate in the share repurchase programme.

CORPORATE GOVERNANCE

*Remuneration principles for executives*

Novo Nordisk's remuneration principles aim to attract, retain and motivate members of Executive Management. Remuneration levels are designed to be competitive and to align the interests of the executives with shareholder interests.

*Long-term, share-based incentive programme for senior management*

As of 2004, members of Novo Nordisk's Executive Management (nine in 2015) and other members of the Senior Management Board (28 in 2015) participated in a performance- based incentive programme. In the programme, a proportion of the calculated economic value creation for the calendar year has been allocated to a joint pool for the participants. For 2015, the joint pool operates with a yearly maximum allocation equal to 12 months' fixed base salary plus pension contribution for the CEO, nine months' fixed base salary plus pension contribution for the other members of Executive Management and a yearly maximum allocation per participant equal to eight months' fixed base salary plus pension contribution for other members of the Senior Management Board. Once the joint pool has been approved by the Board of Directors, the total cash amount is converted into Novo Nordisk B shares at market price. The market price is calculated as the average trading price for Novo Nordisk B shares on Nasdaq Copenhagen in the open trading window following the release of the full-year financial results for the year preceding the performance-based incentive programme. The shares in the joint pool are locked up for a three-year period before they are transferred to the participants. In the lock-up period, the Board of Directors may remove shares from the joint pool in the event of lower than planned value creation in subsequent years.

For 2012, 487,730 shares were allocated to the joint pool and the value at launch of the programme (DKK 73 million) was expensed in 2012. The number of shares in the 2012 joint pool has not subsequently been reduced by the Board of Directors as the financial performance in the following years (2013–2015) reached specified threshold levels. Hence, the original number of shares allocated to the joint pool will, according to the principles of the scheme, be transferred to 30 current and former members of senior management immediately after the announcement of the 2015 full-year financial results on 3 February 2016.

For 2015, based on an assessment of the economic value creation, the sales growth obtained, the quality and compliance status, the performance of the R&D portfolio and key sustainability projects, the Board of Directors on 2

February 2016 approved the establishment of a joint pool for the financial year of 2015 by allocating a total of 378,943 Novo Nordisk B shares. This allocation amounts to 12 months of fixed base

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salary plus pension contribution for the CEO and 9 months of fixed base salary plus pension contribution for the other members of Executive Management as per 1 March 2015 and 8 months of fixed base salary plus pension contribution for senior vice presidents as per 1 March 2015, corresponding to a value at launch of the programme of DKK 108 million, which has been expensed in the 2015 accounts. According to the principles of the programme, the share price used for the conversion of the performance programme to the share pool was the average share price (DKK 285 per share of DKK 0.20) for Novo Nordisk B shares on Nasdaq Copenhagen in the 15 days trading window (30 January–13 February 2015) following the release of the *Annual Report* for 2014 when the programme was approved by the Board of Directors. The allocation under the programme reflects that Novo Nordisk exceeded the planned target for economic value creation in 2015 and it met the threshold for the achievement of the non-financial targets established for 2015.

*Long-term, share-based incentive programme for corporate vice presidents and vice presidents*

As of 2007, a number of key employees below senior management also participate in a share-based programme with similar performance criteria as the programme for senior management. The share-based incentive programme for key employees will, as is the case for the programme for senior management, be based on an annual calculation of economic value creation compared to the planned performance for the year. At the beginning of each year, the Board of Directors defines a maximum number of shares per participant targeting around three to four months of fixed base salary. The shares in the pool are also locked up for a three-year period before they may be transferred to the participants.

For 2012, 1,559,235 shares were allocated to a share pool for key employees, and the value at launch of the programme (DKK 234 million) has been amortised over the period 2012–2015. The number of shares in the 2012 share pool has not subsequently been reduced by the Board of Directors as the financial performance in the following years (2013–2015) reached specified threshold levels. 1,355,153 shares will be transferred to 635 employees after the announcement of the 2015 full-year financial results on 3 February 2016. The number of shares to be transferred is lower than the original number of shares allocated to the share pool as some participants have left the company before the release conditions of the programme have been met.

For 2015, based on an assessment similar to the senior management programme, the Board of Directors on 2 February 2016 approved the establishment of a share pool for 2015 for key employees by allocating a total of 879,988 Novo Nordisk B shares. This allocation – which is the maximum according to the terms of the programme – corresponds to a value at launch of the programme of DKK 251 million using the same share price mechanism as described for the senior management programme. The value of the programme will be amortised over four years. The number of participants for 2015 is approximately 920.

As the long-term share-based incentive programmes for both senior management and other key employees are evaluated by the Board of Directors to have worked successfully in 2015, it is planned to continue in 2016 with a similar structure.

*Restricted stock units to employees (2013 programme)*

Following the 90th anniversary in 2013, all employees in the company (excluding NNE Pharmaplan) were offered 100 restricted stock units. A restricted stock unit gives the right to receive one Novo Nordisk B share free of charge on 1 April 2016 subject to continued employment and average sales growth of at least 5% per year measured in DKK in the period 2012–2015. The cost of the DKK 440 million programme is amortised over the period 2013–2016 at an annual amount of DKK 135 million. As the sales growth has been achieved – the shares will be granted to the employees on 1 April 2016

*Restricted stock units to employees (2016 programme)*

To commemorate that the sales of Novo Nordisk passed DKK 100 billion for the first time in 2015, all employees in the company (excluding NNE Pharmaplan and Steno Diabetes Center) will be offered 50 restricted stock units. A restricted stock unit gives the right to receive one Novo Nordisk B share free of charge in February 2019 subject to continued employment. The cost of the DKK 540 million programme will be amortised over the pLeegriaold 2016–2018 at an annual amount of DKK 180 million.

LEGAL UPDATE

*Product liability lawsuits related to Victoza®*

As of 22 January 2016, Novo Nordisk, along with the majority of incretin-based product manufacturers in the US, is a defendant in product liability lawsuits related to use of incretin-based medications. To date, 194 plaintiffs have named Novo Nordisk in product liability lawsuits, predominantly claiming damages for pancreatic cancer that allegedly developed as a result of using Victoza® and other GLP-1/DPP-IV products. 134 of the Novo Nordisk plaintiffs have also named other defendants in their lawsuits. Most Novo Nordisk plaintiffs have filed suit in California federal and state courts.

In November 2015, the California federal and state courts overseeing the vast majority of cases in the incretin-based products liability litigation issued an order granting the defendants' motion for summary judgment on federal pre-emption in all pancreatic cancer cases before those courts as of mid-Q4 2015. These rulings will result in the dismissal of the vast majority of pancreatic cancer cases naming Novo Nordisk and our co-defendants in the litigation. Plaintiffs are pursuing appeals of the summary judgment rulings in both state and federal court. Currently, Novo Nordisk does not have any individual trials scheduled in 2016. Novo Nordisk does not expect the pending claims to

have a material impact on its financial position, operating profit and cash flow.

*Update on subpoena from US Attorney*

In October 2014, the office of the US Attorney for the District of Massachusetts served Novo Nordisk with a subpoena calling for the production of documents regarding potential manufacturing issues within certain production units located in Kalundborg, Denmark.

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Novo Nordisk has been fully cooperating with the US Attorney in this investigation. The US Attorney has recently informed Novo Nordisk that it is unlikely to pursue the investigation further. Novo Nordisk does not expect the investigation to have a material impact on Novo Nordisk's financial position, operating profit or cash flow.

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FORWARD-LOOKING STATEMENTS

Novo Nordisk's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document as well as the company's *Annual Report 2015* and Form 20-F, both expected to be filed with the SEC in February 2016, and written information released, or oral statements made, to the public in the future by or on behalf of Novo Nordisk, may contain forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

- statements of targets, plans, objectives or goals for future operations, including those related to Novo Nordisk's products, product research, product development, product introductions and product approvals as well as cooperation in relation thereto
- statements containing projections of or targets for revenues, costs, income (or loss), earnings per share, capital expenditures, dividends, capital structure, net financials and other financial measures
- statements regarding future economic performance, future actions and outcome of contingencies such as legal proceedings
- statements regarding the assumptions underlying or relating to such statements.

In this document, examples of forward-looking statements can be found under the headings 'Outlook', 'Research and Development update', Equity' and 'Legal update'.

These statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific. Novo Nordisk cautions that a number of important factors, including those described in this document, could cause actual results to differ materially from those contemplated in any forward-looking statements.

Factors that may affect future results include, but are not limited to, global as well as local political and economic conditions, including interest rate and currency exchange rate fluctuations, delay or failure of projects related to research and/or development, unplanned loss of patents, interruptions of supplies and production, product recalls, unexpected contract breaches or terminations, government-mandated or market-driven price decreases for Novo Nordisk's products, introduction of competing products, reliance on information technology, Novo Nordisk's ability to successfully market current and new products, exposure to product liability and legal proceedings and investigations, changes in governmental laws and related interpretation thereof, including on reimbursement, intellectual property protection and regulatory controls on testing, approval, manufacturing and marketing, perceived or actual failure to adhere to ethical marketing practices, investments in and divestitures of domestic and foreign companies, unexpected growth in costs and expenses, failure to recruit and retain the right employees, and failure to maintain a culture of compliance.

Please also refer to the overview of risk factors in 'Managing risks' on pp 42-43 of the

*Annual Report 2015* available on novonordisk.com on 8 February 2016.

Unless required by law, Novo Nordisk is under no duty and undertakes no obligation to update or revise any forward-looking statement after the distribution of this document, whether as a result of new information, future events or otherwise.

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MANAGEMENT STATEMENT

The Board of Directors and Executive Management have approved the *Annual Report 2015* of Novo Nordisk A/S – including the audited consolidated financial statements. The Board of Directors and Executive Management also approved this financial statement containing condensed financial information for 2015.

The consolidated financial statements in the *Annual Report 2015* have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with the IFRS as endorsed by the EU. Furthermore, the *Annual Report 2015*, including the consolidated financial statements and management review, is prepared in accordance with additional Danish disclosure requirements for listed companies.

This financial statement has been prepared in accordance with the recognition and measurement requirements in the IFRS, the accounting policies as applied in the audited consolidated financial statements of 2015 and additional Danish disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the overall presentation of this financial statement is adequate. Furthermore, in our opinion, this company announcement of the financial statement for 2015 includes a true and fair account of the development in the operations and financial circumstances of the results for the year and of the financial position of the Group as well as a reference to the most significant risks and elements of uncertainty facing the Group in accordance with Danish disclosure requirements for listed companies.

Bagsværd, 3 February 2016

**Executive Management:**

| | | |
|---|---|---|
| Lars Rebien Sørensen | Jesper Brandgaard | Lars Fruergaard Jørgensen |
| *CEO* | *CFO* | |
| Jakob Riis | Mads Krogsgaard Thomsen | |

**Board of Directors:**

| | | |
|---|---|---|
| Göran Ando | Jeppe Christiansen | Bruno Angelici |

| *Chairman* | *Vice chairman* | |
|---|---|---|
| Sylvie Grégoire | Liz Hewitt | Liselotte Hyveled |
| Thomas Paul Koestler | Eivind Kolding | Anne Marie Kverneland |
| Søren Thuesen Pedersen | Stig Strøbæk | Mary Szela |

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FINANCIAL INFORMATION

**APPENDIX 1: QUARTERLY NUMBERS IN DKK (UNAUDITED)**

(Amounts in DKK million, except number of full-time equivalent employees, earnings per share and number of shares outstanding).

| | 2015 | | | | 2014 | | | | % change Q4 2015 vs |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 2014 |
| Net sales | 28,876 | 26,792 | 27,059 | 25,200 | 24,585 | 22,249 | 21,629 | 20,343 | 17 % |
| Gross profit | 24,268 | 22,945 | 23,200 | 21,326 | 20,586 | 18,823 | 17,958 | 16,877 | 18 % |
| Gross margin | 84.0 % | 85.6 % | 85.7 % | 84.6 % | 83.7 % | 84.6 % | 83.0 % | 83.0 % | |
| Sales and distribution costs | 8,039 | 6,951 | 7,175 | 6,147 | 6,679 | 5,899 | 5,559 | 5,086 | 20 % |
| Percentage of sales | 27.8 % | 25.9 % | 26.5 % | 24.4 % | 27.2 % | 26.5 % | 25.7 % | 25.0 % | |
| Research and development costs | 4,034 | 3,289 | 3,035 | 3,250 | 3,865 | 3,654 | 3,075 | 3,168 | 4 % |
| Costs related to discontinuation of activities within inflammatory disorders | - | - | - | - | - | 600 | - | - | *N/A* |
| Percentage of sales | 14.0 % | 12.3 % | 11.2 % | 12.9 % | 15.7 % | 16.4 % | 14.2 % | 15.6 % | |
| Administrative costs | 1,164 | 952 | 887 | 854 | 1,067 | 870 | 795 | 805 | 9 % |
| Percentage of sales | 4.0 % | 3.6 % | 3.3 % | 3.4 % | 4.3 % | 3.9 % | 3.7 % | 4.0 % | |
| Other operating income, net | 94 | 227 | 379 | 2,782 | 182 | 169 | 204 | 215 | (48 %) |
| - Non-recurring income from the partial divestment of NNIT A/S | | - | - | 2,376 | - | - | - | - | N/A |
| Operating profit | 11,125 | 11,980 | 12,482 | 13,857 | 9,157 | 8,569 | 8,733 | 8,033 | 21 % |
| Operating margin | 38.5 % | 44.7 % | 46.1 % | 55.0 % | 37.2 % | 38.5 % | 40.4 % | 39.5 % | |
| Financial income | 18 | 9 | (227) | 285 | (1,141) | 326 | 396 | 586 | *N/A* |
| Financial expenses | 829 | 1,853 | 1,707 | 1,657 | (336) | 441 | 140 | 318 | N/A |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net financials | (811) | (1,844) | (1,934) | (1,372) | (805) | (115) | 256 | 268 | 1 | % |
| Profit before income taxes | 10,314 | 10,136 | 10,548 | 12,485 | 8,352 | 8,454 | 8,989 | 8,301 | 23 | % |
| Income taxes | 2,056 | 1,753 | 2,205 | 2,609 | 1,823 | 1,954 | 1,995 | 1,843 | 13 | % |
| Net profit | 8,258 | 8,383 | 8,343 | 9,876 | 6,529 | 6,500 | 6,994 | 6,458 | 26 | % |
| Depreciation, amortisation and impairment losses [1)] | 1,015 | 633 | 648 | 663 | 928 | 1,183 | 667 | 657 | 9 | % |
| Capital expenditure | 2,181 | 1,246 | 1,018 | 764 | 1,505 | 986 | 802 | 693 | 45 | % |
| Net cash generated from operating activities | 10,119 | 12,088 | 11,974 | 4,106 | 7,301 | 12,197 | 8,125 | 4,069 | 39 | % |
| Free cash flow | 6,942 | 10,807 | 10,830 | 5,643 | 5,717 | 11,157 | 7,250 | 3,272 | 21 | % |
| Total assets | 91,799 | 85,195 | 81,313 | 77,457 | 77,062 | 71,283 | 63,681 | 63,241 | 19 | % |
| Total equity | 46,969 | 43,109 | 39,111 | 32,108 | 40,294 | 37,967 | 36,661 | 33,583 | 17 | % |
| Equity ratio | 51.2 % | 50.6 % | 48.1 % | 41.5 % | 52.3 % | 53.3 % | 57.6 % | 53.1 % | | |
| Full-time equivalent employees end of period | 40,638 | 40,261 | 39,658 | 39,062 | 40,957 | 40,700 | 40,226 | 39,579 | (1 | %) |
| Basic earnings per share/ADR (in DKK) | 3.25 | 3.27 | 3.24 | 3.8 | 2.51 | 2.49 | 2.66 | 2.44 | 29 | % |
| Diluted earnings per share/ADR (in DKK) | 3.24 | 3.26 | 3.23 | 3.79 | 2.51 | 2.47 | 2.66 | 2.43 | 29 | % |
| Average number of shares outstanding (million) | 2,553.2 | 2,571.9 | 2,578.1 | 2,596.7 | 2,599.7 | 2,613.9 | 2,628.9 | 2,642.4 | (2 | %) |
| Average number of diluted shares outstanding (million) | 2,559.7 | 2,571.8 | 2,584.1 | 2,604.2 | 2,608.2 | 2,622.2 | 2,637.3 | 2,653.1 | (2 | %) |
| Sales by business segment: | | | | | | | | | | |
| New-generation insulin | 461 | 376 | 330 | 271 | 262 | 175 | 141 | 80 | 76 | % |
| Modern insulin (insulin analogues) | 13,562 | 12,500 | 12,604 | 11,498 | 11,168 | 10,641 | 10,351 | 9,377 | 21 | % |
| Human insulin | 2,778 | 2,772 | 2,784 | 2,897 | 2,772 | 2,478 | 2,475 | 2,573 | 0 | % |
| Victoza® | 4,904 | 4,680 | 4,486 | 3,957 | 4,010 | 3,441 | 3,059 | 2,916 | 22 | % |
| Other diabetes and obesity care | 1,237 | 1,223 | 1,075 | 1,195 | 1,064 | 953 | 1,031 | 1,013 | 16 | % |
| Diabetes and obesity care total | 22,942 | 21,551 | 21,279 | 19,818 | 19,276 | 17,688 | 17,057 | 15,959 | 19 | % |
| Haemophilia | 2,785 | 2,371 | 2,757 | 2,734 | 2,610 | 2,112 | 2,327 | 2,255 | 7 | % |
| Norditropin® | 2,065 | 1,842 | 2,083 | 1,830 | 1,811 | 1,686 | 1,509 | 1,500 | 14 | % |
| Other biopharmaceuticals [2)] | 1,084 | 1,028 | 940 | 818 | 888 | 763 | 736 | 629 | 22 | % |
| | 5,934 | 5,241 | 5,780 | 5,382 | 5,309 | 4,561 | 4,572 | 4,384 | 12 | % |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Biopharmaceuticals total | | | | | | | | | | |
| Sales by geographic segment: | | | | | | | | | | |
| North America | 15,662 | 14,415 | 14,325 | 12,455 | 12,164 | 11,133 | 10,561 | 9,265 | 29 | % |
| Europe | 5,399 | 5,200 | 5,222 | 4,977 | 5,413 | 5,045 | 4,989 | 4,703 | 0 | % |
| International Operations | 3,992 | 3,406 | 3,884 | 3,684 | 3,602 | 2,938 | 2,968 | 3,032 | 11 | % |
| Region China | 2,325 | 2,415 | 2,284 | 2,847 | 2,089 | 1,881 | 1,947 | 2,171 | 11 | % |
| Japan & Korea | 1,498 | 1,356 | 1,344 | 1,237 | 1,317 | 1,252 | 1,164 | 1,172 | 14 | % |
| Segment operating profit: | | | | | | | | | | |
| Diabetes and obesity care | 8,153 | 9,085 | 8,713 | 7,950 | 6,383 | 6,989 | 6,376 | 5,785 | 28 | % |
| Biopharmaceuticals | 2,972 | 2,895 | 3,769 | 3,531 | 2,774 | 1,580 | 2,357 | 2,248 | 7 | % |
| Income from the initial public offering of NNIT A/S (unallocated to segments) | - | - | | 2,376 | - | - | - | - | N/A | |

[1)] Including impairments of around DKK 480 million in Q3 and Q4 2014 related to discontinuation of activities within inflammatory disorders.

[2)] Comparative figures have been restated as NovoEight® and NovoThirteen® are now reported as Haemophilia together with NovoSeven®.

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APPENDIX 2: INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

| DKK million | 2015 | 2014 |
|---|---|---|
| **Income statement** | | |
| Net sales | 107,927 | 88,806 |
| Cost of goods sold | 16,188 | 14,562 |
| Gross profit | 91,739 | 74,244 |
| Sales and distribution costs | 28,312 | 23,223 |
| Research and development costs | 13,608 | 13,762 |
| Administrative costs | 3,857 | 3,537 |
| Other operating income, net | 3,482 | 770 |
| - Non-recurring income from the partial divestment of NNIT A/S | 2,376 | - |
| Operating profit | 49,444 | 34,492 |
| Financial income | 85 | 167 |
| Financial expenses | 6,046 | 563 |
| Profit before income taxes | 43,483 | 34,096 |
| Income taxes | 8,623 | 7,615 |
| NET PROFIT | 34,860 | 26,481 |
| Basic earnings per share (DKK) | 13.56 | 10.10 |
| Diluted earnings per share (DKK) | 13.52 | 10.07 |

**Segment Information**

| | | |
|---|---|---|
| Segment sales: | | |
| Diabetes and obesity care | 85,590 | 69,980 |
| Biopharmaceuticals | 22,337 | 18,826 |
| Segment operating profit: | | |
| Diabetes and obesity care | 33,901 | 25,533 |
| Operating margin | 39.6 % | 36.5 % |
| Biopharmaceuticals | 13,167 | 8,959 |
| Operating margin | 58.9 % | 47.6 % |
| Income from the initial public offering of NNIT A/S (unallocated to segments) | 2,376 | - |

| | | |
|---|---|---|
| Total segment operating profit | 49,444 | 34,492 |

Statement of comprehensive income

| | | |
|---|---|---|
| Net profit for the year | 34,860 | 26,481 |
| Other comprehensive income | | |
| Exchange rate adjustments of investments in subsidiaries | (669) | (39) |
| Cash flow hedges, realisation of previously deferred (gains)/losses | 2,216 | (1,229) |
| Cash flow hedges, deferred gains/(losses) incurred during the period | (681) | (2,225) |
| Other items | 366 | 111 |
| Items that will be reclassified subsequently to the Income statement, when specific conditions are met | 1,232 | (3,382) |
| Remeasurements on defined benefit plans | (37) | (247) |
| Items that will not subsequently be reclassified to the Income statement | (37) | (247) |
| Other comprehensive income before tax | 1,195 | (3,629) |
| Tax on other comprehensive income, income/(expense) | (87) | 977 |
| Other comprehensive income for the year, net of tax | 1,108 | (2,652) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 35,968 | 23,829 |

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**APPENDIX 3: BALANCE SHEET**

| DKK million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| ASSETS | | |
| Intangible assets | 2,158 | 1,378 |
| Property, plant and equipment | 25,545 | 23,136 |
| Investment in associated company | 811 | - |
| Deferred income tax assets | 6,806 | 5,399 |
| Other financial assets | 1,339 | 856 |
| TOTAL NON-CURRENT ASSETS | 36,659 | 30,769 |
| Inventories | 12,758 | 11,357 |
| Trade receivables | 15,485 | 13,041 |
| Tax receivables | 3,871 | 3,210 |
| Other receivables and prepayments | 2,257 | 2,750 |
| Marketable securities | 3,542 | 1,509 |
| Derivative financial instruments | 304 | 30 |
| Cash at bank and on hand | 16,923 | 14,396 |
| TOTAL CURRENT ASSETS | 55,140 | 46,293 |
| TOTAL ASSETS | 91,799 | 77,062 |
| EQUITY AND LIABILITIES | | |
| Share capital | 520 | 530 |
| Treasury shares | (10 ) | (11 ) |
| Retained earnings | 46,816 | 41,277 |
| Other reserves | (357 ) | (1,502 ) |
| TOTAL EQUITY | 46,969 | 40,294 |
| Deferred income tax liabilities | 6 | 7 |
| Retirement benefit obligations | 1,186 | 1,031 |
| Provisions | 2,765 | 2,041 |
| Total non-current liabilities | 3,957 | 3,079 |
| Current debt | 1,073 | 720 |
| Trade payables | 4,927 | 4,950 |
| Tax payables | 3,777 | 2,771 |
| Other liabilities | 12,655 | 11,051 |
| Derivative financial instruments | 1,382 | 2,607 |
| Provisions | 17,059 | 11,590 |

| | | |
|---|---|---|
| Total current liabilities | 40,873 | 33,689 |
| TOTAL LIABILITIES | 44,830 | 36,768 |
| TOTAL EQUITY AND LIABILITIES | 91,799 | 77,062 |

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**APPENDIX 4: STATEMENT OF CASH FLOWS**

| DKK million | 2015 | 2014 |
|---|---|---|
| Net profit for the year | 34,860 | 26,481 |
| Adjustment for non-cash items: | | |
| Income taxes in the Income Statement | 8,623 | 7,615 |
| Depreciation, amortisation and impairment losses | 2,959 | 3,435 |
| NNIT non-recurring income included in 'other operating income' | (2,526) | - |
| Other non-cash items | 5,908 | 4,163 |
| Change in working capital | (2,157) | (2,148) |
| Interest received | 55 | 131 |
| Interest paid | (61) | (78) |
| Income taxes paid | (9,374) | (7,907) |
| Net cash generated from operating activities | 38,287 | 31,692 |
| Proceeds from the partial divestment of NNIT A/S | 2,303 | - |
| Purchase of intangible assets | (1,182) | (321) |
| Proceeds from sale of property, plant and equipment | 15 | 4 |
| Purchase of property, plant and equipment | (5,224) | (3,990) |
| Proceeds from other financial assets | 32 | 35 |
| Purchase of other financial assets | (9) | (24) |
| Sale of marketable securities | 1,500 | 2,232 |
| Purchase of marketable securities | (3,533) | - |
| Net cash used in investing activities | (6,098) | (2,064) |
| Purchase of treasury shares, net | (17,196) | (14,667) |
| Dividends paid | (12,905) | (11,866) |
| Net cash used in financing activities | (30,101) | (26,533) |
| NET CASH GENERATED FROM ACTIVITIES | 2,088 | 3,095 |
| Cash and cash equivalents at the beginning of the year | 13,676 | 10,513 |
| Exchange gain/(loss) on cash and cash equivalents | 86 | 68 |
| Cash and cash equivalents at the end of the year | 15,850 | 13,676 |

**APPENDIX 5: STATEMENT OF CHANGES IN EQUITY**

| DKK million | Share capital | Treasury shares | Retained earnings | Other reserves: Exchange rate adjustments | Other reserves: Cash flow hedges | Other reserves: Tax and other adjustments | Total other reserves | **Total** |
|---|---|---|---|---|---|---|---|---|
| 2015 | | | | | | | | |
| Balance at the beginning of the year | 530 | (11) | 41,277 | (248) | (2,221) | 967 | (1,502) | 40,294 |
| Net profit for the year | | | 34,860 | | | | | 34,860 |
| Other comprehensive income for the year | | | (37) | (669) | 1,535 | 279 | 1,145 | 1,108 |
| Total comprehensive income for the year | | | 34,823 | (669) | 1,535 | 279 | 1,145 | 35,968 |
| Transactions with owners: | | | | | | | | |
| Dividends | | | (12,905) | | | | | (12,905) |
| Share-based payments | | | 442 | | | | | 442 |
| Tax credit related to restricted stock units | | | 366 | | | | | 366 |
| Purchase of treasury shares | | (10) | (17,219) | | | | | (17,229) |
| Sale of treasury shares | | 1 | 32 | | | | | 33 |
| Reduction of the B share capital | (10) | 10 | | | | | | - |
| Balance at the end of the year | 520 | (10) | 46,816 | (917) | (686) | 1,246 | (357) | 46,969 |

At the end of the year proposed dividends (not yet declared) of DKK 16,230 million (6.40 DKK per share of DKK 0.20) are included in Retained earnings. No dividend is declared on treasury shares.

| | Share capital | Treasury shares | Retained earnings | Other reserves: Exchange rate adjustments | Other reserves: Cash flow hedges | Other reserves: Tax and other adjustments | Total other reserves | Total |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2014 | | | | | | | | |
| Balance at the beginning of the year | 550 | (21) | 41,137 | (209) | 1,233 | (121) | 903 | 42,569 |
| Net profit for the year | | | 26,481 | | | | | 26,481 |
| Other comprehensive income for the year | | | (247) | (39) | (3,454) | 1,088 | (2,405) | (2,652) |
| Total comprehensive income for the year | | | 26,234 | (39) | (3,454) | 1,088 | (2,405) | 23,829 |
| Transactions with owners: | | | | | | | | |
| Dividends | | | (11,866) | | | | | (11,866) |
| Share-based payments | | | 371 | | | | | 371 |
| Tax credit related to restricted stock units | | | 58 | | | | | 58 |
| Purchase of treasury shares | | (11) | (14,717) | | | | | (14,728) |
| Sale of treasury shares | | 1 | 60 | | | | | 61 |
| Reduction of the B share capital | (20) | 20 | | | | | | - |
| Balance at the end of the year | 530 | (11) | 41,277 | (248) | (2,221) | 967 | (1,502) | 40,294 |

At the end of the year proposed dividends of DKK 12,905 million (5.00 DKK per share of DKK 0.20) are included in Retained earnings. No dividend is declared on treasury shares.

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**APPENDIX 6: REGIONAL SALES SPLIT**

Q4 2015 sales split per region

| DKK million | Total | | North America | | Europe | | Inter-national Operations | | Region China | | Japan & Korea | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The diabetes and obesity care segment | | | | | | | | | | | | |
| Modern insulin | 13,562 | | 8,003 | | 2,441 | | 1,626 | | 1,040 | | 452 | |
| *% change in local currencies* | 11 | % | 17 | % | (2 | %) | 15 | % | 10 | % | (4 | %) |
| *NovoRapid ®* | 5,689 | | 3,548 | | 1,126 | | 561 | | 214 | | 240 | |
| *% change in local currencies* | 8 | % | 9 | % | 4 | % | 12 | % | 15 | % | 0 | % |
| *NovoMix ®* | 2,832 | | 733 | | 547 | | 661 | | 728 | | 163 | |
| *% change in local currencies* | 3 | % | 1 | % | (11 | %) | 16 | % | 10 | % | (9 | %) |
| *Levemir ®* | 5,041 | | 3,722 | | 768 | | 404 | | 98 | | 49 | |
| *% change in local currencies* | 22 | % | 31 | % | (3 | %) | 18 | % | 2 | % | (8 | %) |
| Human insulin | 2,778 | | 551 | | 509 | | 780 | | 854 | | 84 | |
| *% change in local currencies* | (5 | %) | (21 | %) | (11 | %) | 14 | % | (4 | %) | (15 | %) |
| Victoza® | 4,904 | | 3,632 | | 840 | | 244 | | 47 | | 141 | |
| *% change in local currencies* | 10 | % | 14 | % | (3 | %) | 5 | % | 2 | % | 45 | % |
| Other diabetes and obesity care [1)] | 1,698 | | 506 | | 326 | | 276 | | 339 | | 251 | |
| *% change in local currencies* | 20 | % | 78 | % | 9 | % | 14 | % | (6 | %) | 13 | % |
| Diabetes and obesity care total | 22,942 | | 12,692 | | 4,116 | | 2,926 | | 2,280 | | 928 | |
| *% change in local currencies* | 9 | % | 15 | % | (3 | %) | 14 | % | 2 | % | 4 | % |
| **The biopharmaceuticals segment** | | | | | | | | | | | | |
| Haemophilia | 2,785 | | 1,265 | | 653 | | 647 | | 40 | | 180 | |
| *% change in local currencies* | (1 | %) | (4 | %) | 2 | % | (2 | %) | (8 | % | 18 | % |
| Norditropin® | 2,065 | | 915 | | 429 | | 346 | | 4 | | 371 | |
| *% change in local currencies* | 5 | % | 2 | % | 1 | % | 20 | % | (25 | % | 6 | % |
| Other biopharmaceuticals | 1,084 | | 790 | | 201 | | 73 | | 1 | | 19 | |
| *% change in local currencies* | 11 | % | 12 | % | 4 | % | 25 | % | 50 | % | (23 | %) |
| **Biopharmaceuticals total** | 5,934 | | 2,970 | | 1,283 | | 1,066 | | 45 | | 570 | |
| ***% change in local currencies*** | 3 | % | 1 | % | 2 | % | 6 | % | (7 | %) | 9 | % |
| Total sales | 28,876 | | 15,662 | | 5,399 | | 3,992 | | 2,325 | | 1,498 | |
| % change in local currencies | 8 | % | 13 | % | (2 | %) | 12 | % | 1 | % | 6 | % |
| % change as reported | 17 | % | 29 | % | 0 | % | 11 | % | 11 | % | 14 | % |
| **Share of growth** | 100 | % | 78 | % | (5 | %) | 22 | % | 1 | % | 4 | % |

**12M 2015 sales split per region**

| DKK million | Total | | North America | | Europe | | Inter-national Operations | | Region China | | Japan & Korea | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The diabetes and obesity care segment | | | | | | | | | | | | |
| Modern insulin | 50,164 | | 28,708 | | 9,349 | | 6,082 | | 4,312 | | 1,713 | |
| *% change in local currencies* | 7 | % | 9 | % | (1 | %) | 15 | % | 12 | % | (5 | %) |
| NovoRapid ® | 20,720 | | 12,576 | | 4,239 | | 2,151 | | 866 | | 888 | |
| % change in local currencies | 6 | % | 4 | % | 4 | % | 19 | % | 19 | % | 1 | % |
| NovoMix ® | 11,144 | | 2,837 | | 2,181 | | 2,458 | | 3,036 | | 632 | |
| % change in local currencies | 2 | % | (4 | %) | (8 | %) | 14 | % | 11 | % | (9 | %) |
| Levemir ® | 18,300 | | 13,295 | | 2,929 | | 1,473 | | 410 | | 193 | |
| % change in local currencies | 13 | % | 19 | % | (2 | %) | 11 | % | 5 | % | (15 | %) |
| Human insulin | 11,231 | | 2,094 | | 2,014 | | 3,262 | | 3,537 | | 324 | |
| % change in local currencies | (1 | %) | (11 | %) | (9 | %) | 17 | % | (1 | %) | (16 | %) |
| Victoza® | 18,027 | | 13,014 | | 3,394 | | 937 | | 213 | | 469 | |
| % change in local currencies | 18 | % | 21 | % | 7 | % | 17 | % | 6 | % | 60 | % |
| Other diabetes and obesity care [1)] | 6,168 | | 1,442 | | 1,225 | | 1,058 | | 1,594 | | 849 | |
| % change in local currencies | 19 | % | 45 | % | 18 | % | 27 | % | (2 | %) | 23 | % |
| Diabetes and obesity care total | 85,590 | | 45,258 | | 15,982 | | 11,339 | | 9,656 | | 3,355 | |
| % change in local currencies | 9 | % | 12 | % | 1 | % | 17 | % | 4 | % | 6 | % |
| | | | | | | | | | | | | |
| The biopharmaceuticals segment | | | | | | | | | | | | |
| Haemophilia | 10,647 | | 5,208 | | 2,405 | | 2,196 | | 195 | | 643 | |
| % change in local currencies | 3 | % | (2 | %) | 9 | % | 8 | % | (2 | %) | 0 | % |
| Norditropin® | 7,820 | | 3,626 | | 1,675 | | 1,165 | | 15 | | 1,339 | |
| % change in local currencies | 8 | % | 10 | % | (1 | %) | 22 | % | 0 | % | 7 | % |
| Other biopharmaceuticals | 3,870 | | 2,765 | | 736 | | 266 | | 5 | | 98 | |
| % change in local currencies | 13 | % | 18 | % | 5 | % | 5 | % | 25 | % | (8 | %) |
| Biopharmaceuticals total | 22,337 | | 11,599 | | 4,816 | | 3,627 | | 215 | | 2,080 | |
| % change in local currencies | 6 | % | 6 | % | 5 | % | 12 | % | (2 | %) | 4 | % |
| Total sales | 107,927 | | 56,857 | | 20,798 | | 14,966 | | 9,871 | | 5,435 | |
| *% change in local currencies* | 8 | % | 11 | % | 2 | % | 15 | % | 4 | % | 5 | % |
| *% change as reported* | 22 | % | 32 | % | 3 | % | 19 | % | 22 | % | 11 | % |
| *Share of growth* | 100 | % | 62 | % | 4 | % | 26 | % | 4 | % | 4 | % |

1) Other diabetes and obesity care also includes new-generation insulin.

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APPENDIX 7: KEY CURRENCY ASSUMPTIONS

| DKK per 100 | 2014 average exchange rates | 2015 average exchange rates | YTD 2016 average exchange rates as of 1 February 2016 | Current exchange rates as of 1 February 2016 |
|---|---|---|---|---|
| USD | 562 | 673 | 687 | 686 |
| CNY | 91.2 | 107.0 | 104.5 | 104.2 |
| JPY | 5.32 | 5.56 | 5.81 | 5.65 |
| GBP | 925 | 1,028 | 989 | 981 |
| CAD | 509 | 526 | 483 | 489 |

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**APPENDIX 8: QUARTERLY NUMBERS IN USD (ADDITIONAL INFORMATION - UNAUDITED)**

Key figures are translated into USD as additional information - the translation is based on the average exchange rate for income statement and the exchange rate at the balance sheet date for balance sheet items. The specified percent changes are based on the changes in the 'Quarterly numbers in DKK', see appendix 1. The specified percentage changes in USD is calculated as a development in USD numbers in this appendix.

(Amounts in USD million, except full-time equivalent employees, earnings per share and number of shares outstanding).

| | 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | | Q3 | | Q2 | | Q1 | |
| Net sales | 4,240 | | 3,991 | | 4,004 | | 3,808 | |
| Gross profit | 3,562 | | 3,418 | | 3,434 | | 3,222 | |
| Gross margin | 84.0 | % | 85.6 | % | 85.7 | % | 84.6 | % |
| Sales and distribution costs | 1,181 | | 1,035 | | 1,064 | | 928 | |
| Percentage of sales | 27.8 | % | 25.9 | % | 26.5 | % | 24.4 | % |
| Research and development costs | 593 | | 491 | | 448 | | 491 | |
| Costs related to discontinuation of activities within inflammatory disorders | - | | - | | - | | - | |
| Percentage of sales | 14.0 | % | 12.3 | % | 11.2 | % | 12.9 | % |
| Administrative costs | 171 | | 142 | | 131 | | 129 | |
| Percentage of sales | 4.0 | % | 3.6 | % | 3.3 | % | 3.4 | % |
| Other operating income, net | 12 | | 34 | | 52 | | 420 | |
| - Non-recurring income from the partial divestment of NNIT A/S | - | | - | | - | | 359 | |
| Operating profit | 1,629 | | 1,784 | | 1,843 | | 2,094 | |
| Operating margin | 38.5 | % | 44.7 | % | 46.1 | % | 55.0 | % |
| Financial income | 3 | | 1 | | (34 | ) | 43 | |
| Financial expenses | 121 | | 276 | | 252 | | 251 | |
| Net financials | (118 | ) | (275 | ) | (286 | ) | (208 | ) |
| Income taxes | 1,511 | | 1,509 | | 1,557 | | 1,886 | |
| Profit before income taxes | 301 | | 260 | | 326 | | 394 | |
| Net profit | 1,210 | | 1,249 | | 1,231 | | 1,492 | |
| Depreciation, amortisation and impairment losses [1)] | 150 | | 94 | | 96 | | 100 | |

| | | | | |
|---|---|---|---|---|
| Capital expenditure | 322 | 186 | 151 | 115 |
| Net cash generated from operating activities | 1,485 | 1,802 | 1,784 | 620 |
| Free cash flow | 1,014 | 1,611 | 1,609 | 853 |
| Total assets | 13,441 | 12,794 | 12,195 | 11,157 |
| Total equity | 6,877 | 6,474 | 5,866 | 4,625 |
| Equity ratio | 51.2 % | 50.6 % | 48.1 % | 41.5 % |
| Full-time equivalent employees end of period | 40,638 | 40,261 | 39,658 | 39,062 |
| Basic earnings per share/ADR (in USD) | 0.48 | 0.49 | 0.48 | 0.57 |
| Diluted earnings per share/ADR (in USD) | 0.48 | 0.48 | 0.48 | 0.57 |
| Average number of shares outstanding (million) | 2,553.20 | 2,565.90 | 2,578.10 | 2,596.70 |
| Average number of diluted shares outstanding (million) | 2,559.70 | 2,571.80 | 2,584.10 | 2,604.20 |
| Sales by business segment: | | | | |
| New-generation insulin | 68 | 56 | 49 | 41 |
| Modern insulin (insulin analogues) | 1,992 | 1,862 | 1,867 | 1,736 |
| Human insulin | 407 | 413 | 411 | 438 |
| Victoza® | 721 | 697 | 664 | 598 |
| Other diabetes and obesity care | 181 | 183 | 158 | 181 |
| Diabetes and obesity care total | 3,369 | 3,211 | 3,149 | 2,994 |
| Haemophilia | 409 | 353 | 408 | 413 |
| Norditropin® | 303 | 274 | 308 | 277 |
| Other biopharmaceuticals [2)] | 159 | 153 | 139 | 124 |
| Biopharmaceutical total | 871 | 780 | 855 | 814 |
| Sales by geographic segment: | | | | |
| North America | 2,302 | 2,147 | 2,121 | 1,882 |
| Europe | 792 | 774 | 773 | 752 |
| International Operations | 586 | 508 | 574 | 557 |
| Region China | 340 | 360 | 337 | 430 |
| Japan & Korea | 220 | 202 | 199 | 187 |
| Segment operating profit: | | | | |
| Diabetes and obesity care | 1,194 | 1,353 | 1,290 | 1,201 |
| Biopharmaceuticals | 435 | 431 | 557 | 534 |
| Income from the initial public offering of NNIT A/S (unallocated to segments) | - | - | - | 359 |

1) Including impairments of around USD 85 million in Q3 and Q4 2014 related to discontinuation of activities within inflammatory disorders.

2) Comparative figures have been restated as NovoEight® and NovoThirteen® are now reported as Haemophilia together with NovoSeven®.

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APPENDIX 9: NEW REGIONAL SALES SPLIT AS PER 1 JANUARY 2016

As per 1 January 2016, Novo Nordisk will change reporting structure for its regional sales split, including the introduction of 'Region Pacific' comprising Japan, Korea, Australasia and Canada.

**Q1 to Q4 2015 sales split - new regions as per 1 January 2016**

| Q1 2015 sales split per region - DKK million | Total | USA | Europe | Inter-national Operations | Region China | Region Pacific |
|---|---|---|---|---|---|---|
| The diabetes and obesity care segment | | | | | | |
| Modern insulin | 11,498 | 6,053 | 2,229 | 1,308 | 1,184 | 724 |
| *NovoRapid* ® | 4,682 | 2,669 | 995 | 420 | 229 | 369 |
| *NovoMix* ® | 2,744 | 596 | 540 | 547 | 845 | 216 |
| *Levemir* ® | 4,072 | 2,788 | 694 | 341 | 110 | 139 |
| Human insulin | 2,897 | 447 | 501 | 771 | 1,027 | 151 |
| Victoza® | 3,957 | 2,671 | 805 | 228 | 58 | 195 |
| Other diabetes and obesity care [1)] | 1,466 | 184 | 292 | 244 | 512 | 234 |
| Diabetes and obesity care total | 19,818 | 9,355 | 3,827 | 2,551 | 2,781 | 1,304 |
| | | | | | | |
| The biopharmaceuticals segment | | | | | | |
| Haemophilia | 2,734 | 1,274 | 557 | 611 | 60 | 232 |
| Norditropin® | 1,830 | 870 | 422 | 222 | 4 | 312 |
| Other biopharmaceuticals | 818 | 512 | 171 | 39 | 2 | 94 |
| Biopharmaceuticals total | 5,382 | 2,656 | 1,150 | 872 | 66 | 638 |
| Total sales | 25,200 | 12,011 | 4,977 | 3,423 | 2,847 | 1,942 |

| Q2 2015 sales split per region - DKK million | Total | US | Europe | Inter-national Operations | Region China | Region Pacific |
|---|---|---|---|---|---|---|
| The diabetes and obesity care segment | | | | | | |
| Modern insulin | 12,604 | 6,987 | 2,334 | 1,462 | 1,033 | 788 |
| *NovoRapid* ® | 5,230 | 3,053 | 1,052 | 522 | 201 | 402 |
| *NovoMix* ® | 2,852 | 762 | 548 | 569 | 737 | 236 |
| *Levemir* ® | 4,522 | 3,172 | 734 | 371 | 95 | 150 |
| Human insulin | 2,784 | 440 | 505 | 894 | 781 | 164 |
| Victoza® | 4,486 | 3,068 | 880 | 254 | 50 | 234 |
| Other diabetes and obesity care [1)] | 1,405 | 261 | 288 | 242 | 354 | 260 |
| Diabetes and obesity care total | 21,279 | 10,756 | 4,007 | 2,852 | 2,218 | 1,446 |
| | | | | | | |
| The biopharmaceuticals segment | | | | | | |
| Haemophilia | 2,757 | 1,419 | 619 | 419 | 63 | 237 |
| Norditropin® | 2,083 | 1,034 | 414 | 279 | 3 | 353 |
| Other biopharmaceuticals | 940 | 611 | 182 | 46 | - | 101 |
| Biopharmaceuticals total | 5,780 | 3,064 | 1,215 | 744 | 66 | 691 |
| Total sales | 27,059 | 13,820 | 5,222 | 3,596 | 2,284 | 2,137 |

| Q3 2015 sales split per region - DKK million | Total | US | Europe | Inter-national Operations | Region China | Region Pacific |
|---|---|---|---|---|---|---|
| The diabetes and obesity care segment | | | | | | |
| Modern insulin | 12,500 | 7,092 | 2,345 | 1,249 | 1,055 | 759 |
| *NovoRapid* ® | 5,119 | 3,013 | 1,066 | 432 | 222 | 386 |
| *NovoMix* ® | 2,716 | 702 | 546 | 518 | 726 | 224 |
| *Levemir* ® | 4,665 | 3,377 | 733 | 299 | 107 | 149 |
| Human insulin | 2,772 | 497 | 499 | 750 | 875 | 151 |
| Victoza® | 4,680 | 3,314 | 869 | 204 | 58 | 235 |
| Other diabetes and obesity care [1)] | 1,599 | 370 | 319 | 243 | 389 | 278 |
| Diabetes and obesity care total | 21,551 | 11,273 | 4,032 | 2,446 | 2,377 | 1,423 |
| | | | | | | |
| The biopharmaceuticals segment | | | | | | |
| Haemophilia | 2,371 | 1,157 | 576 | 369 | 32 | 237 |
| Norditropin® | 1,842 | 806 | 410 | 266 | 4 | 356 |
| Other biopharmaceuticals | 1,028 | 703 | 182 | 30 | 2 | 111 |
| Biopharmaceuticals total | 5,241 | 2,666 | 1,168 | 665 | 38 | 704 |
| Total sales | 26,792 | 13,939 | 5,200 | 3,111 | 2,415 | 2,127 |

| Q4 2015 sales split per region - DKK million | Total | US | Europe | Inter-national Operations | Region China | Region Pacific |
|---|---|---|---|---|---|---|
| The diabetes and obesity care segment | | | | | | |
| Modern insulin | 13,562 | 7,813 | 2,441 | 1,451 | 1,040 | 817 |
| *NovoRapid* ® | 5,689 | 3,449 | 1,126 | 478 | 214 | 422 |
| *NovoMix* ® | 2,832 | 719 | 547 | 593 | 728 | 245 |
| *Levemir* ® | 5,041 | 3,645 | 768 | 380 | 98 | 150 |
| Human insulin | 2,778 | 500 | 509 | 757 | 854 | 158 |
| Victoza® | 4,904 | 3,517 | 840 | 240 | 47 | 260 |
| Other diabetes and obesity care [1)] | 1,698 | 455 | 326 | 256 | 339 | 322 |
| Diabetes and obesity care total | 22,942 | 12,285 | 4,116 | 2,704 | 2,280 | 1,557 |
| | | | | | | |
| The biopharmaceuticals segment | | | | | | |
| Haemophilia | 2,785 | 1,236 | 653 | 599 | 40 | 257 |
| Norditropin® | 2,065 | 915 | 429 | 340 | 4 | 377 |
| Other biopharmaceuticals | 1,084 | 733 | 201 | 38 | 1 | 111 |
| Biopharmaceuticals total | 5,934 | 2,884 | 1,283 | 977 | 45 | 745 |
| Total sales | 28,876 | 15,169 | 5,399 | 3,681 | 2,325 | 2,302 |

1) Other diabetes and obesity care also includes new-generation insulin.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

NOVO NORDISK A/S

Date: February 3, 2016

Lars Rebien Sørensen,

Chief Executive Officer