Novo Nordisk
Pharmatech A/S

Annual Report

Novo Nordisk Pharmatech

2020

Novo Nordisk
Pharmatech A/S

Contents


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01

Results

Letter from management

Rasmus Hother le Fevre
President and CEO

2020 has been a year where no part of society has been left untouched due to COVID-19. This also goes for Novo Nordisk Pharmatech, who for better and worse, has been able to navigate this challenging business environment.

In March, the company reduced its operation to a minimum due to lock-down, while at the same time experiencing a surge in demand for Insulin and Quats. The increased insulin demand was driven partly by stockpiling in the biopharmaceutical industry and partly by an increased activity due to COVID-19 driven activities. The Quats product group also experienced a surge in demand as a former large customer unexpectedly returned and a general COVID-19 driven demand as Quats is used in disinfectants and hand sanitizers. The company managed to serve all customers and as summer approached, the supply chain returned to normal. The full year 2020 results are better than expected and this can in part be explained by the COVID-19 driven demand.

In 2020, the company continued its investments in IT infrastructure and digitalisation. The production IT infrastructure was renewed, and the first laboratory went paperless, visualisation systems were enhanced throughout the company and the 'digital twin' was introduced across several processes with optimisation and capacity increase as objectives. During rebuild of an enzymatic purification facility, we have used the opportunity to implement robotic filling solutions and intelligent components allowing condition-based maintenance. In Sales and Marketing a forced acceleration to digital marketing and sales was implemented due to COVID-19 that cancelled all physical conferences and trade shows. An organisational structure was implemented to secure progress and alignment on our digital journey. The company remains focused on harvesting benefits on digitalisation and will continue to invest in this area to improve operations.

The quality performance in 2020 remained at a very high level. Customer audits were to a large extent converted to virtual audits due to COVID-19 and nevertheless with a very satisfactory outcome. Efforts to simplify our quality management system were continued and the outcome has been more simple and transparent processes that release resources for other purposes.

In R&D, we progressed our pipeline mainly within resins and enzymes. Several resin application studies were initiated with customers and contract research organisations to test different libraries of novel resins. The enzymatic pipeline has grown and is also progressing well although some application studies were cancelled due to COVID-19 focus on vaccines. The future production platform to manufacture pipeline molecules was also slightly impacted by COVID-19, resulting in a minor delay.

Novo Nordisk Pharmatech operates according to the Triple Bottom Line, where we seek to balance financial, environmental and social performance, and the Circular for Zero strategy launched by Novo Nordisk has been adopted. All energy consumptions are sourced from renewable sources (wind and biogas) and in 2020 10 electrical charging stations for employees' cars were installed. The digital twins have also proven valuable as the modelling system has pointed towards several opportunities to reduce consumption of raw materials, and finally, R&D has initiated work on regeneration of waste streams and potentially substitute unwanted chemicals with non-toxic and sustainable raw materials.

Despite a challenging year, Novo Nordisk Pharmatech ended the year with record external sales, record net profit, a solid pipeline progress and a robust operations setup that was able to navigate through a COVID-19 pandemic, first and foremost through a very engaged workforce. A very satisfactory result.

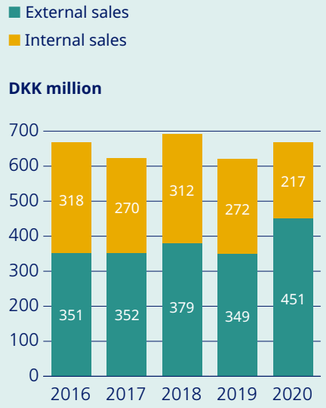
Financial review 2020

Revenue and EBIT development

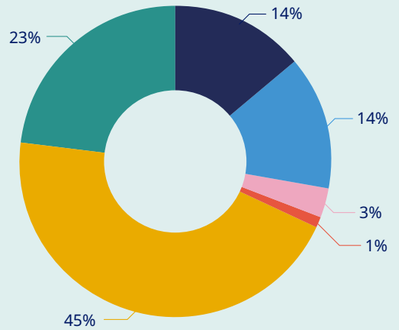
Overall revenue in Novo Nordisk Pharmatech A/S in 2020 was DKK 668 million. This is an increase of DKK 47 million (8%) compared to 2019, when total sales were DKK 621 million. The main drivers of this development were:

- Sales of ALP to Novo Nordisk were DKK 29 million (–24%) lower than 2019 driven by decreased volumes.
- Sales of Silica to Novo Nordisk were DKK 32 million (–25%) lower than 2019 driven by lower prices and decreased volumes.
- Sales of insulin to the global market were DKK 49 million (20%) higher than 2019 driven by increased volumes (KG) sold.
- Sales of columns were DKK 2 million (33%) higher than 2019 driven by increased volumes partially offset by decrease in unit prices.
- Sales of Quats (synthetic molecules) to the global market were DKK 53 million (53%) higher than 2019 driven by increase in volumes of high-volume products.
- Sales of Microscopy Analyses were DKK 4 million (22%) higher than 2019 driven by increased sales prices.

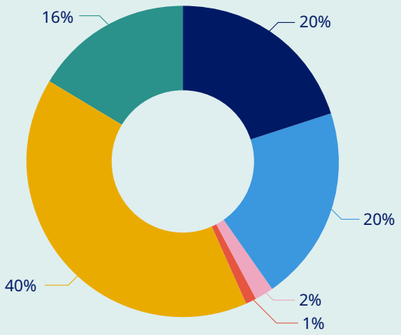
Sales development



Sale product group 2020



Sale product group 2019



Total cost in Novo Nordisk Pharmatech was higher than 2019, primarily due to increased Raw material costs, due to the increase in externally sold products. Capacity costs also increased in line with expectations, due to continued increased focus on new business development.

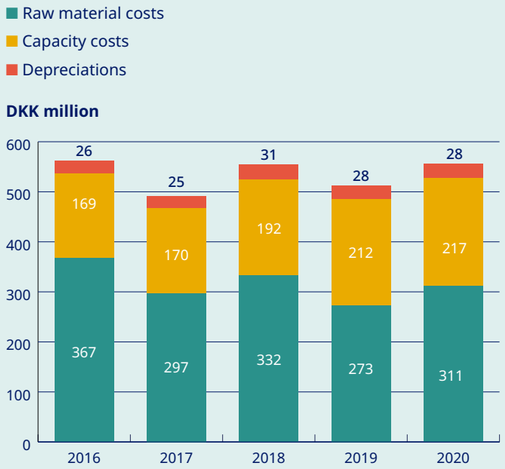
Net operating profit (EBIT) for 2020 was DKK 154 million, increasing from DKK 121 million in 2019. The increase in net operating profit is mainly driven by higher revenue from sales of Quats and Insulin. This has been partially offset by higher capacity costs.

In 2020 DKK 71 million was invested into property, plant and equipment, compared to DKK 31 million in 2019. Investment costs were primarily spent on the new enzymatic purification facility and the update of the production infrastructure platform renewal, which both are expected to be finalised in 2021.

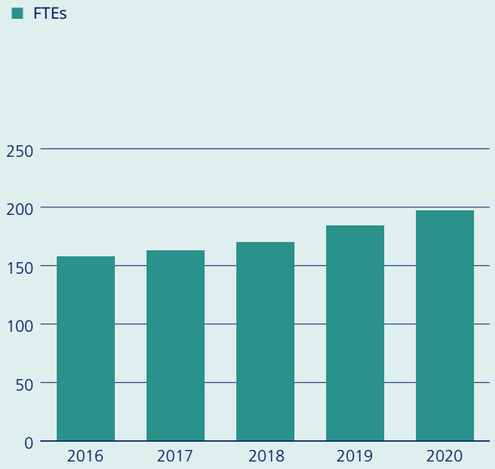
Total EBIT margin is

23.1%

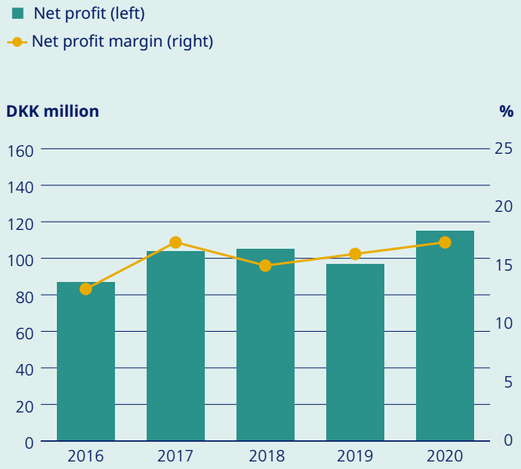
Cost



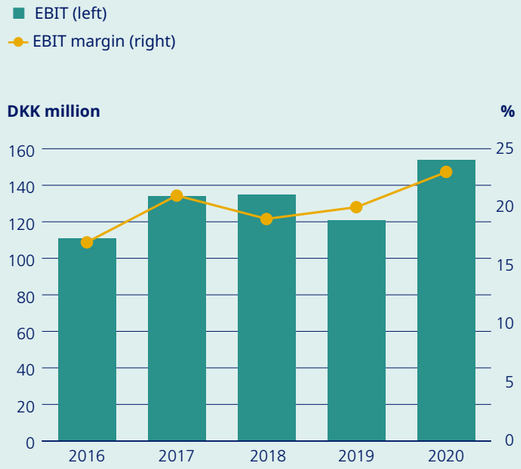
FTEs



Net profit



EBIT



Financial highlights

Key figures (DKK 1,000)

	2020	2019	2018	2017	2016
Result					
Revenue	667,729	620,992	690,700	622,436	669,077
Gross profit/loss	137,266	140,717	155,305	120,249	169,407
Profit/loss before financial income and expenses	153,938	121,142	134,241	133,554	110,928
Net financials	(7,770)	2,292	1,790	(1,333)	896
Net profit/loss for the year	114,915	97,298	105,268	103,665	87,367
Balance					
Balance sheet total	745,524	809,391	760,808	676,372	653,833
Equity	606,434	691,519	614,221	528,953	468,288
Cash flow					
Investments in property, plant and equipment	71,171	30,782	64,210	25,440	15,563
Average number of employees	197	184	170	163	158
Ratios					
Gross margin[1]	20.6	22.7	22.5	19.3	25.3
Profit margin[2]	23.1	19.5	19.4	21.5	16.6
Return on assets[3]	20.6	15.0	17.6	19.7	17.0
Solvency ratio[4]	81.3	85.4	80.7	78.2	71.6
Return on equity[5]	17.7	14.9	18.4	20.8	20.1

Key figures are in accordance with The Danish Society of Financial Analysts' guidance from 2016.

1. Gross profit as a percentage of sales
2. Profit before financial income and expenses as a percentage of sales
3. Profit before financial income and expenses as a percentage of total assets
4. Equity on the balance sheet date as a percentage of total assets
5. Net profit for the year as a percentage of the shareholders' equity (average)

2021
A launch year

In 2021, Novo Nordisk Pharmatech will launch its first recombinant GMP grade enzyme aimed at the biopharmaceutical and regenerative medicine market. In order to support the launch and subsequent product launches, the company is establishing a sales office in the US. When implemented mid 2021, Novo Nordisk Pharmatech will have a presence in Singapore, Copenhagen and Boston and will be optimally geographically positioned to support our customers globally.

The Insulin market is expected to grow marginally, and Novo Nordisk Pharmatech has established greater transparency in demand by engaging in long term contracts with our key customers.

The Quats market is expected to grow mid single digit, and we will continue to expand our geographical presence and build strong regulatory support for our customers in order to grow with the market. The Quats market is characterised by fierce competition and we expect this condition to remain in 2021.

We will continue our efforts and complete our investments in a new multipurpose facility to handle a more diverse enzymatic product portfolio. This will enable us to serve the Novo Nordisk demand of materials for the production of newly launched products within diabetes care. This facility is also expected to fuel the longer-term growth of Novo Nordisk Pharmatech.

In 2021, we expect an increased demand for purification resins for Novo Nordisk and will invest in a new facility for a novel optimised purification resin.

Novo Nordisk Pharmatech has adopted the Novo Nordisk environmental strategy ‘Circular for Zero’, launched in 2019. The strategy builds on a long tradition of improving the environmental performance of the company, where for example, all energy consumption has been converted to renewable sources. In 2021, the company will continue this journey by further reducing waste from its operations.

In order to optimise operations, we will continue the significant progress on digitalisation achieved in 2020.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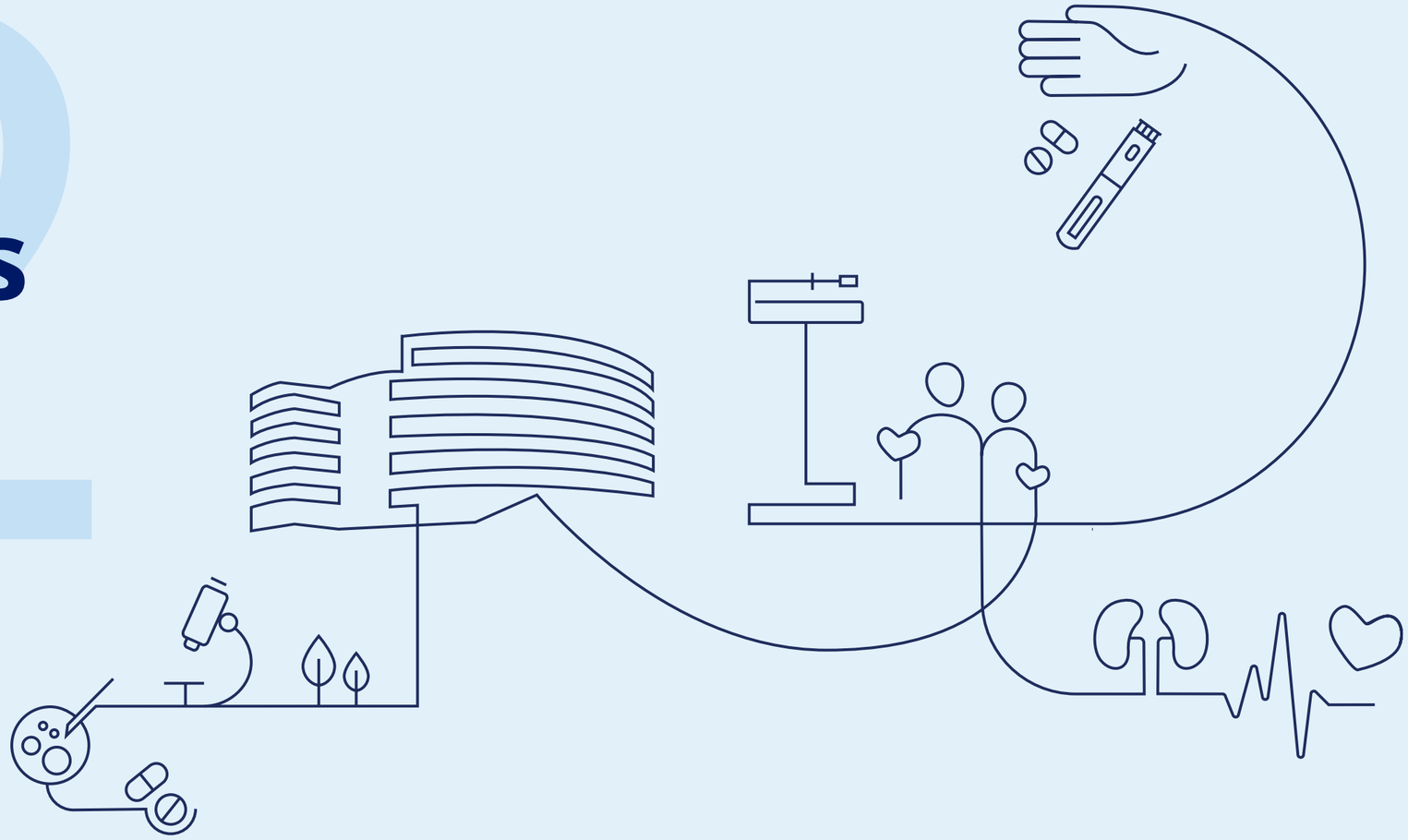
02 Business



Mission

At Novo Nordisk Pharmatech A/S we are committed to bringing forward pharmaceutical materials that enable better medicines for our customers in a sustainable way

Vision

We are committed to providing sustainable pharmaceutical materials through innovative and customised solutions

The Novo Nordisk® Way

Enabling better medicines

Sustainable business

Expression

We provide high-quality insulin to enhance expression and make living cells grow and divide

Modification

We provide superior enzymes for modification of proteins

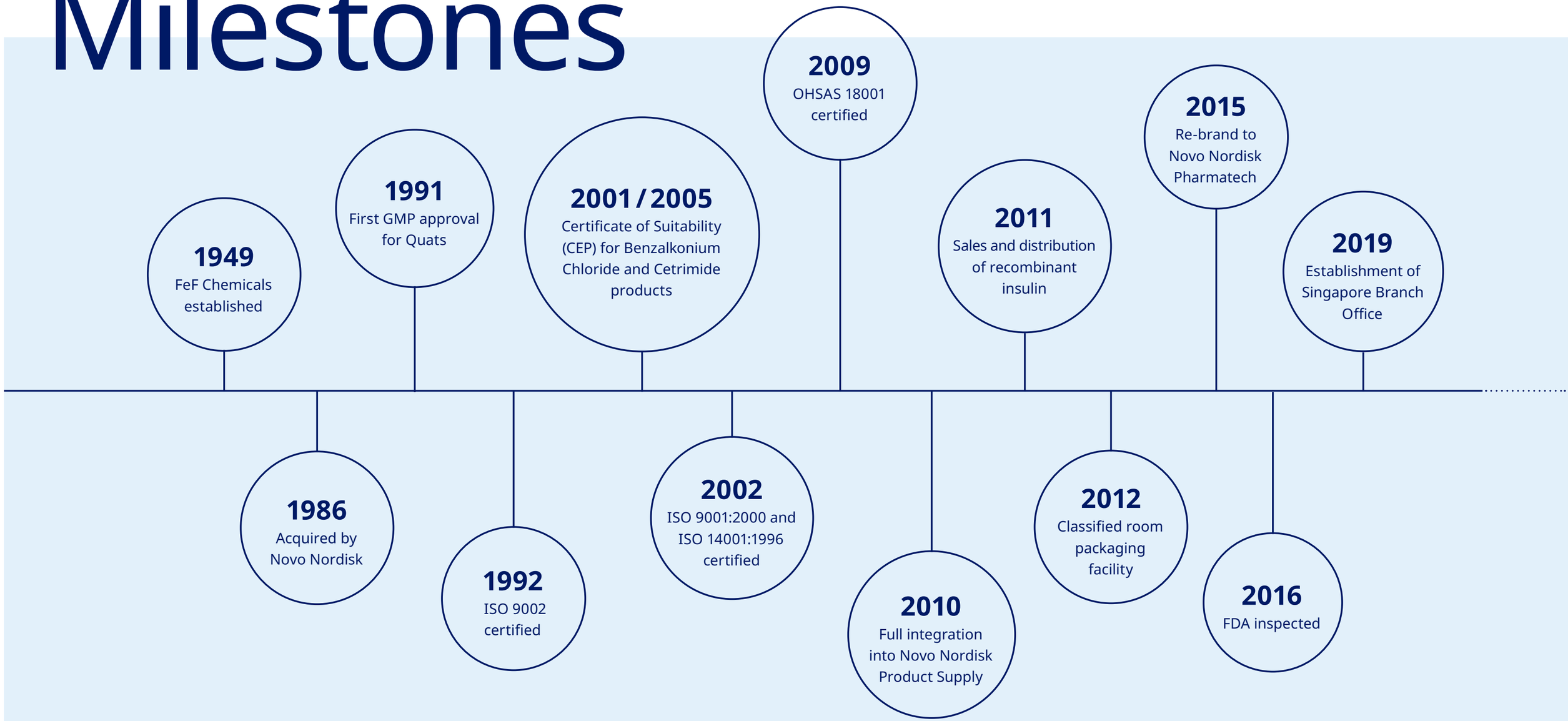
Purification

We provide customised resins for purification of peptides and proteins

Formulation

We provide chemically synthesised molecules for formulation used as preserving agents in final formulations or as API

Milestones


1949
FeF Chemicals established
1986
Acquired by Novo Nordisk
1991
First GMP approval for Quats
1992
ISO 9002 certified
2001 / 2005
Certificate of Suitability (CEP) for Benzalkonium Chloride and Cetrimide products
2002
ISO 9001:2000 and ISO 14001:1996 certified
2009
OHSAS 18001 certified
2010
Full integration into Novo Nordisk Product Supply
2011
Sales and distribution of recombinant insulin
2012
Classified room packaging facility
2015
Re-brand to Novo Nordisk Pharmatech
2016
FDA inspected
2019
Establishment of Singapore Branch Office

Our business model

Novo Nordisk Pharmatech improves biopharmaceutical manufacturing by developing and supplying innovative products used in the manufacturing of biopharmaceuticals. (Biopharmaceuticals are medicines based on biological molecules, such as insulin, growth hormone and blood coagulation factors). In this way, Novo Nordisk Pharmatech improves biopharmaceutical manufacturing – and makes biopharmaceuticals cheaper to produce, thereby enabling better access to medicine for patients.

Our innovation

A wide range of capabilities are available at Novo Nordisk Pharmatech within the various departments: Sales and Marketing, R&D, Manufacturing, Quality, Business Support and People & Organisation. All capabilities present in the company are critical for Novo Nordisk Pharmatech to run the business and innovate. The following “Core Capabilities” are those that stand out as unique to Novo Nordisk Pharmatech, and are fundamental to the future growth of the company:

- Designing and developing silica gels: Novo Nordisk Pharmatech has a long history of continuously reducing the cost for Novo Nordisk of producing insulin by providing robust silica gels and developing processes for increasing their life time.
- Advanced microanalysis: At Novo Nordisk Pharmatech’s Microanalysis Centre, a highly skilled team supports Novo Nordisk with state-of-the-art microscopy and spectroscopic support. This capability is also critical for the development of new chromatographic resins.
- Organic chemical synthesis manufacturing: Novo Nordisk Pharmatech has, from the outset, produced Quats by organic synthesis manufacturing and has gained solid experience within the field.
- cGMP embedded throughout the organisation: Biopharmaceutical companies are required to operate in accordance to cGMP in order to ensure patient safety. For Novo Nordisk Pharmatech to be a preferred supplier to the biopharmaceutical industry, cGMP is therefore a key capability.

Novo Nordisk Pharmatech's R&D pipeline comprises several new products under development. Every new product goes through the four phases:

1. Idea phase, where the potential value of the product is analysed
2. The R&D phase, where the product is developed in the lab in close collaboration with customers
3. The tech transfer phase, where the technology is transferred to production and the production facility is built
4. The launch phase, where the product is introduced to the market

"Our way of doing business"

We ensure high quality in our products by meeting the expectations and needs of our stakeholders. We strive for simplicity and never compromise on quality.

The development of new products is based on the requirement from the customers and the final use of the product. Quality by design is used during development to ensure that quality is built into the product, with a high focus on product and process understanding, as well as on process control as opposed to relying on testing of the final product. From development through tech transfer to production, our Quality Management System (QMS) ensures that knowledge is handed over, thereby ensuring that employees understand both why and how to ensure quality.

It is part of our strategy to safeguard product quality and compliance, thereby safeguarding the patient.

Our QMS is based on ISO 9001 and covers processes from development to post-delivery activities. We strive for simplicity and we develop and maintain a process-oriented QMS based on our stakeholders' expectations, as well as legislation and requirements from authorities, eg "EU GMP vol. 4 part II", "ICH Q7" and "The Joint Good Manufacturing Practices Guide for Pharmaceuticals Excipients". The drug substance production is inspected by the Danish Medicines Agency on a regular basis and we are also inspected by the FDA. Audits from our customers are part of our quality agreements with them. Historically, the results of these inspections and audits have shown a very high level of compliance.

Marketed products

Insulin and future development

Novo Nordisk Pharmatech is a leading global supplier of high-quality ingredients for the biopharmaceutical industry. Our recombinant Insulin has been a critical raw material of the upstream process of large-scale manufacturing of cutting-edge biologics, such as therapeutic antibodies, recombinant proteins and vaccines for the last two decades. The majority of the current blockbuster drugs are depending on our Insulin but within the next decade, patents on some of these are scheduled to expire in the EU and US, which will open the space to new biosimilars entering the market. In addition, new technologies such as highly performing chemically defined CHO media allow high productivity in the absence of supplements such as Insulin. We will need to strategically work closely with both big pharma and smaller startups to secure presence and growth within new molecules in early development.

On the other hand, regenerative medicine is an important growth segment. Stem cells, cell and gene therapy and CAR-T are the main therapeutic segments which are estimated to reach $13 billion by 2025 at a double-digit annual growth rate, with more than 400 programmes which have already entered clinical development. Sourcing of ancillary material for these advanced-therapy medicinal products (ATMPs) is critical for quality, consistency and supply chain continuity. Our strategic focus will be to target this attractive market, not only with Insulin, but also with new products we are developing, specifically tailored to the need of these customers, both in upstream and downstream processes of ATMPs.

Quats

Novo Nordisk Pharmatech is the leading supplier of cGMP Quaternary Ammonium Compounds (Quats) for a wide range of applications. Our Benzalkonium Chloride, Cetrimide and Cetrimonium Bromide (CTAB) products act either as preservatives or active ingredients in many ophthalmic, nasal, oral and topical drugs and in a variety of solutions, ointments and creams. They can also be used as lysing or precipitating agents in vaccine production.

During the past three years, we have intensively increased our global presence, both by opening a branch office in Singapore, and by appointing local distributors and agents. Our current partners are representing us in Canada, USA, Brazil, India and several APAC, CEE and European countries. During the coming year, we plan to continue expanding our presence in Latin America as well as the CIS Region.

We will continue improving our product documentation for specific applications. We also see an increase in regulatory expectations, to guarantee patient safety in today’s expanding global market. Our customers see us as the market leader in the industry, and we will continue to match and outperform the requirements for the local markets.

Risk management

Managing risk is central to the business in Novo Nordisk Pharmatech, as it is critical for us to protect our assets, our employees, and the business of our customers. It is the responsibility of the management board to review the overall risk exposure of the company. For this purpose, a risk assessment process is in place, where relevant risks are identified and assessed on a frequent basis. On the basis of this assessment, mitigation plans are evaluated twice a year, and subsequently reported to the Board of Directors as a standard agenda item at Board meetings.

Risks are assessed based on the likelihood of events, as well as the potential impact of events on our business to reach short and long-term objectives. This assessment is anchored in the strategic planning process presented to and approved by the Board of Directors on an annual basis.

The top five risks for Novo Nordisk Pharmatech in 2020 were identified as:

1. Anti-corruption and bribery

As Novo Nordisk Pharmatech operates in a global market, we also adhere to the highest standards of business ethics in our dealings with external parties. All relevant employees receive mandatory e-learning training, as well as training from legal experts in order to counter corruption and/or bribery attempts. Our operating model is to use distributors in global markets, and our distributors are trained and contractually obliged to uphold the same standards.

2. Health & Safety

Our production processes involve chemicals that are potentially hazardous to the health and safety of our employees as well as the local environment. Therefore, we are continuously investing to mitigate the risk of adverse situations in this area.

3. Environmental

We are continuously reviewing our environmental mitigation plans to ensure we are equipped to deal with abnormal climate situations – for example, the aftermath of flooding or heavy rain as we are situated close to sea level.

4. Commercial risks

As part of annual budgeting and follow up, we build in expectations to market development short term, mid term and long term.

For the Quats market, we see an underlying short-term increase in the market, but long term, a trend away from using preservation chemicals in final products, as end customers are looking for alternatives to this. This can threaten the long-term growth of our Quats business.

For the technical insulin market, we do see a long-term trend towards using chemically defined growth media instead of eg e-coli based growth media, where insulin is needed, and this can also threaten the long-term growth of our insulin business.

5. Human rights

Novo Nordisk Pharmatech follows the Novo Nordisk policy for human rights. Due to the nature of our business, our suppliers and distribution set-up, it is our assessment that the issue of human rights is not a significant risk and therefore no mitigating actions are put into place.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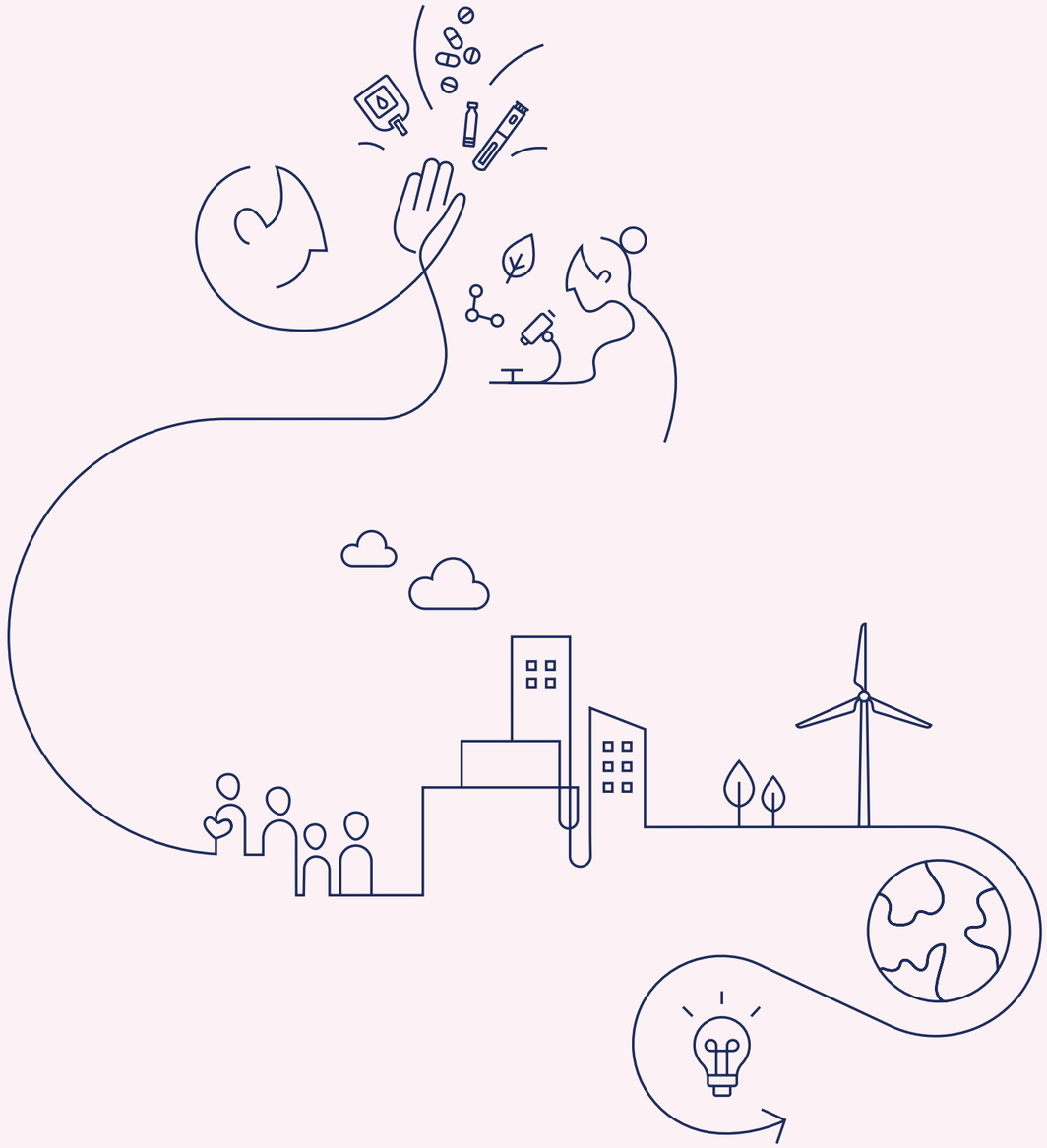
CSR



Health and safety

Employee health and safety is important to Novo Nordisk Pharmatech.

The company works with large amounts of chemicals, and health and safety conditions are incorporated in all our work tasks. In 2020, NNPR upgraded OHSAS 18001 to ISO 45001, which is the new standard for occupational health and safety.

Due to the high focus on safety, Novo Nordisk Pharmatech made careful investigations into every near miss in production, laboratories and administration. In 2020, Novo Nordisk Pharmatech had two accidents with absence.

Furthermore, Novo Nordisk Pharmatech has a focus on risk assessment, and every change in the company's production areas are risk assessed. In 2020, we made approximately 90 risk assessments.

At Novo Nordisk Pharmatech we have the following goals:

- We will ensure our work is well planned
- We will design our working places optimally
- We will think about the working environment before we act – think twice
- We will develop our employees
- We will remove the dangerous goods, if we can
- We will handle dangerous chemicals in a safe way
- We will reduce the risk of accidents and near misses through risk assessment
- We will analyse accidents, incidents and near misses
- We will communicate our stress policy
- We will work with our psychological working environment

Environment

Environmental considerations are an integrated part of our everyday work. The company is very aware that the operations of a chemical company can affect the environment, and Novo Nordisk Pharmatech are certified according to ISO 14001.

The most significant impacts on the environment from our activities are: atmospheric emission of organic solvents used in the manufacturing processes and disposal of hazardous waste – mainly chemical residues from production and laboratories.

The production at Novo Nordisk Pharmatech was environmentally approved by the Danish Ministry of the Environment in 2009. The Danish Ministry of the Environment oversees the company's environmental concerns, and Køge Municipality is the authority that oversees the release of wastewater into the public sewer and waste-disposal system.

We are committed to the following targets, according to our environmental policy:

- We reduce our waste volumes, noise impacts and emissions into the air
- We reduce our CO_2 emissions
- We run our business safely by conducting environment and risk assessments for all activities
- We will continue to systematically minimise the environmental impact when we develop new products and processes
- We will continue to encourage our customers to co-operate in the development of environmentally sound products and services
- We regularly report on environmental efforts and performance
- We maintain an open and trustworthy dialogue with our stakeholders
- We encourage staff environmental awareness to ensure an environmentally-sound culture

Sustainability

Since 2018, Novo Nordisk Pharmatech is considered a CO_2 neutral company. This environmental improvement is due to an agreement (from 2015) on energy distribution, which ensures that Novo Nordisk Pharmatech is only supplied with renewable energy, produced by windmills. In 2018, another agreement was made regarding our gas consumption, which now comes from Biogas. This means that Novo Nordisk Pharmatech has zero CO_2 emissions from the company's energy consumption.

In 2019, Novo Nordisk Pharmatech committed to Novo Nordisk's Circular for Zero environmental strategy, meaning the company strives toward having zero environmental impact by 2030. In 2019 Novo Nordisk Pharmatech implemented Circular for Zero by carrying out awareness and idea-generating workshops with every department within the company and established local Circular for Zero 2025 targets.

In 2020, Novo Nordisk Pharmatech has mapped our suppliers' CO_2 emissions, and started a dialogue. By 2030, Novo Nordisk Pharmatech will require that all our suppliers procure using 100% renewable energy. Furthermore in 2020, Novo Nordisk Pharmatech has established 10 electrical car-charging stations, started the process for a paperless office, and have planned to substitute some of the most hazardous chemicals in our production for more environmentally friendly alternatives.

Key environmental data

	2020	2019	2018
Energy consumption (GJ)	22,881	22,017	21,007
Water			
Water consumption – drinking water (m^3)	4,565	4,859	7,008
Water consumption – all (m^3)	77,425	71,210	58,155
Carbon dioxide emissions from energy consumption (tonnes)	0	0	0
Emissions to sewer (m^3)	5,306	6,062	5,636
Discharge to recipient (m^3)	72,727	96,974	70,624
Waste			
Hazardous waste (tonnes)	544	624	405
Non-hazardous waste (tonnes)	49	45	45
Accidents with absence	2	1	2
Employees	197	184	170

People

Novo Nordisk Pharmatech has worked intensively to improve and maintain a sustainable approach to the well-being of our employees.

1. In the past few years, Novo Nordisk Pharmatech has performed yearly training of managers and employees in preventing stress and maintaining well-being, implemented dialogue-based assessment of stress symptoms and continuous follow up. This has resulted in a significant decrease in stress-related absence and a level close to zero by the end of the year.

2. In terms of absence due to illness, we have in 2020 continued the intensive work we initiated in 2019, where employees with complex long-term illnesses were supported with back-to-work plans and/or best possible alternative solutions in close collaboration with local municipalities, medical doctors and Novo Nordisk social counselors. The result has been a continuous positive trend throughout 2020 and a reduction of absence by 20% compared to 2019. By the end of the year absence due to illness was 3.1%

3. We have changed our performance-management approach to focus on behaviour through continuous dialogue and feedback between manager and employee. Behavioural targets are designed from the Novo Nordisk Way and our Novo Nordisk Pharmatech United Culture, which has particular emphasis on strengthening our commercial mindset, our focus on simplicity and our ability to collaborate across departments.

As a global company, Novo Nordisk Pharmatech strives to increase the number of international employees. In 2020, we have successfully hired 10 international candidates taking up positions across the organisation spanning from senior profiles in R&D and Business Development to interns in Finance and Sales & Marketing. By the end of the year, we had 15 different nationalities hired in Novo Nordisk Pharmatech and internationalisation remains a focus area going forward.

In addition, we have put a focus on training and educating young students during the past few years, from laboratory and operator trainees, to interns and students from universities. In 2020, we hired a total of 17 students and trainees at Novo Nordisk Pharmatech. Regarding diversity in gender, Novo Nordisk Pharmatech has experienced a 50/50 split between males and females hired in 2020 and the total balance between males and females employed are 50/50. At management level, the split is 60/40 male vs female. In the board of directors there is equal distribution with one female and three male representatives. With this Novo Nordisk Pharmatech complies with 99b (the underrepresented gender), and has no target aspirations.

For section 99a (CSR) Novo Nordisk Pharmatech is represented by its mother company Novo Nordisk. Please refer to the Novo Nordisk A/S Annual Report 2020 management report.

Sponsorships

In 2020, Novo Nordisk Pharmatech has established a formalised process for granting sponsorships. Novo Nordisk Pharmatech will support activities, events and projects primarily within two areas; healthy lifestyle promotion and enhancement of the local nature and environment. It can be sporting events and other events that spread knowledge about health and the environment.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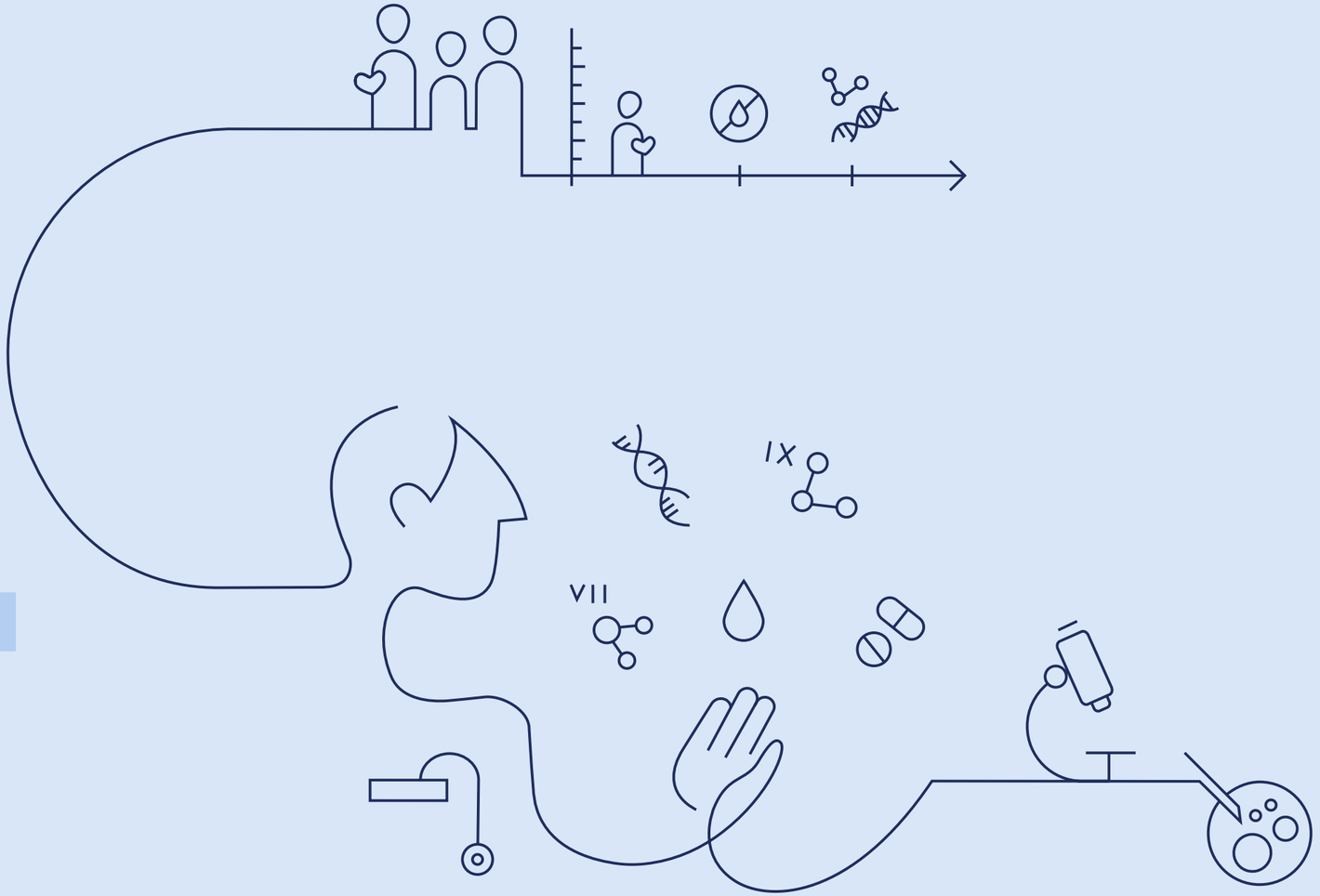
04 Finance



Management's review

Company information

Activity	Supply of ingredients and active pharmaceutical ingredients for the biopharmaceutical and pharmaceutical industries.
Board of Directors	Jean Fabian Jeldorf, Chairman Ulla Grove Krogsgaard Thomsen Søren Thor Jensen Tue Micheelsen Joachim Juel Hagemeister Zohra Mansour
Executive Management	Rasmus Hother le Fevre
Location	Køge
CVR no	13 24 61 49
Address	Københavnsvej 216, DK-4600 Køge
Financial calendar	1 January – 31 December
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, DK-2900 Hellerup
Share capital	DKK 10,000,000

Shareholder

Novo Nordisk Pharmatech A/S is 100% owned by:

Novo Nordisk A/S
Novo Alle
DK-2880 Bagsværd

Consolidated financial statements

The financial statement of the company is part of the consolidated financial statements of Novo Nordisk A/S and finally in the consolidated financial statements of Novo Nordisk Foundation.

The consolidated financial statements of Novo Nordisk A/S may be obtained at the following web address:

novonordisk.com

The consolidated financial statements of Novo Nordisk foundation may be obtained at the following address:

Novo Nordisk Fonden
Tuborg Havnevej 19
DK-2900 Hellerup

Management’s statement

The Executive and Board of Directors have today approved the Annual Report of Novo Nordisk Pharmatech A/S for the financial year 1 January–31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, The Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the results of the Company operations for 2020.

In our opinion, Management's review includes a true and fair account of the matters addressed in the Review.

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

Køge, 24 februar 2021

Executive Management:

Rasmus Hother le Fevre
CEO

Board of Directors:

Jean Fabian Jeldorf
Chairman

Ulla Grove Krogsgaard Thomsen

Søren Thor Jensen

Tue Micheelsen

Joachim Juel Hagemeister

Zohra Mansour

Independent Auditor's Report

To the Shareholders of Novo Nordisk Pharmatech

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novo Nordisk Pharmatech for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either

intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 24 Februar 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

Mads Melgaard
State Authorised Public Accountant
mne34354

Conrad Mattrup Lundsgaard
State Authorised Public Accountant
mne34529

Accounting policies

Basis of preparation

The financial statements included in this Annual Report have been prepared in accordance with the provisions of the Danish Financial Statement Act applying to large enterprises of reporting class C.

The income statement in this year's annual report is reported by function, where it has previously been reported by nature. This is done to align the financial reporting with the parent company Novo Nordisk A/S and to create transparency and simplicity.

Cash flow statement is not included under reference to Danish Financial Statement Act §86, section 4 as Novo Nordisk Pharmatech is included in the consolidated financial statement of Novo Nordisk A/S.

Besides the above mentioned change, the principal accounting policies set out below have been applied consistently for the years presented.

All amounts are stated in DKK 1,000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities, measured at fair value or amortised cost, are recognised.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions, as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised when it is probable that future economic benefits associated with the item will flow to Novo Nordisk Pharmatech and the cost of the item can be measured reliably.

Liabilities are recognised when it is probable that future economic benefits associated with the item will flow from Novo Nordisk Pharmatech and the liability can be measured reliably.

Initially assets and liabilities are recognised at cost price and subsequently measured as described below.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is the original cost price with deduction of payments and adjusted for the accumulated depreciation of the difference between cost price and the nominal value. Hereby any adjustment to market rate is allocated over the lifetime.

At measurement, any loss or risk expected before balance sheet date is included and confirmed at the balance sheet date.

Leases

All lease contracts are operational lease commitments. Payments on operational lease commitments are measured in the income statement as per the leasing period.

Foreign currencies

Transactions in foreign currencies have been measured at the rate of the transaction date. Gains and losses arising from the transaction date to the payment date are measured in the income statement as a financial income or expense.

Receivables, debt and other monetary items in foreign currencies which have not been settled on the balance date are measured at the currency rate of the balance date. The differences from the rate of the balance date and the rate of the transaction date is measured in the income statement as a financial income or expense.

Corporate tax and deferred tax

The company takes part in group taxation with the owner Novo Nordisk A/S and other Danish group enterprises. The tax of the group taxation with the owner and the group enterprises is allocated to the companies in accordance with the taxable income. The Danish companies in the group taxation are part of the on account taxation.

Tax on the year's net profit consists of actual tax and deferred tax and is measured in the income statement directly in accordance with the profit of the year and to the equity in accordance with transactions on the equity.

Actual tax payments and tax receivables are measured in the balance as a receivable if prepaid tax exceeds actual tax and as a liability if prepaid tax is less than the actual tax.

Deferred tax arises from temporary differences between the accounting and taxable value of assets and liabilities using the liability method. Deferred tax is not recognised on temporary differences from non-tax deductible depreciation on goodwill and other items where temporary differences, except for company takeovers, have arisen at the time of acquisition without impact on profit or taxable income. In the situations where the taxable value can be measured after alternative tax rules, deferred tax is measured in accordance with the planned use of the assets and amortisation of the liability respectively.

Deferred tax assets including the taxable value of carried taxable losses are measured at the value which the assets are expected to be realised by either offsetting in future taxable profit or by offsetting deferred tax liabilities within the same legal entity and the same jurisdiction.

Changes in deferred tax following changes in tax rates are measured in the income statement.

Income statement

Net sales

Sale of goods and services is recognised in the income statement if delivery and risk have been transferred to the buyer before the balance sheet date. The revenue is measured excluding vat and after rebate associated with the sale.

Revenue from goods sold is recognised when all of the following conditions are met:

- Novo Nordisk Pharmatech has transferred the significant risks and rewards of ownership of the goods to the buyer
- Novo Nordisk Pharmatech retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity.

Cost of goods sold

Cost of goods sold includes raw material cost and indirect production costs, including staff expenses and non-staff expenses. Along with sales, costs capitalised to inventory are recognised when the goods are delivered and the risks have been transferred.

Sales & Distribution costs

Sales & Distribution costs include all costs related to distributing, marketing and selling of Novo Nordisk Pharmatech products.

Research & Development costs

Research & Development costs include all internal and external costs related to development of new and existing products for both internal and external sales.

Service fees

Service fees comprise all costs related to intercompany mark-ups and transferring of costs between Novo Nordisk Pharmatech and Novo Nordisk A/S. These costs are calculated in accordance with transfer pricing regulations and the Arm’s Length Principle.

Other operating income and expenses

Other operating income and expenses comprise items secondary to the primary activities of the company including gain/loss on intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses include interest, realised and unrealised currency adjustments as well as interests associated with the prepayment of taxes.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost price with deduction of accumulated impairments and depreciation.

Depreciation is provided under the straightline method over the estimated useful lives of the assets as follows:

Buildings: 50 years

Plant and machinery: 8–16 years

Other equipment: 3–10 years

Intangible assets

Expenses incurred in connection with the development of software are recorded at cost less accumulated amortisation in the balance sheet to the extent that it is estimated that there is a connection between costs incurred and future earnings.

The amortisation of development costs is based on an estimate of the financial useful life of the individual projects and is calculated on a straight line basis over five years.

Development projects, which do not qualify for recognition in the balance sheet, are recognised in the income statement as costs in the year of acquisition.

Finished development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. If this is indicated, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed.

The impairment test is performed on the basis of various factors, including future use of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. Cost comprises direct production costs such as raw materials, consumables and labour as well as indirect production costs (IPC). Production costs for work in progress and finished goods include IPC such as employee costs, depreciation, maintenance etc.

If the expected sales price less completion costs to execute sales (net realisable value) is lower than the carrying amount, a writedown is recognised for the amount by which the carrying amount exceeds its net realisable value.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for doubtful trade receivables.

Prepayments

Prepayments are payments made concerning subsequent financial years.

Debt

Debt to banks, suppliers etc is measured at amortised cost price or lower net realisable value which in most situations corresponds to the nominal value. Prepayments are payments made concerning subsequent financial years.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Income statement

1 January – 31 December 2020

Profit

	2020	2019	Note
Net profit for the year			
Net sales	667,729	620,992	1
Cost of goods sold	(530,463)	(480,275)	2
Gross profit/loss	**137,266**	**140,717**	
Sales & Distribution	(12,397)	(8,741)	
Research & Development	(16,124)	(20,982)	
Service fees	42,540	10,161	
Other Operating Income	2,654	(15)	
Operating profit/loss	**153,939**	**121,141**	
Financial items	(7,770)	2,293	4, 5
Profit/loss before tax	**146,169**	**123,434**	
Tax on profit/loss for the year	(31,254)	(26,136)	6
Net profit/loss for the year	**114,915**	**97,298**	

Balance sheet

31 December 2020

Assets

	2020	2019	Note
Fixed assets			
Intangible assets			
Development projects	0	2,297	7
Intangible assets	0	2,297	
Property, plant and equipment			
Land and buildings	149,837	154,747	8
Plant and machinery	103,946	123,448	
Other fixtures and fittings, tools and equipment	29,181	12,716	
Property, plant and equipment in progress	81,341	21,718	
Property, plant and equipment	**364,305**	**312,629**	
Fixed assets	**364,305**	**314,926**	
Current assets			
Inventories	**131,120**	**211,500**	9
Receivables			
Trade receivables	41,952	52,947	
Receivables from group enterprises	193,522	224,435	
Corporation tax	0	3,525	6
Other receivables	13,701	390	
Prepayments	925	1,668	10
Receivables	**250,100**	**282,965**	
Current assets	**381,220**	**494,465**	
Assets	**745,525**	**809,391**	

Liabilities and equity

	2020	2019	Note
Equity			
Share capital	10,000	10,000	
Retained earnings	396,434	481,519	
Proposed dividend	200,000	200,000	
Equity	**606,434**	**691,519**	11
Provisions			
Provision for deferred tax	30,470	32,501	6
Provisions	**30,470**	**32,501**	
Short-term debt			
Trade payables	21,916	11,094	
Payables to group enterprises	26,360	39,138	
Corporation tax	19,366	0	6
Other payables	40,979	35,139	
Short-term debt	**108,621**	**85,371**	
Liabilities and equity	**745,525**	**809,391**	
Contingent liabilities			12
Related parties and ownership			13

Changes to equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
Changes to equity				
Equity 1 January 2020	10,000	481,519	200,000	691,519
Paid dividend			(200,000)	(200,000)
Net profit for the year		(85,085)	200,000	114,915
Equity 31 December 2020	**10,000**	**396,434**	**200,000**	**606,434**

Notes to the financial statement

Notes 1–5

	2020	2019
1. Segment information		
Exports	450,708	348,565
Group	217,021	272,427
	667,729	**620,992**

The geographical split follows the split of the business, as the segment Group covers Denmark and the segment Exports primarily covers the revenue to the rest of the world.

2. Remuneration to auditor

No information is provided with reference to the Danish Financial Statement Act §96 section 3.

	2020	2019
3. Staff expenses		
Wages and salaries	121,845	112,701
Pensions	11,825	10,603
Other social security expenses	861	1,009
	134,531	**124,313**
Cost of goods sold	111,270	103,777
Sales & Distribution	14,800	14,429
Research & Development	8,461	6,107
	134,531	**124,313**

Including remuneration to the Executive Management and Board of directors of DKK 2.3 million compared to DKK 2.3 million in 2019.

Wages and salaries	2,057	1,991
Pensions	161	158
Other social security expenses	118	126
	2,336	**2,275**
Average number of employees	197	184

4. Financial income

Interest received from group enterprises	131	1,109
Other financial income	3,645	3,619
	3,776	**4,728**

5. Financial expenses

Interest paid to group enterprises	(15)	(12)
Other financial expenses	(11,531)	(2,424)
	(11,546)	**(2,436)**

Notes to the financial statement

Notes 6–7

6. Tax on profit/loss for the year

	Corporation tax	Deferred tax	Total tax for the year
1 January 2020	(3,525)	32,501	
Adjustments concerning prior years	(178)	0	(178)
Current tax for the year	33,463	(2,031)	31,432
Settlement re: 2019 tax	3,709		
Prepaid tax for the year	(14,103)		
31 December 2020	**19,366**	**30,470**	**31,254**

Specification of deferred tax	**2020**	**2019**
Trade receivables	(230)	(102)
Property, plant and equipment	9,776	9,614
Land and buildings	11,760	11,303
Indirect production cost	9,164	11,686
Deferred tax	**30,470**	**32,501**

7. Intangible assets

	Development projects completed
Cost at 1 January 2020	12,524
Additions for the year	0
Disposals for the year	0
Transfers for the year	0
Cost at 31 December 2020	**12,524**
Impairment losses and amortisations at 1 January 2020	10,227
Amortisations for the year	2,297
Amortisations for the year	0
Impairment losses and amortisations at 31 December 2020	**12,524**
Carrying amount at 31 December 2020	**0**

All intangible assets are related to cost of goods sold

Notes to the financial statement

Note 8

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2020	204,240	345,527	17,825	21,718	589,310
Additions for the year	651	1,828	6,836	71,171	80,486
Disposals for the year	(1,811)	(49,527)	(591)	0	(51,929)
Transfers for the year	0	0	11,548	(11,548)	0
Cost at 31 December 2020	**203,080**	**297,828**	**35,618**	**81,341**	**617,867**
Impairment losses and depreciations at 1 January 2020	49,493	222,079	5,109	0	276,681
Depreciations and impairments for the year	4,205	20,074	1,919	0	26,198
Reversal of impairment and depreciations of sold assets	(455)	(48,271)	(591)	0	(49,317)
Impairment losses and depreciations at 31 December 2020	**53,243**	**193,882**	**6,437**	**0**	**253,562**
Carrying amount at 31 December 2020	**149,837**	**103,946**	**29,181**	**81,341**	**364,305**

Specification of depreciations	2020	2019
Cost of goods sold	25,575	25,096
Sales and distribution	0	0
Research & Development	623	246
	26,198	**25,342**

Notes to the financial statement

Notes 9–13

	2020	2019
9. Inventories		
Raw materials and consumables	49,391	103,533
Work in progress	1,282	4,058
Goods in transit	41	1,827
Finished goods and goods for resale	80,406	102,082
	131,120	**211,500**

10. Prepayments

Prepayments consist of payments made for subsequent years and concern insurance premiums, servicing of microscopes and IT licences.

11. Equity

The share capital consists of shares at DKK 1,000 or multiples hereof.
There have been no changes to share capital in the last five years.

Distribution of profit		
Retained earnings	(85,085)	(102,702)
Dividend	200,000	200,000
Distribution of profit	**114,915**	**97,298**

12. Contingent liabilities

Lease and purchase obligations

Leasing and purchase obligations concerning cars, equipment and raw materials

	2020	2019
Within 1 year	20,358	20,369
Between 2 and 5 years	40,544	60,469
	60,902	**80,838**

Novo Nordisk Pharmatech A/S, Novo Nordisk A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Novo A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation since 2014. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

13. Related parties

Controlling interest

Novo Nordisk Foundation	Parent foundation
Novo Holdings A/S	Intermediate parent company
Novo Nordisk A/S	Immediate parent company

Other related parties

Rasmus Hother le Fevre	Executive Director

Board of directors

Jean Fabian Jeldorf	Chairman
Ulla Grove Krogsgaard Thomsen	
Søren Thor Jensen	
Tue Micheelsen	
Joachim Juel Hagemeister	
Zohra Mansour	

Transactions

All group internal transactions are on market terms.

Novo Nordisk Pharmatech A/S

Novo Nordisk Pharmatech is a leading global supplier of high-quality ingredients for the biopharmaceutical and pharmaceutical industries. The company has attracted an extensive roster of leading pharmaceutical companies through unsurpassed product quality, manufacturing and quality control, regulatory documentation, precision delivery and a comprehensive risk mitigation strategy.

For more information visit **novonordiskpharmatech.com**

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