

A close-up photograph of a person in a white lab coat and white gloves working on a complex, metallic pharmaceutical machine. The person is using a small tool to adjust a component of the machine. The background is slightly blurred, showing more of the machine and the person's face. The overall scene is clean and professional, typical of a pharmaceutical manufacturing environment.

Annual Report Novo Nordisk Pharmatech

2024

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01 Management review



Letter from management



Ulla Grove
Krogsgaard Thomsen
CEO

2021 has been a year with a lot of learnings and development for Novo Nordisk Pharmatech and again in 2021, due to COVID-19, we had to navigate in a challenging business environment. Nonetheless, we made progress within our growth ambition of adding new products to our pipeline within speciality enzymes and resins with the prospect of enabling better medicines.

The increased demand within technical insulins continued, driven both by growth in the biopharmaceutical industry and an increased demand due to COVID-19-related activities. In addition, we regained customers in the media-producing field. The Quats product group, on the other hand, declined both due to stock-building in 2020 at large customers, as well as increased competition. In terms of Pharmaceutical applications, COVID-19 restrictions led to fewer other infections and a related decreased demand for Quats. The total full year 2021 external sales are better than expected, driven by the increased sales of technical insulin.

In 2021 the company established a sales office in the US. Thus, we now have presence in Copenhagen, Singapore, and the east and west coasts of USA and we are optimally geographically positioned to support our customers globally.

During 2021, we invested in the rebuilding of a multi-product purification plant for speciality

process enzymes. We have initially produced 2 enzymes in the facility and during 2022 we will validate purification of 3 enzymes. During the year we took a lot of learnings in terms of qualifying new purification processes in a fully automated multi-product facility. This facility is an important cornerstone in our growth strategy where we aim for a portfolio of speciality enzymes supporting the external market for advanced therapy medicinal products (ATMP's). To fuel this pipeline, we also signed a collaboration agreement with Novozymes, a collaboration agreement that combines the companies' joint competencies and interests within the development of speciality enzymes.

In R&D we progressed our pipeline within resins and enzymes. We developed a new affinity resin for Novo Nordisk that is now going into production and we initiated a new application study to show the superior properties of our mixed mode resins. The enzyme pipeline is also progressing well, with 4 new projects addressing speciality enzymes for the ATMP market.

In 2021 the company continued to invest in IT infrastructure and digitalisation. The production IT infrastructure was renewed and qualified, and 'digital twins' were used across several processes for optimisation of capacity. During rebuild of the purification facility for enzymes, we have implemented a robotic filling solution as well as intelligent components to allow condition-based maintenance. We also continue to digitise our quality systems, enabling smarter work processes, including better scale-up when we add new products. In Sales and Marketing, our digital

transformation evolved markedly during 2021, leading to a tripling of sales leads. The company remains focused on harvesting benefits from digitalisation and will continue to invest in this area to improve our operational excellence.

Our quality performance continued at a very high level in 2021 where we managed to host 22 audits, including a DMA inspection. Efforts to simplify our quality management system continued and the outcome has been more simple and transparent processes that are scalable as our portfolio of products expands.

At Novo Nordisk Pharmatech we operate by balancing financial, environmental and social performance. We aim to have energy consumptions sourced from renewable sources and we have mapped our environmental footprint so we can prioritise optimisation projects to be pursued in order to reduce our footprint by 50% in 2026. Finally, we are working with our suppliers to also use renewable energy sources and we commit to sea freight over air freight.

Despite a challenging year, Novo Nordisk Pharmatech ended the year with a satisfactory result with external sales above our expectations, a net profit that was on par with last year, solid progress within our production footprint and our pipeline of new products. Finally, an agile operational setup and an engaged workforce enabled us to navigate through yet another year with the COVID-19 pandemic.

Financial review 2021

Revenue and EBIT development

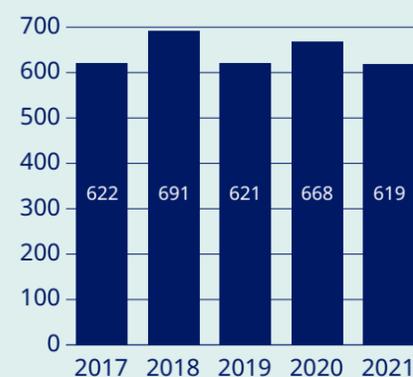
Overall revenue in Novo Nordisk Pharmatech A/S in 2021 was DKK 619 million. This is a decrease of DKK 49 million (7%) compared to 2020, when total sales were DKK 668 million.

The main drivers of this development were:

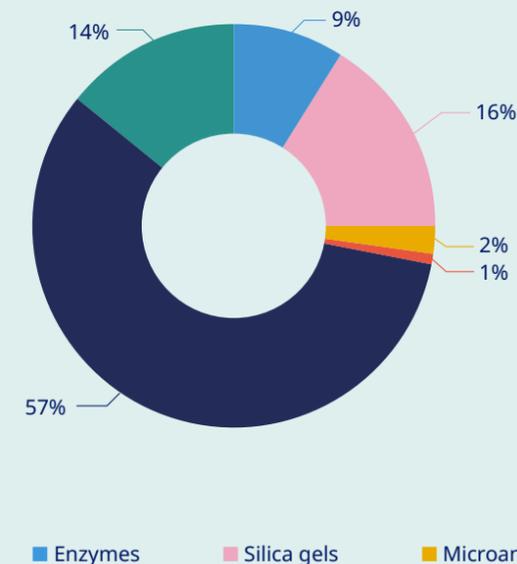
- Sales of Quats experienced a 42% decline versus 2020 due to a drop in the global market demand after the significant volume increases during the beginning of the COVID-19 pandemic
- Sales of Enzymes declined 43% compared to 2020 due to rebuilding of the Enzymes facility to accommodate the future growth plans
- Regarding sales of technical insulin the global demand increased resulting in a total sales increase of 19% over 2020
- Sales of purification resins experienced a stable demand development resulting in a growth of 4%

Sales development

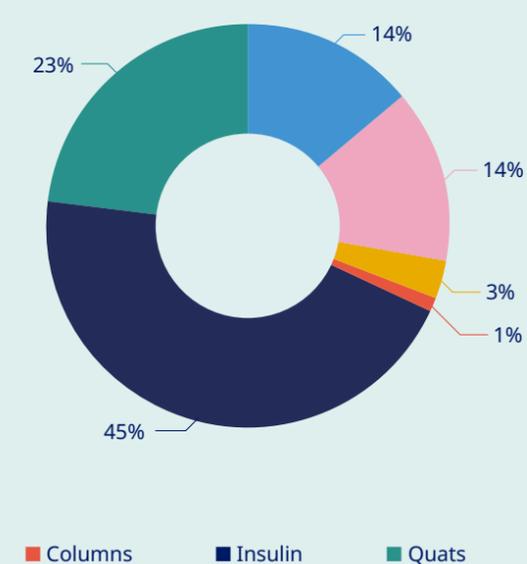
DKK million



Sale product group 2021



Sale product group 2020



Total cost in Novo Nordisk Pharmatech was lower than 2020, due to decrease in raw material costs with lower production volumes of Quats and Enzymes. Capacity costs increased primarily due to hirings for the increasing focus on new product development.

Net operating profit (EBIT) for 2021 was DKK 147 million, decreasing from DKK 154 million in 2020. The decrease in net operating profit increase is mainly driven by lower sales of Quats. This has been partially offset by higher sales on insulin.

In 2021 DKK 53 million was invested into property, plant and equipment, compared to DKK 71 million in 2020. Investment costs were primarily spent on the new enzymatic purification facility and the initiation of building a new Resins pilot plant facility which both are expected to be finalised in 2022.

Total EBIT margin is
23.8%

Cost

- Raw material costs
- Capacity costs
- Depreciations

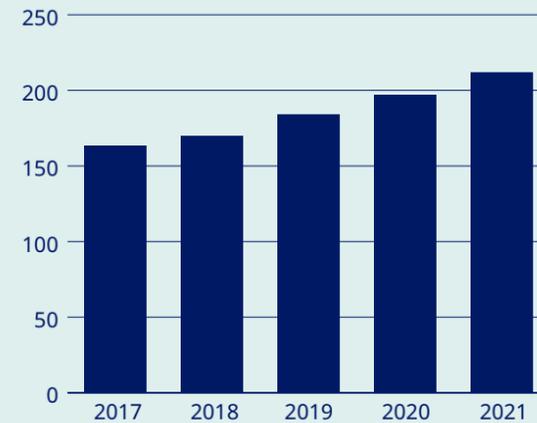
DKK million



FTEs

- FTEs

Average number of employees

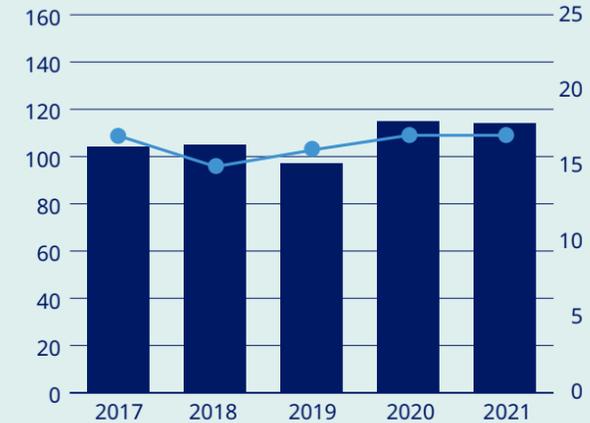


NET PROFIT

- Net profit (left)
- Net profit margin (right)

DKK million

%

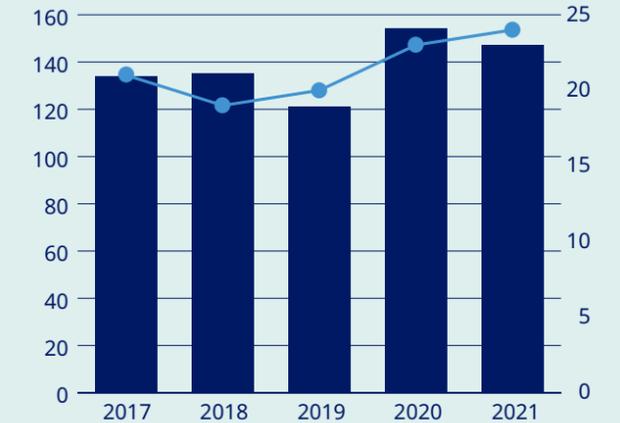


EBIT

- EBIT (left)
- EBIT margin (right)

DKK million

%



Financial highlights

Key figures (DKK 1,000)

	2021	2020	2019	2018	2017
Result					
Revenue	619,083	667,729	620,992	690,700	622,436
Gross profit/loss	141,063	145,866	149,294	163,121	124,431
Profit/loss before financial income and expenses	147,120	153,939	121,142	134,241	133,554
Net financials	(514)	(7,770)	2,292	1,790	(1,333)
Net profit/loss for the year	113,748	114,915	97,298	105,268	103,665
Balance					
Balance sheet total	639,924	745,525	809,391	760,808	676,372
Equity	520,247	606,434	691,519	614,221	528,953
Cash Flow					
Investments in property, plant and equipment	53,477	71,171	30,782	64,210	25,440
Average number of employees					
	212	197	184	170	163
Ratios					
Gross margin ¹	22.8	21.8	24.0	23.6	20.0
Profit margin ²	23.8	23.1	19.5	19.4	21.5
Return on assets ³	23.0	20.6	15.0	17.6	19.7
Solvency ratio ⁴	81.3	81.3	85.4	80.7	78.2
Return on equity ⁵	20.2	17.7	14.9	18.4	20.8

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

1. Gross profit as a percentage of sales (Gross profit / Sales)

2. Profit before financial income and expenses as a percentage of sales (Profit before financial income and expenses / Sales)

3. Profit before financial income and expenses as a percentage of total assets (Profit/loss before financial income and expenses / Balance sheet total)

4. Equity on the balance sheet date as a percentage of total assets (Equity / Balance sheet total)

5. Net profit for the year as a percentage of the shareholders' equity (average) (Net profit / ((Equity + Equity last year) / 2))

Outlook 2022

Executing on our growth strategy

In 2022 Novo Nordisk Pharmatech will prepare for launch of the first new recombinant GMP grade enzymes, enabling better medicines in the biopharmaceutical and Advanced Therapy Medicinal Products markets. The expanded global presence achieved with establishment of the sales office in USA will enhance and support our future external product launches.

The technical Insulin market is expected to grow high-single digit reflecting the Biopharmaceutical market development, whereas the Quats market is experiencing fierce competition and expected to grow low to mid-single digit for pharmaceutical applications, with a decline in other applications. We aim to build strong global regulatory support for our customers to grow with the pharmaceutical market.

In 2022 we will finalise our efforts and complete our investments in the new multi-product purification facility in order to handle our expanded enzyme product portfolio. Thereby we can live up to the Novo Nordisk demand for the new products within diabetes and obesity care, in addition to speciality enzymes to enable production of medicines in the ATMP market. This facility is expected to fuel the long-term growth of Novo Nordisk Pharmatech.

The demand for purification resins has doubled in 2022, leading us to optimise our production set-up to increase capacity and we are further investing in a new facility for novel optimised purification resins.

R&D will continue to progress our portfolio within resins and speciality enzymes and with the signed collaboration agreement with Novozymes, we expect to progress four new projects addressing speciality enzymes for the ATMP market.



Novo Nordisk Pharmatech has fully adopted to our environmental strategy 'Circular for Zero'. The strategy builds on a long tradition of improving the environmental performance of the company. In 2022, the company will continue this journey by further reducing waste from its operations and investing to secure a circular mindset.

Novo Nordisk Pharmatech will continue throughout 2022 to optimise our operations towards more innovation, robust and reliable delivery and investment in our digitalisation journey.



ESG 2022



ESG



Environment

In 2019, Novo Nordisk Pharmatech committed to a Circular for Zero environmental strategy, meaning the company strives toward having zero environmental impact by 2030.” For further information on the strategy and progress please refer to the Novo Nordisk A/S Annual Report 2021 management report.

Social

Novo Nordisk Pharmatech has worked intensively to improve and maintain a sustainable approach to the well-being of our employees, and it is our ambition to be a safe, attractive and modern workplace, which proactively and continuously is improving its working environment.

During 2021, a female shareholder-elected Board member stepped down from the Board of Directors and was replaced by a male Board member. By the end of 2021, the Board consisted of four male shareholder-elected Board members and did no longer fulfil the gender diversity requirements. The Board has set a new target of including at least one female Board member elected by the general meeting by the end of 2025.

Regarding the Financial Statements Act §99b (the underrepresented gender): The gender split for management positions was 40% female and 60% male by the end of 2021. Consequently, the Company was not required to establish a gender diversity policy for other management levels

For the Financial Statements Act §99a (CSR) and §99d (Data ethics) Novo Nordisk Pharmatech is represented by its mother company Novo Nordisk. Please refer to the Novo Nordisk A/S Annual Report 2021 management report.

Governance

Novo Nordisk Pharmatech has a two-tier management structure consisting of the Board of Directors and Executive Management. The Board of Directors is responsible for the overall strategic direction and supervision of the performance of the company, strategy implementation and the work of Executive Management. Executive Management, in turn, is responsible for the day-to-day management of the company, development and implementation of strategies and policies, the company’s operations and organisation and timely reporting to the Board of Directors and Novo Nordisk’s stakeholders. The Board of Directors and Executive Management are separate bodies, and no one serves as a member of both.

The governing processes at Novo Nordisk Pharmatech, that serves to support our Principles, Ethics and reputation, are following the Novo Nordisk setup. Please refer to the Novo Nordisk A/S Annual Report 2021 management report.

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. Based on 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 risks at Novo Nordisk Pharmatech are 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 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. If corruption and bribery attempts do happen, there is an established whistle-blower framework available, enabling anonymous reporting if deemed necessary.

2. Health and 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 such as the aftermath of flooding and heavy rain as we are situated close to sea level.

4. Commercial risks

As part of annual budgeting and follow up, we forecast with expectations on market developments in the short- and long term. A long-term risk in the Quats market is 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, the market has developed insulin free media that is used in certain applications and creates a long-term risk to our growth.

If some of our big customers in Insulin suffers in their product executions, it might have a short-term financial effect as we could lose out on substantial revenues.

5. IT Security

Disruption to IT systems, through cyber-attacks or infrastructure failure can result in business disruption or breach of data confidentiality. Increased digitalisation of production and the way we collaborate – especially since the COVID-19 outbreak – increases the impact of a potential disruption to the IT systems, as it could limit our ability to produce and safeguard product quality as well as limit future business opportunities if proprietary information is lost.

To mitigate the IT Security Risks, there are built-in protection mechanisms in our IT systems, that are audited by internal audit for security controls, and campaigns are executed to insure increased awareness in IT security for all employees.

6. Supply chain

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Jacob Sten Petersen
Head of Cell Therapy R&D
Novo Nordisk A/S

Søren Thor Jensen
Senior Governance Specialist
Novo Nordisk A/S

Tue Micheelsen
Vice President, Consumer Biosolutions
Novozymes A/S

Joachim Juel Hagemeister
Operator
Novo Nordisk Pharmatech A/S
Employee representative

Zohra Mansour
Process Supporter
Novo Nordisk Pharmatech A/S
Employee representative

Helle Egede Kobberup
PA to Ulla Grove Krogsgaard Thomsen
Novo Nordisk Pharmatech A/S

Ulla Grove Krogsgaard Thomsen
CEO
Novo Nordisk Pharmatech A/S

Jean Fabian Jeldorf
Senior Vice President,
Supply Chain and Finance Novo Nordisk A/S
Chairman of the Board



Finance



Company information

Activity	Supply of ingredients and active pharmaceutical ingredients for the biopharmaceutical and pharmaceutical industries.
Board of Directors	Jean Fabian Jeldorf Søren Thor Jensen Tue Micheelsen Jacob Sten Petersen Joachim Juel Hagemeister Zohra Mansour
Executive Director	Ulla Grove Krogsgaard Thomsen
Location	Køge
CVR number	13 24 61 49
Address	Københavnsvej 216, 4600 Køge, Denmark
Financial calendar	1 January – 31 December
Auditor	Deloitte Weidekampsgade 6 P. O. Box 1600 0900 Copenhagen C
Share capital	DKK 10,000,000

Shareholder

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

Novo Nordisk A/S
Novo Alle
2880 Bagsværd
Denmark

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
2900 Hellerup
Denmark

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 2021.

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 2021 of the Company and the results of the Company operations for 2021.

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, 28 March 2022

Executive Management

Ulla Grove Krogsgaard Thomsen
CEO

Board of Directors

Jean Fabian Jeldorf
Chairman

Søren Thor Jensen

Tue Micheelsen

Jacob Sten Petersen

Joachim Juel Hagemester

Zohra Mansour

Independent Auditor's Report

To the shareholder of Novo Nordisk Pharmatech A/S

Opinion

We have audited the financial statements of Novo Nordisk Pharmatech A/S for the financial year 2021, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2021 and of the results of its operations for the financial year 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this Auditor's Report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the Management review

Management is responsible for the Management review.

Our opinion on the financial statements does not cover the Management 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 the Management review and, in doing so, consider whether the Management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management 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 of the Management review.

Køge, 28 March 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR number 33963556

Lars Hansen

State Authorised Public Accountant

Identification No (MNE) mne24828

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.

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.

Administration

Administration cost incurred during the year for management and administration are recognized in administration cost.

This includes expenses incurred for the administrative staff, Management, offices as well as office expenses and similar expenses and amortization and impairment of tangible assets.

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.

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

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.

Cost comprises the acquisition price and other directly attributable costs until the date on which the asset is available for use. For self-constructed assets, cost comprises the direct costs of materials, subsuppliers and salaries, etc. The total cost of an asset is broken down into components that are depreciated separately if the expected useful lives of the individual components are not the same.

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

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.

Investment in subsidiaries

Investments in subsidiaries are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intragroupprofits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in subsidiaries are written down to the lower of recoverable amount and carrying amount." and with heading "Investments in subsidiaries.

Income statement

1 January – 31 December 2021

Profit

	2021	2020	Note
Net profit for the year			
Net Sales	619,083	667,729	1
Cost of goods sold	(478,020)	(521,863)	2
Gross profit/loss	141,063	145,866	
Sales & Distribution	(11,307)	(12,397)	
Research & Development	(29,760)	(16,124)	
Administration	(10,708)	(8,600)	
Other Operating Income	57,831	45,194	
Operating Profit/Loss	147,120	153,939	
Share of Profit (Loss) in Subsidiaries	102	0	
Financial items	(514)	(7,770)	4,5
Profit/loss before tax	146,708	146,169	
Tax on profit/loss for the year	(32,960)	(31,254)	6
Net profit/loss for the year	113,748	114,915	

Balance sheet

31 December 2021

Assets

	2021	2020	Note
Fixed assets			
Property, plant and equipment			
Land and buildings	145,798	149,837	7
Plant and machinery	88,817	103,946	
Other fixtures and fittings, tools and equipment	25,887	29,181	
Property, plant and equipment in progress	131,307	81,341	
Fixed assets	391,809	364,305	
Investment in Subsidiaries	1,092	0	
Total long-term assets	392,901	364,305	
Current assets			
Inventories	181,810	131,120	8
Receivables			
Trade receivables	50,926	41,952	
Receivables from group enterprises	5,136	193,522	
Other receivables	8,316	13,701	
Prepayments	835	925	9
Receivables	65,213	250,100	
Cash at bank and in hand	0	0	
Current assets	247,023	381,220	
Assets	639,924	745,525	

Liabilities and equity

	2021	2020	Note
Equity			
Share capital	10,000	10,000	10
Retained earnings	510,182	396,434	
Effect of exchange rate adjustment	65	0	
Proposed dividend	0	200,000	
Equity	520,247	606,434	
Provisions			
Provision for deferred tax	29,135	30,470	
Other obligations	3	0	
Provisions	29,138	30,470	
Short-term debt			
Trade payables	31,769	21,916	
Payables to group enterprises	21,657	26,360	
Corporation tax	7,111	19,366	
Deferred income	0	0	
Other payables	30,002	40,979	
Short-term debt	90,539	108,621	
Liabilities and equity	639,924	745,525	
Contingent liabilities			11
Related parties and ownership			12

Changes to equity

	Share capital	Retained earnings	Effect of exchange rate adjustment	Proposed dividend for the year	Total
Changes to equity					
Equity 1 January 2021	10,000	396,434		200,000	606,434
Paid dividend				(200,000)	(200,000)
Value adjustment			65		65
Net profit for the year		113,748		0	113,748
Equity 31 December 2021	10,000	510,182	65	0	520,247

Notes to the financial statement

Notes 1–5

	2021	2020
1. Segment information		
Exports	443,042	450,708
Group	176,041	217,021
	619,083	667,729

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.

	2021	2020
3. Staff expenses		
Wages and salaries	135,973	121,845
Pensions	12,830	11,825
Other social security expenses	1,154	861
	149,957	134,531
Cost of goods sold	111,678	103,394
Sales & Distribution	10,053	14,800
Research & Development	18,637	8,461
Administration	9,588	7,876
	149,957	134,531
Including remuneration to the Executive and Board of Directors of DKK 3.0 million compared to DKK 2.3 million in 2020.		
Wages and salaries	2,797	2,057
Pensions	153	161
Other social security expenses	23	118
	2,973	2,336
Average number of employees	212	197
4. Financial income		
Interest received from group enterprises	5	131
Other financial income	4,971	3,645
	4,976	3,776
5. Financial expenses		
Interest paid to group enterprises	(50)	(15)
Other financial expenses	(5,440)	(11,531)
	(5,490)	(11,546)

Notes to the financial statement

Note 6

6. Tax on profit/loss for the year

	Corporation tax	Deferred tax	Total tax for the year
1 January 2021	19,366	30,470	
Adjustments concerning prior years	809	197	1,006
Current tax for the year	33,486	(1,532)	31,954
Settlement re: 2020 tax	(20,175)		
Prepaid tax for the year	(26,375)		
31 December 2021	7,111	29,135	32,960

Specification of deferred tax	2021	2020
Trade receivables	(86)	(230)
Property, plant and equipment	9,205	9,776
Land and buildings	12,419	11,760
Prepayments	175	
Indirect production cost	7,422	9,164
Deferred tax	29,135	30,470

Notes to the financial statement

Note 7

7. 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 2021	203,080	297,828	35,618	81,341	617,867
Additions for the year	671	1,729	0	53,477	55,877
Disposals for the year	(583)	(3,513)	(345)	0	(4,441)
Transfers for the year	0	2,348	1,163	(3,511)	0
Cost at 31 December 2021	203,168	298,392	36,436	131,307	669,303
Impairment losses and depreciations at 1 January 2021	53,243	193,882	6,437	0	253,562
Depreciations and impairments for the year	4,265	19,105	4,151	0	27,521
Reversal of impairment and depreciations of sold assets	(138)	(3,412)	(39)	0	(3,589)
Impairment losses and depreciations at 31 December 2021	57,370	209,575	10,549	0	277,494
Carrying amount at 31 December 2021	145,798	88,817	25,887	131,307	391,809

Specification of depreciations	2021	2020
Cost of goods sold	26,602	25,575
Sales & Distribution	0	0
Research & Development	919	623
Administration	0	0
Total	27,521	26,198

Notes to the financial statement

Notes 8–12

	2021	2020
8. Inventories		
Raw materials and consumables	78,656	49,391
Work in progress	69	1,282
Goods in transit	0	41
Finished goods and goods for resale	103,085	80,406
	181,810	131,120

9. Prepayments

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

10. 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	113,748	(85,085)
Dividend	0	200,000

Distribution of profit	113,748	114,915
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	2021	2020
11. Contingent liabilities		
9. Lease and purchase obligations		
Leasing and purchase obligations concerning cars, equipment and raw materials		
Within 1 year	19,689	20,358
Between 2 and 5 years	19,793	40,544
	39,482	60,902

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.

12. Related parties

Controlling interest

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

In accordance with section 112 of the Danish Financial Statements Act, consolidated financial statements have not been prepared. The consolidated financial statements of the parent company, Novo Nordisk A/S, and the ultimate parent company, Novo Nordisk Foundation, can be ordered from Novo Nordisk A/S (CVR nr. 24 25 67 90), Novo Allé, 2880 Bagsværd, Denmark, and from the Novo Nordisk Foundation (CVR nr. 10 58 29 89), Tuborg Havnevej 19, 2900 Hellerup, Denmark.

Other related parties

Ulla Grove Krogsgaard Thomsen, CEO

Board of Directors

Jean Fabian Jeldorf, Chairman
Søren Thor Jensen
Tue Micheelsen
Jacob Sten Petersen
Joachim Juel Hagemester
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, please visit [novonordiskpharmatech.com](https://www.novonordiskpharmatech.com)

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