2017 ANNUAL REPORT

Novo Nordisk Pharmatech A/S

Novo Nordisk Pharmatech A/S

Københavnsvej 216

4600 Køge

CVR. no. 13246149

Presented and adopted at the annual general meeting on 19 February 2018.

Chairman: Karoline Enodden

Novo Nordisk Pharmatech A/S

novo nordisk®

Novo Nordisk Pharmatech at a glance

69 YEARS

Novo Nordisk Pharmatech is a global company with 69 years of extensive experience supplying ingredients and API for the biopharmaceutical and pharmaceutical industries.

HERITAGE

Part of Novo Nordisk, a global healthcare company with more than 90 years of innovation and leadership in diabetes care, ensures we have the experience and capabilities to improve biopharmaceutical manufacturing.

CUSTOMERS

We are proud to supply the largest pharmaceutical companies worldwide with continuous high quality products.

QUALITY

We never compromise on quality. By consistently meeting expectations and the needs of our stakeholders, we safeguard product quality and ultimately safeguard the patients. Our track record proves this.

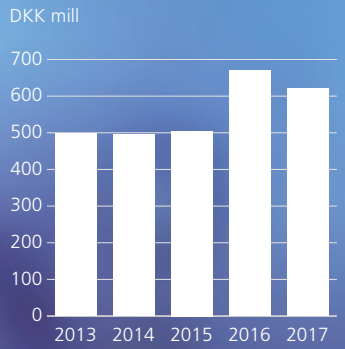
PRODUCTS

We live up to our customers' uncompromising standards by providing pure, efficacious and safe products every time.

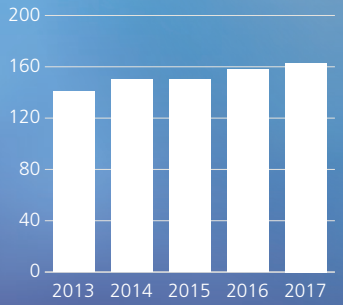
MARKET

Novo Nordisk Pharmatech is the worldwide leading supplier of recombinant insulin for cell growth media and pharmaceutical grade quaternary ammonium compounds (Quats).

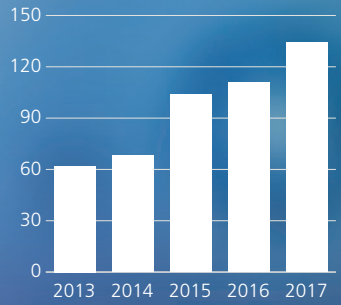
SALES DEVELOPMENT



NUMBER OF FTEs



NET PROFIT



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Letter
from management

RASMUS HOTHER LE FEVRE
Managing Director,
Corporate Vice President (CVP)

2017 turned out to be yet another good year with strong performance. The net operating profit grew by 19%, driven by an improved product mix, where sales to the global pharmaceutical and biopharmaceutical industry outgrew sales to Novo Nordisk, resulting in an improved overall profit margin. Sales of synthetic molecules continued to perform well with a growth of 21%, driven by expanded geographical presence through new distributors. The sales of insulin for cell culture media experienced a 5% decline in sales, due to a decrease in demand from two large customers. The decline in demand from these two customers was partly offset by an increase in demand from other customers, as well as a positive development in currency.

The supply of enzymatic products to Novo Nordisk was in line with expectations. Both costs and prices decreased, which impacted the top-line negatively, but with minimal impact on EBIT. The sales and supply of resins to Novo Nordisk in 2017 decreased due to lower demand, which impacted both top-line and costs negatively. The particle analysis conducted in the micro analysis laboratory experienced a stable high demand throughout the year and managed to improve response times significantly, while improving customer service.

We achieved a key milestone with the launch of our new strategy in January 2017. The strategy strengthens the R&D activities around the company's core competencies, and has five critical objectives:

- Expand the portfolio and presence as a supplier to the biopharmaceutical industry within resin technologies
- Expand the portfolio of pharmaceutical grade enzymatic process aids and commercialise these globally to the biopharmaceutical industry
- Support Novo Nordisk with particle analysis
- Maintain the leadership position as supplier of insulin to cell culture media
- Broaden the geographical reach and presence for synthetic molecules

During 2017 and going forward, this strategy has directed the activities of Novo Nordisk Pharmatech.

Derived from this strategy, the organisational needs have focused on the continued development of our core competencies, as well as on-boarding new colleagues with skill sets fit for the future; The R&D department has expanded in order to frontload development activities with a new, faster-to-market approach. Together with a new Business Development function, we have accelerated our focus on maturing early stage development ideas, as well as expanding market needs. Lastly, the business support function has been strengthened in order to execute on the growing portfolio of projects coming out of R&D and Business Development in 2018.

The investment level remained on a low level in 2017, reflecting a need to focus on optimising internal business processes, in particular within IT and finance. The project organisation has been strengthened in order to execute on a project portfolio, which will grow significantly in 2018 – both when it comes to investments in our production facilities and our R&D and business development projects.

Novo Nordisk Pharmatech is leaving 2017 on a solid financial foundation, a clear strategy, and a pipeline of new products on its way. The company adheres to our triple bottom line and operates in a socially and environmentally-responsible way that delivers competitive financial results. The strong focus on quality has resulted in high rankings in customer audits and inspections from authorities. This is strong testimony that Novo Nordisk Pharmatech delivers products of high Quality, high Purity in a Reliable and Consistent way. We call it 'Excellence. Multiplied'.

Financial review 2017

Overall performance in 2017 has been satisfying with a growth in net operating profit of 18% before taxes, despite lower sales of 7%.

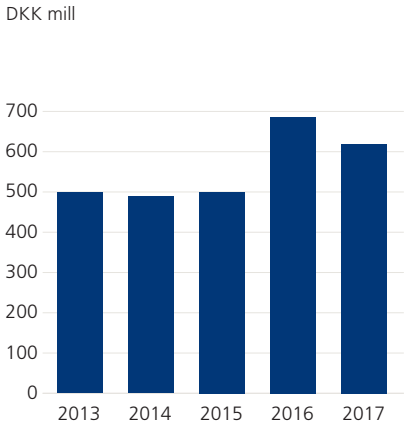
Revenue and EBIT development

Overall revenue in Novo Nordisk Pharmatech A/S in 2017 was DKK 622.4 million. This is a decrease of DKK 46.6 million (-7%) compared to 2016, where the total sales were DKK 669.0 million. The main drivers for this development were:

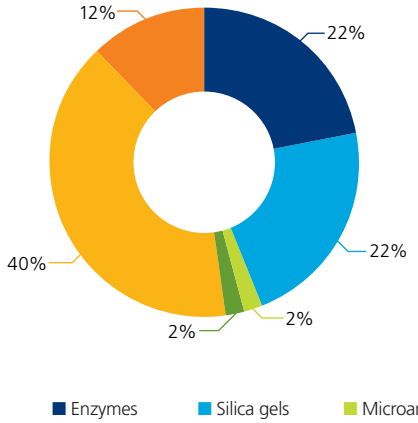
- Sales of ALP to Novo Nordisk were DKK 31 million (-21%) lower than 2016 due to reduced prices.
- Sales of Silica to Novo Nordisk were DKK 13 million (-9%) lower than 2016 due to lower demand and volumes delivered.
- Sales of insulin to the global market were DKK 17 million (-6%) lower than 2016 driven by lower volumes, due to the expiry of a key customer patent on a blockbuster product.
- Sales of columns were DKK 3 million (-37%) lower than 2016 due to higher demand and lower prices.
- Sales of Quats (Synthetic molecules) to the global market were DKK 18 million (+21%) higher than 2016 driven by a higher value product mix.

The split and development of product sales

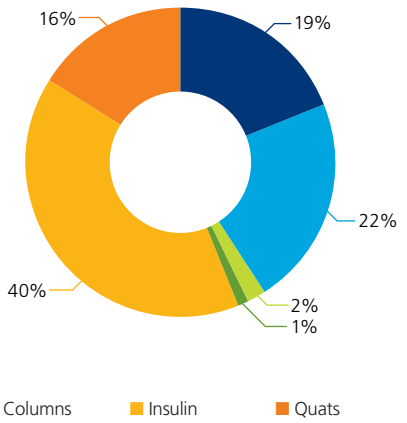
SALES DEVELOPMENT



SALE PRODUCT GROUP 2016

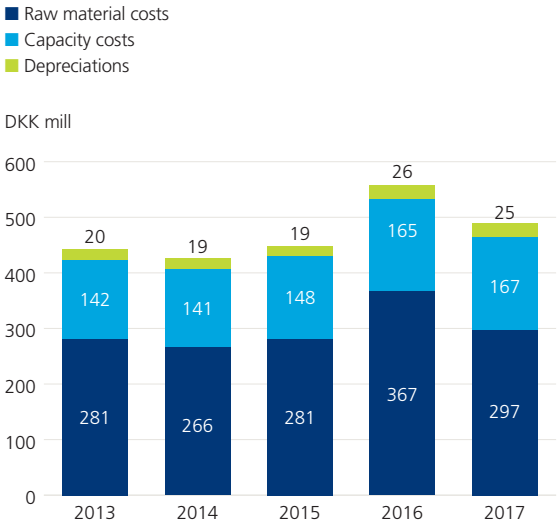


SALE PRODUCT GROUP 2017



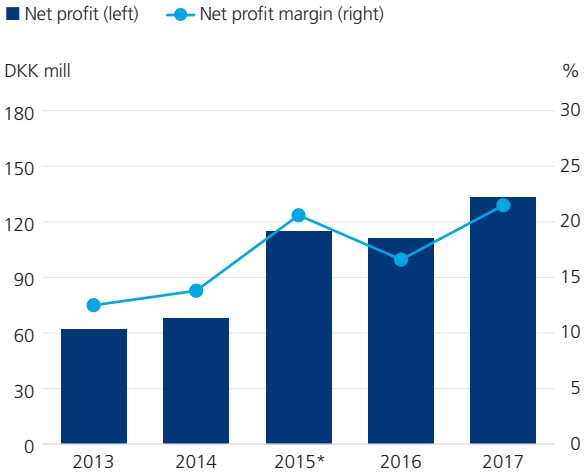
Cost development in Novo Nordisk Pharmatech was significantly lower than 2016, primarily due to lower raw material costs. Capacity costs and depreciations have developed in line with expectations in 2017.

COST



Net operating profit for 2017 was DKK 133,6 million, which is an increase from DKK 110,9 million in 2016. The increase in net operating profit is mainly driven by a significantly higher margin on sales of synthetic molecules (2017: 41.4% compared to 2016: 21.7%) as well as the movement in inventory revaluation due to an abnormal high cost level in 2016 (DKK 48 million) and gains from higher production volume than expected (DKK 10 million).

NET PROFIT



* The graph is adjusted for the one-off reduction of IPC costs in 2015

TOTAL PROFIT MARGIN OF

21.5%

UP FROM

16.6%

IN 2016

Financial highlights

KEY FIGURES (DKK 1.000)

	2017	2016	2015	2014	2013
Result					
Revenue	622,436	669,077	505,233	495,202	497,979
Gross profit/loss	263,449	237,950	228,049	176,596	170,714
Profit/loss before financial income and expenses	133,554	110,928	115,550	68,271	62,273
Net financials	(1,333)	896	4,559	3,929	(2,739)
Net profit/loss for the year	103,665	87,367	92,104	55,343	46,703
Balance					
Balance sheet total	676,372	653,833	618,589	452,142	427,784
Equity	528,953	468,288	400,921	336,817	304,474
Cash Flow					
Investments in property, plant and equipment	25,440	15,563	42,557	35,161	18,782
Average number of employees	163	158	150	150	141
Ratios					
Gross margin[1]	42.3	35.6	45.1	35.7	34.3
Profit margin[2]	21.5	16.6	22.9	13.8	12.5
Return on assets[3]	19.7	17.0	18.7	15.1	14.6
Solvency ratio[4]	78.2	71.6	64.8	74.5	71.2
Return on equity[5]	20.8	20.1	25.0	17.3	16.6

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)

Outlook 2018

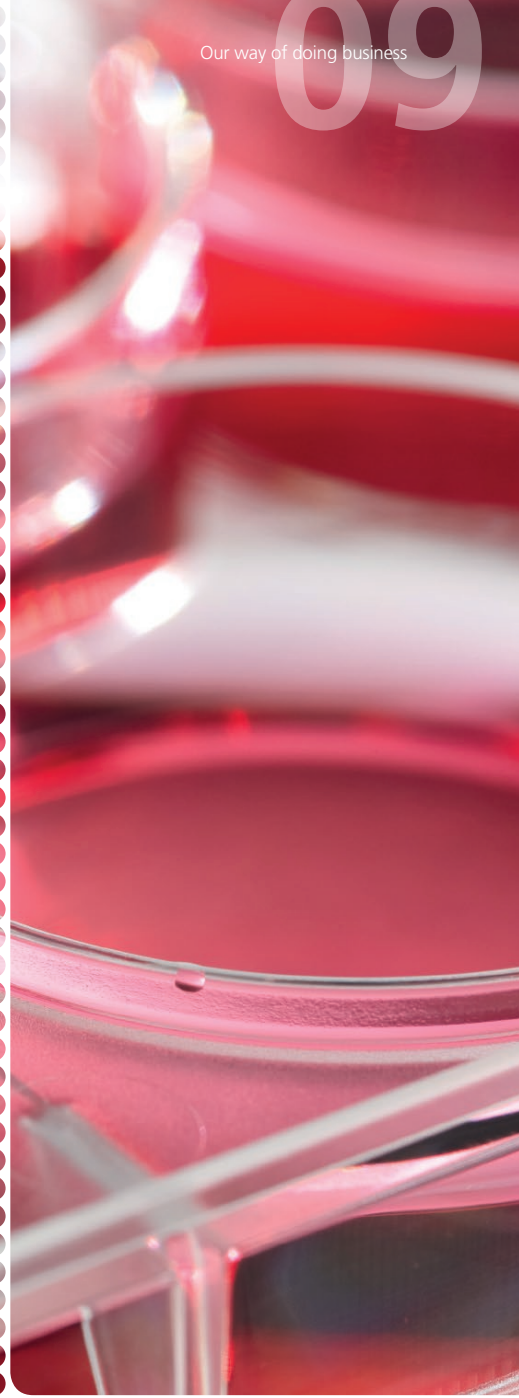
2018 will be another exciting year for Novo Nordisk Pharmatech

We will continue to expand the geographical presence for synthetic molecules through a broader collaboration with distributors in areas where the company isn't currently present. This collaboration is expected to drive the top line sales growth by double digits. The sales growth of insulin is expected to be moderate single digit growth, where the market is characterised by increased competition and price pressure, combined with generic biopharmaceutical manufacturing processes without the need for insulin in the cell culture. These market conditions make it a challenge for the sales of insulin for cell culture and are only partly offset by a general high growth in the biopharmaceutical industry. The demand from Novo Nordisk for enzymatic products remains on the same high level as the previous year. The demand for purification resins in 2018 will remain on a low level, but demand is expected to increase again in 2019.

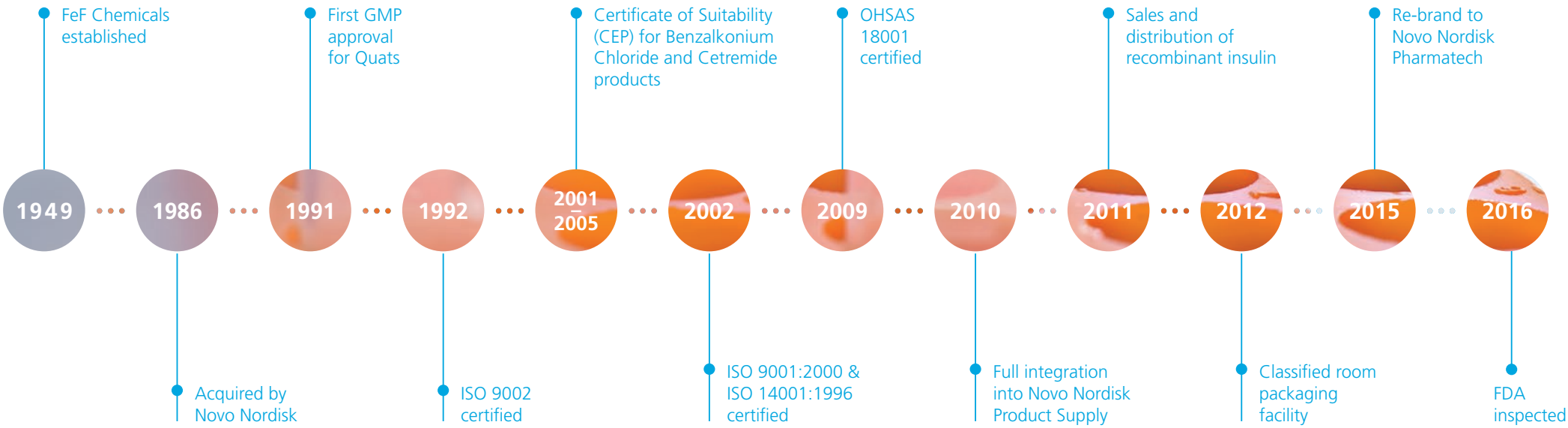
The R&D activities will continue to focus on developing more cost-efficient manufacturing methods for resins, as well as new types of resins for use within Novo Nordisk, as well as in the industry in general. Two new enzymes are expected to undergo a feasibility study in order to assess the commercialisation potential to support Novo Nordisk, as well as the biopharmaceutical industry in general. To ensure adequate progress in R&D for the growing portfolio of development projects, the R&D organisation is expected to invest and expand in 2018. To support the go-to-market strategy, the business development organisation established in 2017 will also expand further in 2018.

The increased investments in physical assets, as well as R&D activities to prepare the future portfolio of products will put pressure on the operating profit where a low single digit growth is expected for 2018.

Our way of doing business

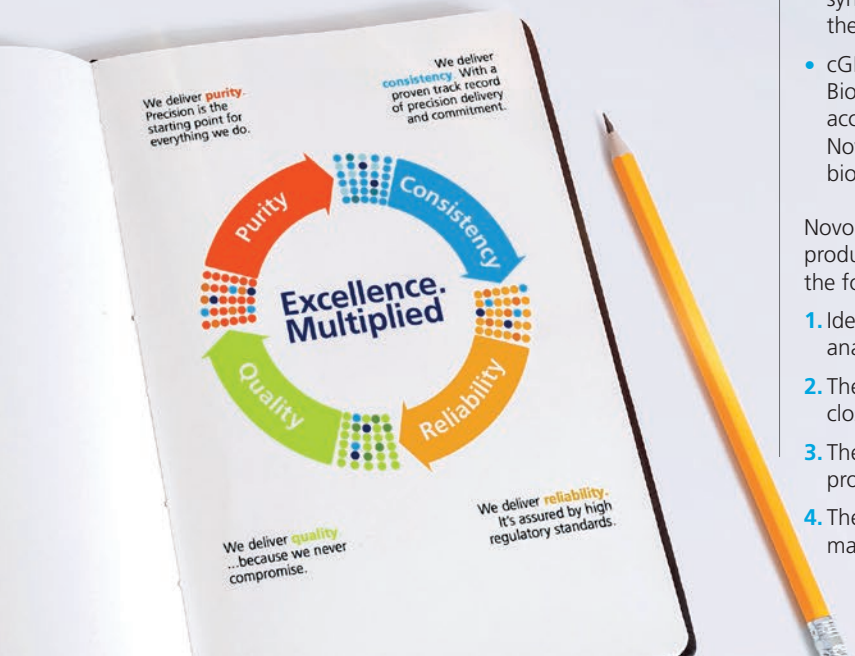


Our History
milestones



Our business **model**

Novo Nordisk Pharmatech improves biopharmaceutical manufacturing by developing and supplying innovative products used in the manufacturing of biopharmaceuticals (Biopharmaceuticals are medicine 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 HR & Communication. All capabilities present in the company are critical for Novo Nordisk Pharmatech to run the business and innovate. The following "Core Capabilities" of Novo Nordisk Pharmatech 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 gel 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 therefore is 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, and
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, e.g. "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.

Strategic priorities

Why us

Excellence. Multiplied
By delivering excellence at every step, we help our customers do the same – whether they're developing a cure for cancer, or a new ophthalmic. Excellence multiplied, from discovery to delivery.

We strive for perfection
Every new idea needs a great execution. By delivering on time, reducing risk and ensuring compliance, we give our customers the security they need to develop and manufacture products that make a difference.

Our ambition
To improve biopharmaceutical manufacturing through our core values; purity, reliability, consistency and quality.

Purity

We live up to our customers' uncompromising standards by providing pure, efficacious and safe products every time.

Reliability

Our secure global supply chain ensures dependable availability, precision delivery and a continuous supply of products.

Consistency

With well-established manufacturing, analytical and quality processes, we deliver constant product consistency and compliance.

Quality

Our tight control measures, assurance systems and professionalism ensure that every product supplied is of the highest possible quality.

Business segments

BIOPHARMACEUTICAL VALUE CHAIN

1 Expression → 2 Capture → 3 Modification → 4 Purification → 5 Formulation and filling

Biopharmaceutical proteins are produced by:

1. **Expression** of the protein by living cells
2. **Capture** of the protein
3. **Modification** of the protein to direct its biological function in the human body
4. **Purification** of the modified protein to remove unwanted impurities from the expression and modification steps
5. Preparing a **formulation** of the modified protein to ensure efficient and safe delivery into the human body

NOVO NORDISK PHARMATECH PRODUCTS

Insulin

Synthetic molecules

Enzymes

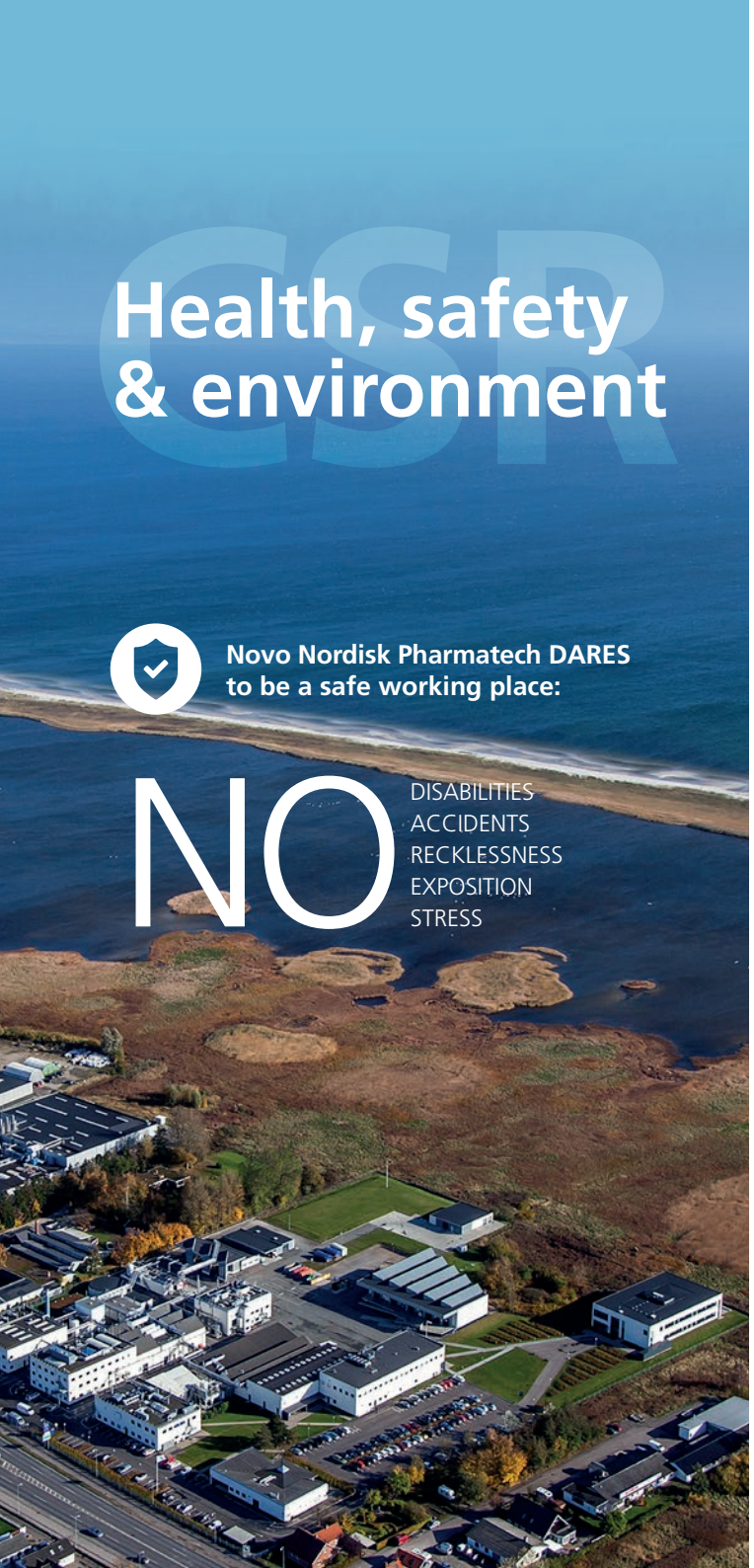
Purification resins

Synthetic molecules

The role of Novo Nordisk Pharmatech's products

- Insulin's role in Expression is to make the living cells grow and divide
- Synthetic molecules are used in the capture of flu vaccines
- Enzymes are used to modify proteins
- Purification resins are used to purify peptides and proteins
- Synthetic molecules are used as preserving agents in final formulations or as an API

Health, safety & environment



Health and safety.

Employee health and safety are 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. This is ensured by the occupational health and safety according to OHSAS 18001.

Due to the high focus on safety, Novo Nordisk Pharmatech made careful investigations into every near miss in production, laboratories and administration. In 2017, Novo Nordisk Pharmatech had no 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 2017, we made approximately 120 risk assessments. Novo Nordisk Pharmatech's focus was on improving SCC (Strictly Controlled Conditions) sampling activities in the production areas, as well as reducing heavy lifting.

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: emission of CO_2, 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 emission.
- We run our business safely by conducting environment and risk assessments for all activities.
- We will continue to systematically minimize 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

In 2015, the environmental impact from our energy consumption decreased significantly by more than 50% of carbon dioxide, compared to the CO_2 emission in 2014. This environmental improvement is due to an agreement on energy distribution, which ensures that Novo Nordisk Pharmatech is only supplied with electricity produced by wind mills. The agreement was made in 2014, starting January 2015 and is still applicable.

KEY ENVIRONMENTAL DATA:	2017	2016	2015
Energy consumption (GJ)	20,774	21,161	21,198
Water consumption drinking water (m^3)	5,841	5,772	5,955
Water consumption – all (m^3)	62,396	65,425	65,901
EMISSIONS TO AIR			
Carbon dioxide (Tonnes)	744	770	809
Acetone (kg)	9,146	4,374	10,041
Emissions to sewer (m^3)	5,865	7,097	7,130
Discharge to recipient (m^3)	73,116	87,079	86,298
WASTE			
Hazardous waste (Tonnes)	494	590	657
Non-hazardous waste (Tonnes)	43	51	60
Accidents with absence	0	2	0
Employees	163	158	150

People

Novo Nordisk Pharmatech has worked intensively to improve the sustainable wellbeing of our employees.

1. A key element was the development and implementation of a stress prevention strategy, including the training of managers and employees, a systematic approach to dialogue-based signal assessment and continuous follow up. The results were a significant decrease in stress-related absence.

2. Another key element was our effort to improve our overall absence level. Through systematic dialogue and active communication of Novo Nordisk possibilities to support employees with special circumstances, we have seen a positive trend in absence in the second half of 2017. From an average absence of 5.34% in H1, to an average of 2.99% in H2.

3. A third key element was to activate all job groups across the organisation in individual development planning. Novo Nordisk Pharmatech has arranged development cafés for all interested employees, setting up individual coaching sessions between employees and directors and CVPs. The purpose was to clarify the link between individuals´ potential and aspirations and Novo Nordisk Pharmatech needs in the future. Interest was high with approximately 30% of the organisation signing up for the sessions.

Statement in accordance with section 99a (CSR) and section 99b (the underrepresented gender)

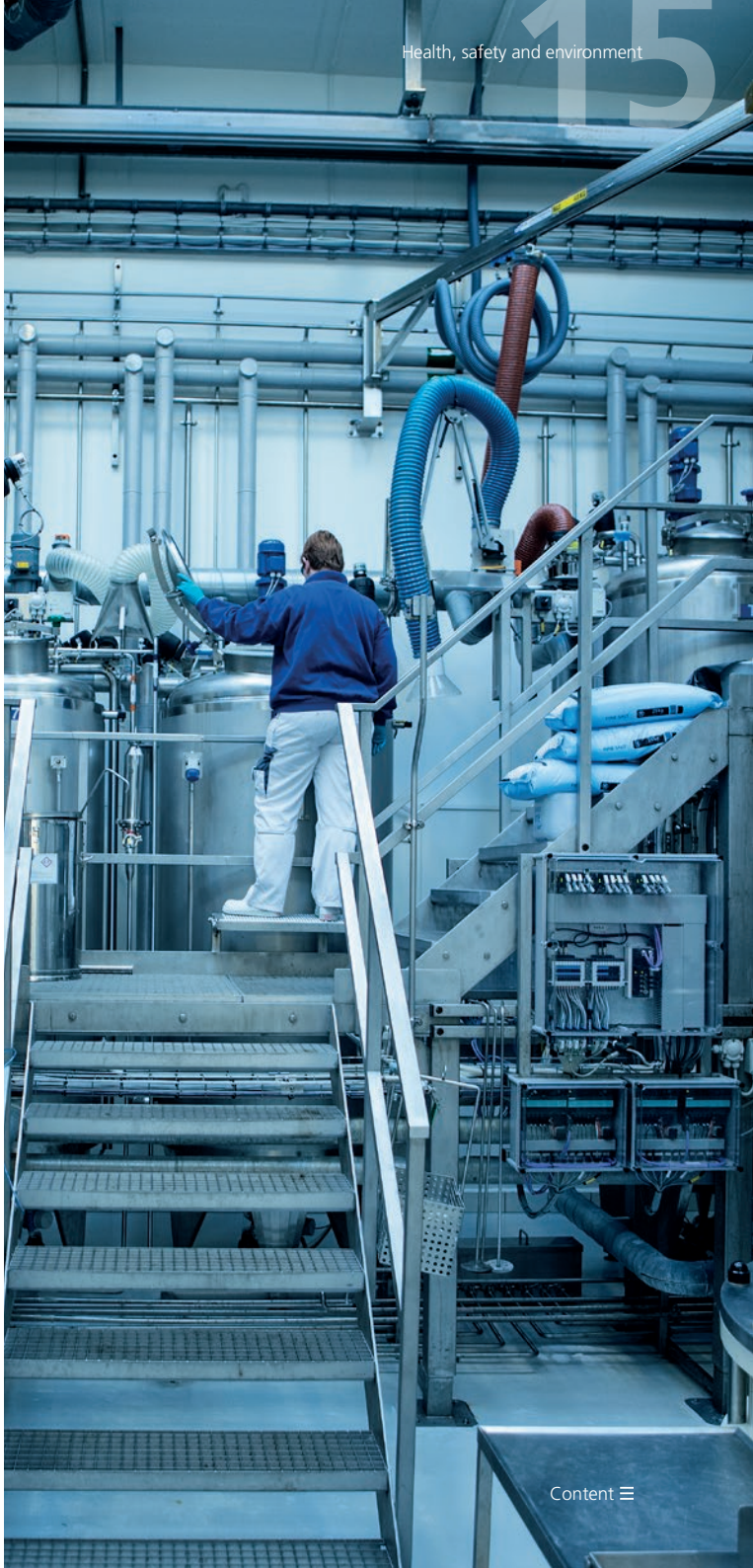
For compliance with reporting requirements in accordance with sections 99a and b of the Danish Financial Statement Act, please refer to the Communication on Progress report 2017 https://www.novonordisk.com/content/dam/Denmark/HQ/AnnualReport/2017/PDF/NN-COP17.pdf for the Novo Nordisk Group.

As a global company, Novo Nordisk Pharmatech strives to increase the number of international employees. In 2017, we did not succeed in hiring international candidates, meaning that all 35 new hires are Danish citizens. We see international candidates among applicants for the majority of our open positions, but in 2017 a Danish citizen was the best qualified candidate in all cases. Internationalisation remains a focus area for Novo Nordisk Pharmatech going forward. Regarding diversity in gender, Novo Nordisk Pharmatech has experienced a 55/45 split between males and females hired in 2017, and a 50/50 split regarding resignation (total across all job groups).

Supporting the local community

To celebrate World Diabetes Day November 14th, Novo Nordisk Pharmatech collaborated with the local Køge Diabetes Association to raise funds for the diabetes community in Køge. The "Row for diabetes" event held at the town hall raised DKK 15,211 for the Køge Diabetes Association

To support the education of youth, Novo Nordisk Pharmatech offered one-week internships for three elementary school students. This process is integrated in the HR yearly wheel and remains a prioritised activity for the future.



Risk management

Managing risk is core to the business in Novo Nordisk Pharmatech A/S, 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, and 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 every quarter, and subsequently escalated and reported to the Board of Directors as a standard agenda item at the Board of Directors' meetings.

Risks are assessed based on the likelihood of events, as well the potential impact of events on our business to reach our 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.

Business ethics

As Novo Nordisk Pharmatech A/S 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 the area.

Financial Statements

Management's review

Company Information

Activity:	Supply of ingredients and active pharmaceutical ingredients for the biopharmaceutical and pharmaceutical industries.
Board of Directors:	Henrik Wulff, Chairman Claus Steensen Sølje Michael Hallgren Ole F. Ramsby Henrik Dvinge Joachim Juel Hagemeister
Executive Management	Rasmus Hother le Fevre
Location:	Køge
CVR no:	13 24 61 49
Address:	Københavnsvej 216, 4600 Køge
Financial calendar:	1 January – 31 December
Auditor:	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Share capital:	DKK 10,000,000

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

Novo Nordisk A/S
Novo Alle
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:
www.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 2017.

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 2017 of the Company and the results of the Company operations for 2017.

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, 19 February 2018

Executive Management:

Rasmus Hother le Fevre
CEO

Board of Directors:

Henrik Wulff
Chairman

Joachim Juel Hagemeister

Henrik Dvinge

Michael Hallgren

Ole F. Ramsby

Claus Steensen Sølje

Independent Auditor's Report

To the Shareholders of Novo Nordisk Pharmatech A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novo Nordisk Pharmatech A/S for the financial year 1 January – 31 December 2017, 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 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 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, 19 February 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Conrad Lundsgaard
State Authorised Public Accountant
mne34529

Financial Statements 2017

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 principal accounting policies set out below have been applied consistently for the years presented.

The accounting policies, as set out below, have been consistently applied for the full financial year and for the comparative figures.

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

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 consist 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 arise 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

Revenue
Sale of goods 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.

Sale of services is recognised on a straight line-basis over the service period.

Expenses for raw materials and consumables
Expenses for raw materials and consumables include the use of raw materials and consumables associated with the revenue for the year.

Other external expenses
Other external expenses include indirect production expenses and expenses for buildings, sales, distribution, administration etc. Other external expenses also include research and development expenses not meeting the criteria for capitalisation, including expenses for maintenance of the existing product portfolio.

Staff expenses
Staff expenses include wages and salaries as well as staff related expenses other than production related salaries.

Management incentive programme
Executive management participate in Novo Nordisk A/S's incentive programme. Novo Nordisk bears the cost.

Depreciation and Impairments
Depreciation and impairments include the depreciation and impairments of plant, property and equipment for the year.

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 straight-line 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 5 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 write-down 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

Profit

	2017	2016	Note
NET PROFIT FOR THE YEAR			
Revenue	622,436	669,077	1
Change in inventories of finished goods and work in progress	(3,256)	22,978	
	619,180	692,055	
Expenses for raw materials and consumables	(293,310)	(390,260)	
Other external expenses	(62,421)	(63,845)	2
Gross profit	263,449	237,950	
Staff expenses	(104,980)	(101,498)	3
Depreciation and impairments of assets	(24,915)	(25,524)	8
Profit before financial income and expenses	133,554	110,928	
Financial income	7,198	3,611	4
Financial expenses	(8,531)	(2,715)	5
Profit before tax	132,221	111,824	
Tax on profit for the year	(28,556)	(24,457)	6
Net Profit for the year	103,665	87,367	

Balance Sheet **31 December**

Assets

	2017	2016	Note
FIXED ASSETS			
Intangible assets			
Development projects	7,306	9,811	7
Intangible assets	7,306	9,811	
Property, plant and equipment			
Land and buildings	168,418	171,184	8
Plant and machinery	85,413	97,677	
Other fixtures and fittings, tools and equipment	190	537	
Property, plant and equipment in progress	24,632	6,300	
Property, plant and equipment	278,653	275,698	
Fixed assets	285,959	285,509	
CURRENT ASSETS			
Inventories	313,319	292,762	9
Receivables			
Trade receivables	64,757	53,498	
Receivables from group enterprises	8,145	16,190	
Other receivables	3,044	4,451	
Prepayments	1,148	1,423	10
Receivables	77,094	75,562	
Current assets	390,413	368,324	
Assets	676,372	653,833	

Liabilities and equity

	2017	2016	Note
EQUITY			
Share capital	10,000	10,000	11
Retained earnings	498,953	415,288	
Proposed dividend	20,000	43,000	
Equity	528,953	468,288	
PROVISIONS			
Provision for deferred tax	30,484	28,834	6
Provisions	30,484	28,834	
SHORT-TERM DEBT			
Trade payables	7,685	8,959	
Payables to group enterprises	78,298	99,421	
Corporation tax	7,252	445	6
Deferred income	0	25,320	
Other payables	23,700	22,566	
Short-term debt	116,935	156,711	
LIABILITIES AND EQUITY	676,372	653,833	
Contingent assets, liabilities and other financial obligations			12
Related parties and ownership			13

Changes to Equity

CHANGES TO EQUITY

	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity 1 Jan. 2017	10,000	415,288	43,000	468,288
Paid dividend			(43,000)	(43,000)
Net profit for the year		83,665	20,000	103,665
Equity 31 Dec. 2017	10,000	498,953	20,000	528,953

Notes to the financial statement

Notes 1–5

1. SEGMENT INFORMATION

	2017	2016
Exports	352,275	351,377
Group	270,161	317,700
	622,436	669,077

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

2. RENUMERATION TO AUDITOR

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

3. STAFF EXPENSES

	2017	2016
Wages and salaries	95,040	91,794
Pensions	8,860	8,655
Other social security expenses	1,080	1,049
	104,980	101,497

Including remuneration to the Executive Management and Board of directors of TDKK 2.257 compared to TDKK 2.188 in 2016.

Wages and salaries	1,969	1,941
Pensions	151	148
Other social security expenses	137	99
	2,257	2,188
Average number of employees	163	158

4. OTHER FINANCIAL INDCOME

Interest received from group enterprises	271	89
Financial income	6,927	3,522
	7,198	3,611

5. FINANCIAL EXPENSES

Interest paid to group enterprises	(96)	(217)
Other financial expenses	(8,435)	(1,248)
	(8,531)	(1,465)

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 2017	445	28,834	
Adjustments concerning prior years	(36)	(358)	(394)
Current tax for the year	26,942	2,008	28,950
Settlement re: 2016 tax	(410)		
Prepaid tax for the year	(19,689)		
31 December 2017	7,252	30,484	28,556

Specification of deferred tax	2017	2016
Trade receivables	(48)	(100)
Property, plant and equipment	7,115	7,796
Land and buildings	10,871	9,956
Indirect production cost	12,546	11,182
Deferred tax	30,484	28,834

7. INTANGIBLE ASSETS

	Development projects
Cost at 1 January 2017	12,524
Additions for the year	0
Cost at 31 December 2017	12,524
Impairment losses and amortisation at 1 January 2017	2,713
Amortisation for the year	2,505
Impairment losses and amortisation at 31 December 2017	5,218
Carrying amount at 31 December 2017	7,306

Notes to the financial statement

Notes 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 2017	211,117	301,853	7,252	6,300	526,522
Additions for the year	1,715	2,831	0	20,894	25,440
Disposals for the year	(1,325)	(5,111)	0	0	(6,436)
Transfers for the year	0	2,562	0	(2,562)	0
Cost at 31 December 2017	211,507	302,135	7,252	24,632	545,526
Impairment losses and depreciations at 1 January 2017	39,933	204,176	6,715	0	250,824
Depreciations for the year	4,406	17,657	347	0	22,410
Reversal of impairment and depreciations of sold assets	(1,250)	(5,111)	0	0	(6,361)
Impairment losses and depreciations at 31 December 2017	43,089	216,722	7,062	0	266,873
Carrying amount at 31 December 2017	168,418	85,413	190	24,632	278,653

Notes to the financial statement

Notes 9–13

9. INVENTORIES

	2017	2016
Raw materials and consumables	163,218	139,405
Work in progress	4,729	547
Finished goods and goods for resale	145,372	152,810
	313,319	292,762

10. PREPAYMENTS

Prepayments consist of payments made for subsequent years and concern insurance premiums, servicing of microscopes, rental/lease of equipment, IT licences, marketing events and canteen costs.

11. SHARE CAPITAL

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.

	2017	2016
DISTRIBUTION OF PROFIT		
Retained earnings	83,665	44,367
Dividend	20,000	43,000
Distribution of profit	103,665	87,367

12. CONTINGENT LIABILITIES

Lease obligations
Leasing obligations concerning cars and equipment

	2017	2016
Within 1 year	383	134
Between 2 and 5 years	820	358
	1,203	492

Contingent liabilities
Novo Nordisk Pharmatech A/S, Novo Nordisk A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Novo Holdings A/S. 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 Management

Board of directors

Henrik Ehlers Wulff	Chairman
Michael Fugl Hallgren	
Claus Steensen Sølje	
Ole F. Ramsby	
Henrik Dvinge	
Joachim Juel Hagemeister	

Transactions
All group internal transactions are on market terms.