



Annual report

Novo Nordisk Pharmatech A/S

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01 Management review



Letter from management



Ulla Grove
Krogsgaard Thomsen
CEO

2022 has in many ways been a demanding year. Covid-19 is still with us, Europe is at war and inflation is raging, all creating a lot of uncertainty in sales and supply chains. In spite hereof Novo Nordisk Pharmatech has made significant progress in realising our growth strategy by increasing our production output of silica gel for pharmaceutical protein purification and bringing three new products into our pipeline within speciality enzymes and purification resins.

The total full year 2022 revenue landed 3% lower than 2021. This was driven by the predicted increased sales of quats, silica gels for protein purification and new products, whereas our sales of technical insulin on the other hand decreased by 10%. The latter is mainly due to customers' stock building effects during Covid-19 in 2021, unstable supply chains and certain Covid-19 vaccines that were not successful.

During 2022, we succeeded in validating the process for a new enzyme in our new multi-product purification plant for speciality process

enzymes. This facility is an important cornerstone in our growth strategy where we aim for a portfolio of speciality enzymes supporting the market for advanced therapy medicinal products (ATMP). To fuel this pipeline, we have initiated a collaboration with Novozymes, 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 and validated the process for a new affinity resin that holds the promise of markedly increasing the yield of a pharmaceutical protein purification process. The enzyme pipeline is also progressing well, with new projects addressing speciality enzymes for the ATMP market.

In 2022 the company continued to invest in IT infrastructure and digitalisation. The production IT infrastructure was renewed and qualified, and 'digital twins' were used for optimisation of capacity for silica gel production. We also continue to digitalise our quality systems, enabling smarter work processes, including better scale-up when we add new products. In Sales and Marketing, our digital transformation also evolved during 2022 and the company remains focused on harvesting benefits from digitalisation towards our customers.

Our quality performance continues to be at a very high level in 2022 testified by the results from more than 20 quality audits. Efforts to simplify our quality management system continued towards more simple and transparent processes that are scalable.

At Novo Nordisk Pharmatech we operate by balancing financial, environmental and social performance. We aim to have energy consumptions sourced from renewable sources and our mapped environmental footprint is actively used to prioritise optimisation projects to be pursued. We are working with our suppliers to also use renewable energy sources and we strive for sea freight over air freight. On top of this, we have supported KlimaSkovfonden who will be planting one hectare of trees in Ishøj municipality, and we received a platinum award in a sustainability assessment by EcoVadis.

Despite a challenging year, Novo Nordisk Pharmatech showed solid progress within the production footprint by investing in increased capacity and by the addition of three new products to the portfolio. The year ended with a net profit that was impacted by lower technical insulin sales compared to 2021 and significant increases in prices on insulin raw materials.

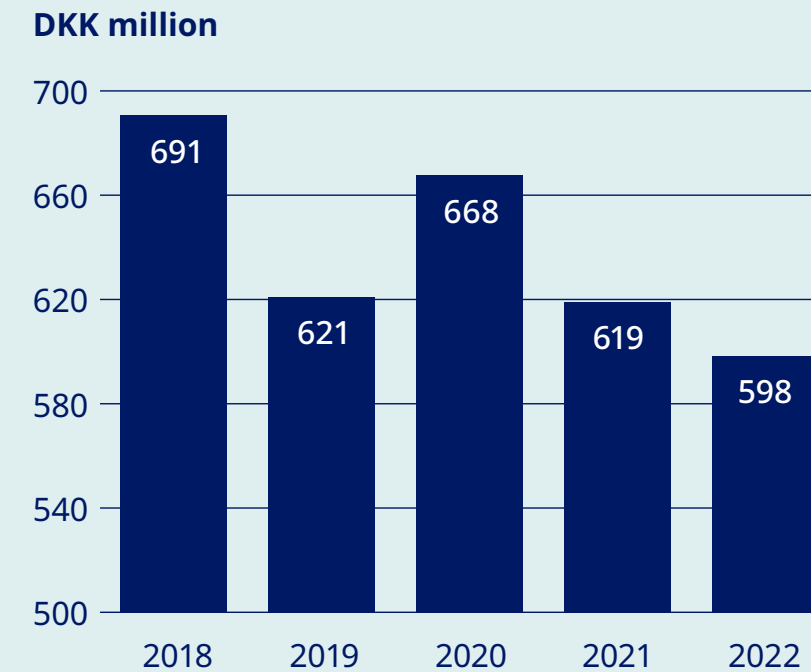
Financial review 2022

Sales development

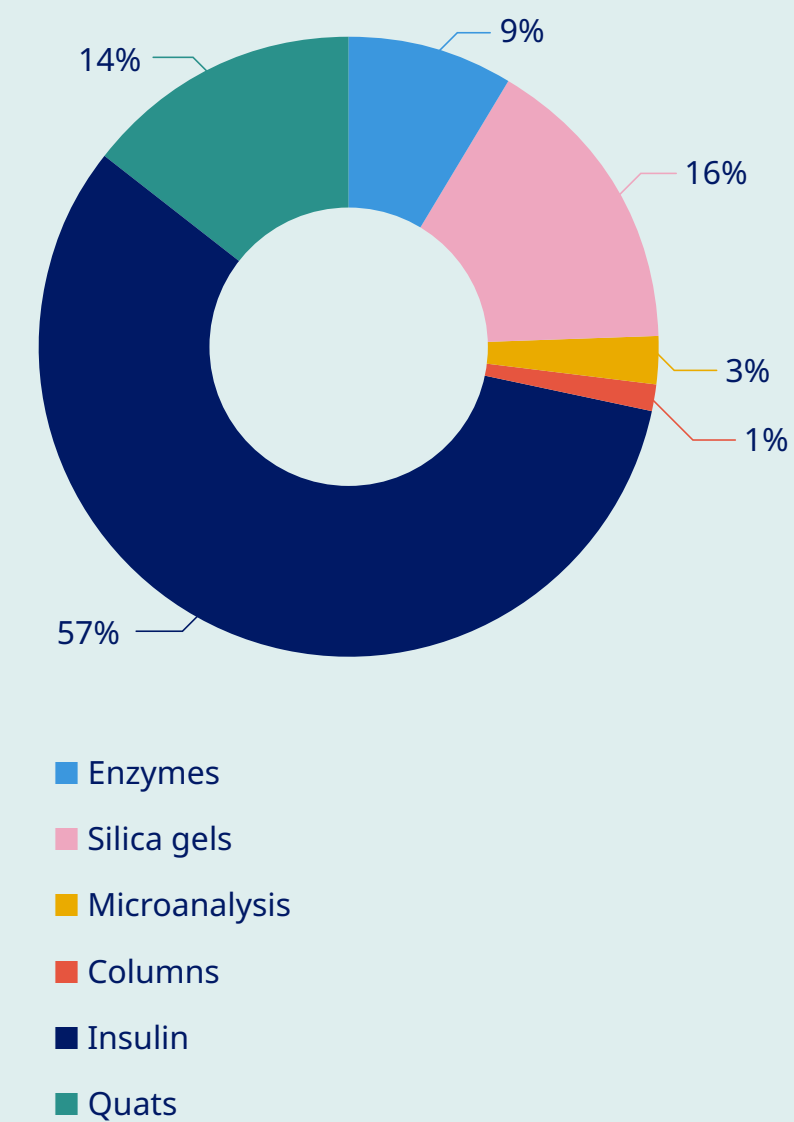
The decrease in sales over the last 5 years is primarily driven by lower enzymes sales as the production facility has been rebuilt into a multipurpose facility, which was finalised in the end of 2022. Sales in Novo Nordisk Pharmatech in 2022 was DKK 598 million. This is a decrease of DKK 21 million (3%) compared to 2021, when total sales were DKK 619 million. The main drivers of this development were:

- Sales of technical insulin decreased 10% versus 2021 due to customer stock building during Covid-19 and loss of demand from key customers as their Covid-19 vaccines were cancelled
- Enzymes sales decreased 54% versus 2021 as rebuilding of the facilities continued and is ready to fulfil sales demands in 2023
- Production and sales of analytical columns were closed down at the end of 2021 to streamline the product portfolio and make room for new product development
- Sales of silica gels increased 15% versus 2021 as the demand drastically increased and is expected to continue doing so in the future
- Sales of quats increased 6% versus 2021 due to growth in market demand and positive currency impact from sales in USD
- The new product affinity resins was sold accounting for 5% of total sales in 2022

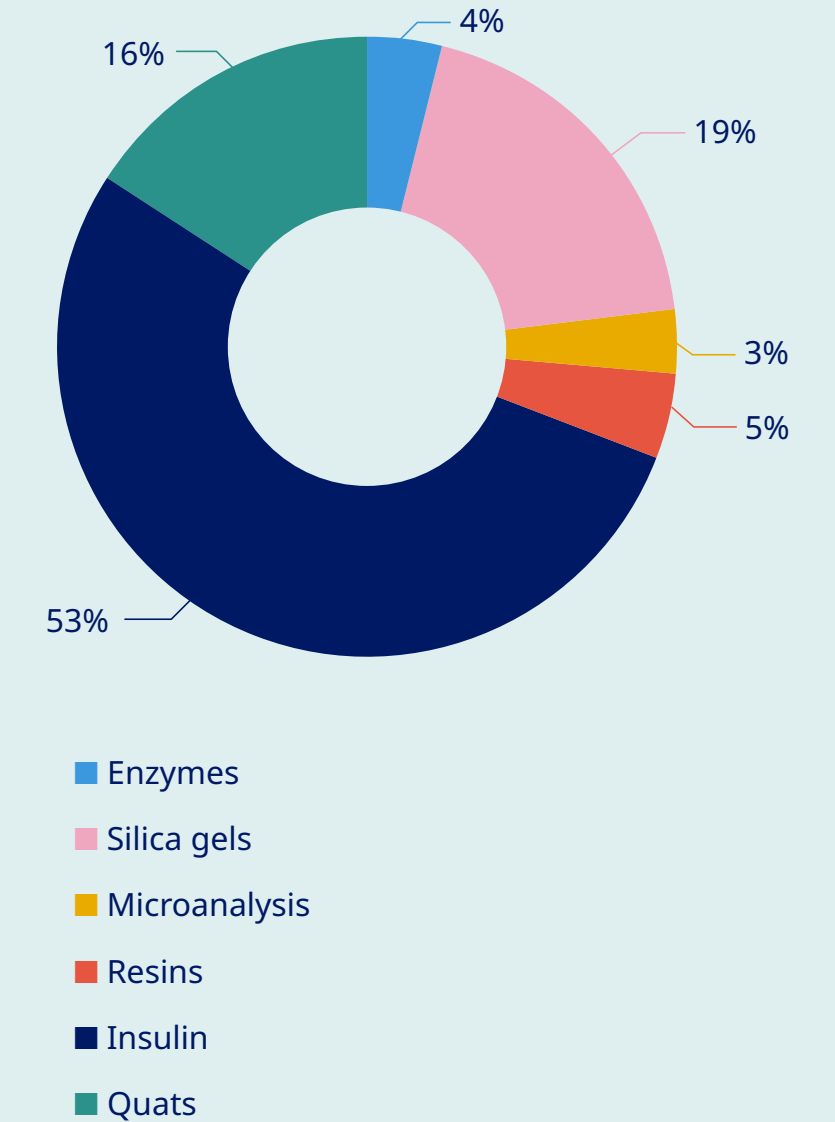
Sales development



Sales by product group 2021



Sales by product group 2022



Total cost in Novo Nordisk Pharmatech for 2022 was higher than 2021, due to increase in raw material costs as silica gel production volumes increased and insulin raw material costs increased. Capacity costs increased primarily due to hirings for new product development and increasing silica gel production capacity.

Average number of employees was 244 in 2022, compared to 212 in 2021. The constant growth in number of employees over the last 5 year has been to support the strategy with new products and in order live up to the expected future demand increase.

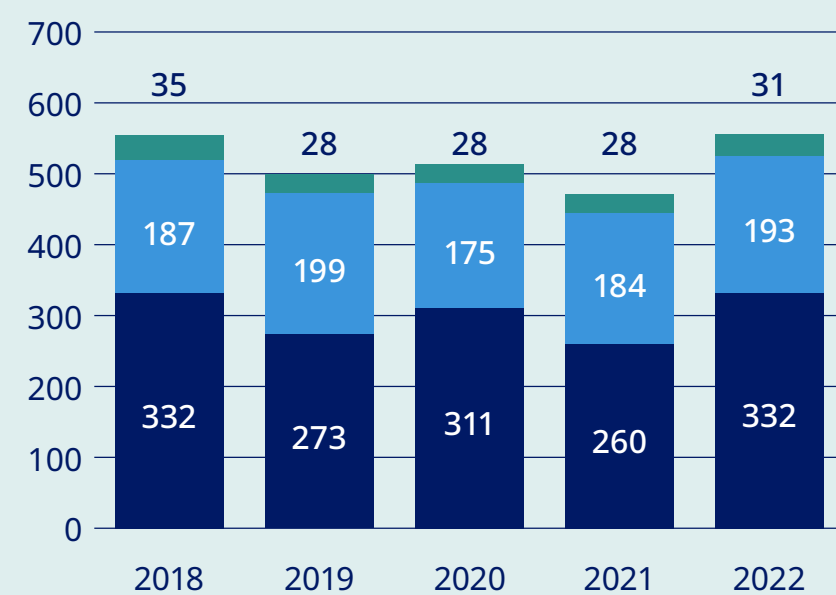
Investments into property, plan and equipment for 2022 was DKK 106 million compared to DKK 53 million in 2021. Investment costs were primarily spent on the new enzymatic purification facility, which was finalised in 2022 and the new resins pilot plant facility which is expected to be finalised in 2023.

Net operating profit (EBIT) for 2022 was DKK 42 million, decreasing from DKK 147 million in 2021. The decrease in net operating profit is mainly driven by increased insulin raw material prices and negative impact from yearly adjustments of inventory value due to changes in quats production volumes, which combined accounts for more than 80% of the decrease. In addition, EBIT is impacted by the lower sales of technical insulin.

Cost

- Raw material costs
- Capacity costs
- Depreciations

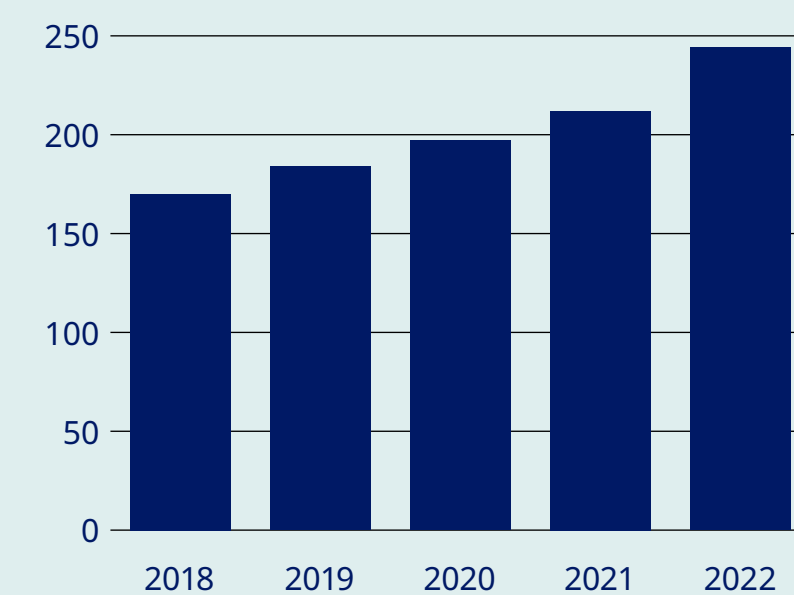
DKK million



FTEs

- FTEs

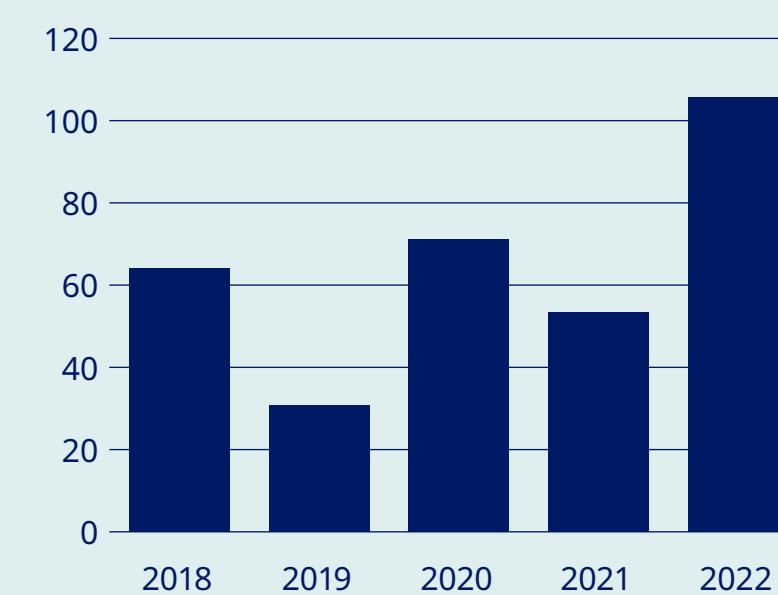
Average number of employees



Investments in property, plant and equipment

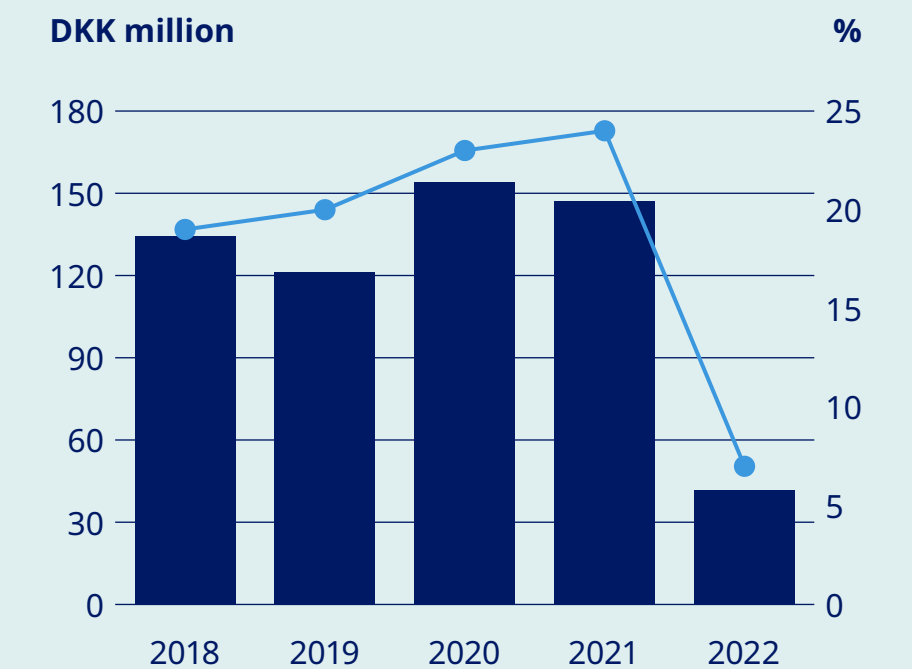
- Investment costs

DKK thousand



EBIT

- EBIT (left)
- EBIT margin (right)



Financial highlights

Key figures (DKK 1,000)

	2022	2021	2020	2019	2018
Result					
Revenue	598,265	619,083	667,729	620,992	690,700
Gross profit/loss	22,300	150,859	145,866	149,294	163,121
Profit/loss before financial income and expenses	41,876	147,120	153,939	121,142	134,241
Net financials	7,235	-514	-7,770	2,292	1,790
Net profit/loss for the year	39,307	113,748	114,915	97,298	105,268
Balance					
Balance sheet total	966,914	639,924	745,525	809,391	760,808
Equity	689,619	520,247	606,434	691,519	614,221
Cash Flow					
Investments in property, plant and equipment	105,684	53,477	71,171	30,782	64,210
Average number of employees					
	244	212	197	184	170
Gross margin ¹	3.7	24.4	21.8	24.0	23.6
Profit margin ²	7.0	23.8	23.1	19.5	19.4
Return on assets ³	4.3	23.0	20.6	15.0	17.6
Solvency ratio ⁴	71.3	81.3	81.3	85.4	80.7
Return on equity ⁵	6.5	20.2	17.7	14.9	18.4

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 2023

Executing on our growth strategy

The demand for pharmaceutical protein purification resins is expected to double in 2023 and increase significantly over the coming 5–10 years. As a response, we have optimised our current production lines to increase capacity and we are further investing in people and in a new facility for silica gel production as well as finalising our production facility for affinity resins. Thereby we have positioned ourselves to meet our customers demand.

In addition we will finalise our efforts and complete our investments in the new multi-product purification facility to secure manufacturing capacity for our expanded enzyme product portfolio.

In 2023 Novo Nordisk Pharmatech will prepare for launch of a new recombinant GMP grade enzyme in the biopharmaceutical and Advanced Therapy Medicinal Products markets. The expanded global presence in USA and Asia will increase and support this and future product launches.

The technical insulin market is again expected to grow mid to high-single digit reflecting the Biopharmaceutical market development. We have focus on media manufacturers, CMOs and biomanufacturing of therapeutic proteins or regenerative medicine, where we see increasing interest around the world from customers needing high quality, animal-free and reliable ingredients, securely supplied. The quats market is expected to grow low to mid-single digit for pharmaceutical applications where high quality is needed. Across products, we have developed a setup with quality documentation, providing customers ease when using our products.

In 2023, R&D will continue to advance our portfolio within resins and speciality enzymes and with the collaboration agreement with Novozymes, we expect to progress with four new projects addressing speciality enzymes for the ATMP market.



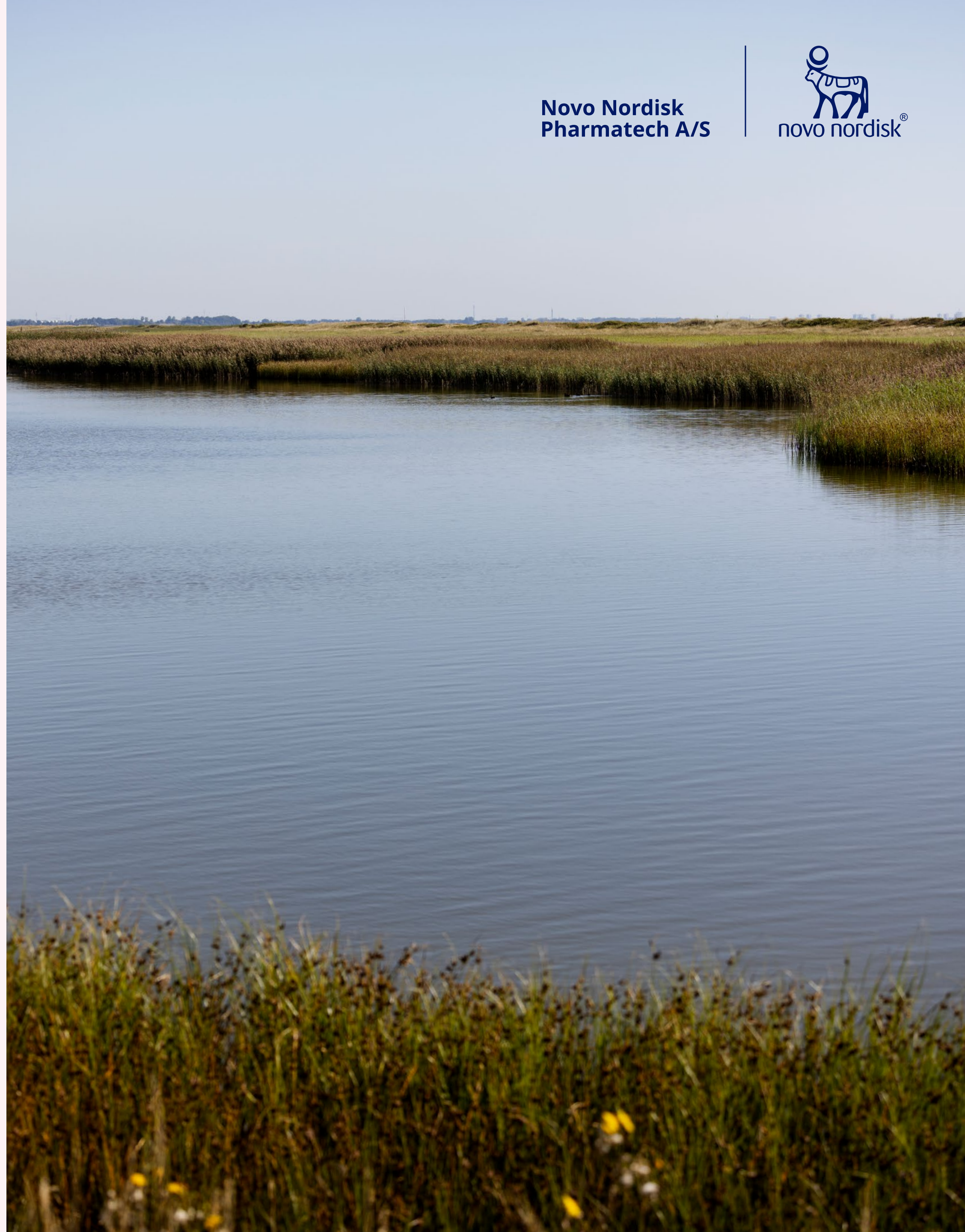
Novo Nordisk Pharmatech continues to be committed to reducing our environmental impact. Our strategy builds on an ambition of zero CO₂ emissions from operations and transport by 2030. In 2023, the company will continue this journey by further reducing the negative impact from our operations and investing in more renewable energy sources.

Finally, we are risk mitigating the consequences of the European war in our supply chain, on our IT systems and by ensuring natural gas and electrical redundancy.

Throughout 2023, Novo Nordisk Pharmatech will, in alignment with our growth strategy, optimise our operations towards more robust and reliable delivery and invest in our production footprint to increase output as well as our digitalisation journey. We will invest in innovation that will bring new resins and speciality enzymes to the market over the coming years to enable better medicines.



ESG 2022



ESG



ESG

Regarding the Financial Statement Act §99a (statutory corporate social responsibility statement), please refer to the group statement in the Novo Nordisk annual report 2022 management report.

Environment

In 2019 Novo Nordisk Pharmatech committed to our environmental strategy of having zero environmental impact across our value chain by 2030.

We acknowledge that CO₂ emissions continue to rise and pose one of the biggest environmental issues: the climate crisis. That's why we have committed to having net zero emissions across our entire value chain by 2045. To us, net zero means gaining carbon neutrality by reducing our emissions as close to zero as possible and ensuring any remaining emissions are re-absorbed from the atmosphere.

Social

During 2022, Novo Nordisk Pharmatech has worked intensively to improve and maintain a sustainable approach to the well-being of our employees, with our culture as the key to secure and embrace an inclusive and positive mindset and atmosphere. It is our ambition to be a safe, attractive, and modern workplace, which proactively and continuously is improving its working environment. Throughout 2022, Novo Nordisk Pharmatech has also collaborated with local institutions with the purpose of improving local health and well-being.

Regarding the Financial Statements Act §99b (the underrepresented gender): The gender split for management was 51% men and 49% women by the end of 2022 which is an improvement compared to 2021, where the gender split was 56% men and 44% women. The total hires in 2022 have been 102 employees meaning that by the end of the year Novo Nordisk Pharmatech consist of 282 employees. For additional information please refer to the Novo Nordisk A/S annual report 2022 management report.

By the end of 2022, the Board consisted of four male shareholder-elected Board members and did no longer fulfilled the gender diversity requirements. The Board therefore continues to pursue the target of including at least one female Board member elected by the general meeting by the end of 2025.

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, which serves to support our principles, ethics and reputation follow the Novo Nordisk setup. For additional information please refer to the Novo Nordisk annual report 2022 management report.

Regarding the Financial Statement Act §99d (data ethics policy), please refer to the group statement in the Novo Nordisk annual report 2022 management report.

In 2022, Novo Nordisk Pharmatech achieved the EcoVadis Platinum level.

To re-enforce our commitment to sustainability and to meet increasing customer requests in this area, Novo Nordisk Pharmatech volunteered for an EcoVadis assessment. We were very pleased to receive our assessment results and are included among the top 1% of pharma companies assessed, which meant being awarded a Platinum Medal in recognition of our position.

To learn more about the Novo Nordisk Pharmatech ESG strategy and progress please see Novo Nordisk Pharmatech ESG Report 2022.

Risk management

Managing risk is central to Novo Nordisk Pharmatech, as it is critical for us to protect our assets, our employees, and our business. 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. 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 technical insulin, the market has developed insulin-free media that is used in certain applications and creates a long-term risk to our growth.

Further risks for insulin include unsuccessful product executions in our large customers and patent expiration on mAb blockbuster drugs. These situations could result in the loss of substantial revenue in the short term.

If some of our big insulin customers suffer in their product executions, and when patent expiration happens on mAb block buster drugs it will 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 ensure increased awareness in IT security for all employees.

6. Supply chain

Increased sales of our internal products have resulted in a high demand for raw materials leading to capacity constraints at our suppliers. Strong partnerships and long-term co-operation are key to securing a steady and sufficient supply.

The latest increase in energy prices has resulted in increases in transportation prices and raw material prices. Having open discussions with suppliers and trying to find common understanding are helping to keep the costs at a reasonable level. However, it is inevitable that costs for raw materials will increase.



Tue Micheelsen
Vice President, Consumer Biosolutions
Novozymes A/S

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

Søren Thor Jensen
Senior Governance Specialist
Novo Nordisk A/S

Ulla Grove Krogsgaard Thomsen
CEO
Novo Nordisk Pharmatech A/S

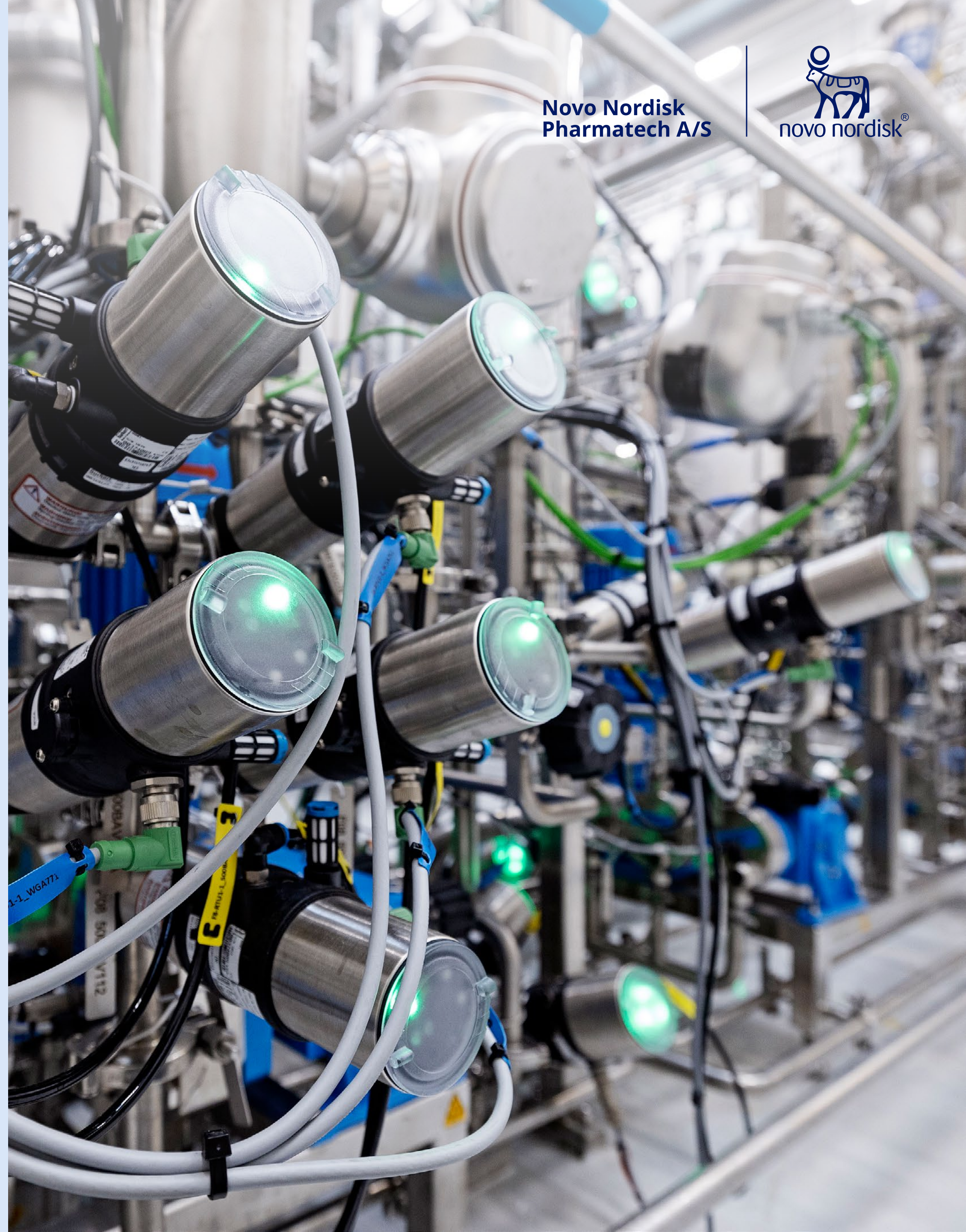
Jean Fabian Jeldorf
Senior Vice President,
Supply Chain and Finance Novo Nordisk A/S
Chairman of the Board

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

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

Finance

Novo Nordisk
Pharmatech A/S



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 10,001,000

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 2022.

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 15 March 2023 of the Company and the results of the Company operations for 2022.

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, 15 March 2023

Executive Management

Ulla Grove Krogsgaard Thomsen
CEO

Board of Directors

Jean Fabian Jeldorf
Chairman

Søren Thor Jensen

Tue Micheelsen

Jacob Sten Petersen

Joachim Juel Hagemeister

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 2022, 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 2022 and of the results of its operations for the financial year 2022 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, 15 March 2023

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.

Subsequent to the issuance of the 2021 statutory financial statements as filed with the Danish Business Authorities, the Company concluded that restatements of the previously issued financial statements were needed to correct the presentation between Cost of goods sold and Sales and Distribution.

Summary of reclassification are shown below:

	31 December 2021 (Previously stated)	Reclassification	31 December 2021 (As restated)
Cost of goods sold	-478,020	9,796	-468,224
Sales & Distribution	-11,307	-9,796	-21,103

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 recognised in administration cost.

This includes expenses incurred for the administrative staff, Management, offices as well as office expenses and similar expenses and amortisation 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 and Novo Nordisk. 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 intragroup profits 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 2022

Profit

(DKK 1000)

	2022	2021	Note
Net profit for the year			
Net sales	598,265	619,083	1
Cost of goods sold	-575,965	-468,224	2
Gross profit/loss	22,300	150,859	
Sales and distribution	-23,190	-21,103	
Research and development	-38,983	-29,760	
Administration	-11,365	-10,708	
Other operating income	93,114	57,831	
Operating profit/Loss	41,876	147,120	
Share of profit/loss in subsidiaries	144	102	
Financial items	7,235	-514	4,5
Profit/loss before tax	49,255	146,708	
Tax on profit/loss for the year	-9,948	-32,960	6
Net profit/loss for the year	39,307	113,748	

Balance sheet

31 December 2022

Assets

(DKK 1000)

	2022	2021	Note
Fixed assets			
Property, plant and equipment			7
Land and buildings	174,464	145,798	
Plant and machinery	159,893	88,817	
Other fixtures and fittings, tools and equipment	27,677	25,887	
Property, plant and equipment in progress	99,862	131,307	
Property, plant and equipment	461,896	391,809	
Fixed assets	461,896	391,809	
Investment in subsidiaries	1,302	1,092	
Total long-term assets	463,198	392,901	
Current assets			
Inventories	352,737	181,810	8
Receivables			
Trade receivables	71,734	50,926	
Receivables from group enterprises	56,985	5,136	
Corporation tax	21,379	0	
Other receivables	66	8,316	
Prepayments	815	835	9
Receivables	150,979	65,213	
Cash at bank and in hand	0	0	
Current assets	503,716	247,023	
Assets	966,914	639,924	

Liabilities and equity

(DKK 1000)

	2022	2021	Note
Equity			10
Share capital	10,001	10,000	
Retained earnings	679,488	510,182	
Effect of exchange rate adjustment	130	65	
Proposed dividend	0	0	
Equity	689,619	520,247	
Provisions			
Provision for deferred tax	43,064	29,135	
Other obligations	0	3	
Provisions	43,064	29,138	
Short-term debt			
Trade payables	39,137	31,769	
Payables to group enterprises	160,761	21,657	
Corporation tax	0	7,111	
Deferred income	0	0	
Other payables	34,333	30,002	
Short-term debt	234,231	90,539	
Liabilities and equity	966,914	639,924	
Contingent liabilities			11
Related parties and ownership			12

Changes to equity

(DKK 1000)

	Share capital	Share premium	Retained earnings	Effect of exchange rate adjustment	Proposed dividend for the year	Total
Changes to equity						
Equity 1 January 2022	10,000		510,182	65	0	520,247
Paid dividend					0	0
Value adjustment				65		65
Net profit for the year			39,307		0	39,307
Paid in share capital and share premium	1	129,999				130,000
Transfer of share premium to retained earnings		-129,999	129,999			0
Equity 31 December 2022	10,001	0	679,488	130	0	689,619

Notes to the financial statement

(DKK 1000)

Notes 1-5

	2022	2021
1. Segment information		
Exports	412,701	443,042
Group	185,564	176,041
	598,265	619,083

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.

	2022	2021
3. Staff expenses		
Wages and salaries	164,707	135,973
Pensions	15,587	12,830
Other social security expenses	1,359	1,154
	181,653	149,957
Cost of goods sold	138,595	111,678
Sales & Distribution	8,778	10,053
Research & Development	24,616	18,637
Administration	9,664	9,588
	181,653	149,957
Including remuneration to the Executive and Board of Directors of DKK 3.9 million compared to DKK 3.0 million in 2021.		
Wages and salaries	3,723	2,797
Pensions	176	153
Other social security expenses	21	23
	3,920	2,973
Average number of employees	244	212
4. Financial income		
Interest received from group enterprises	816	5
Other financial income	14,990	4,971
	15,806	4,976
5. Financial expenses		
Interest paid to group enterprises	-362	-50
Other financial expenses	-8,209	-5,440
	-8,571	-5,490

Notes to the financial statement

(DKK 1000)

Note 6

6. Tax on profit/loss for the year

	Corporation tax	Deferred tax	Total tax for the year
1 January 2022	7,111	29,135	
Adjustments concerning prior years	27	0	27
Current tax for the year	-4,008	13,929	9,921
Settlement re: 2021 tax	-7,060		
Prepaid tax for the year	-17,449		
31 December 2022	-21,379	43,064	9,948

Specification of deferred tax	2022	2021
Trade receivables	-73	-86
Property, plant and equipment	12,519	9,205
Land and buildings	12,892	12,419
Prepayments	171	175
Indirect production cost	17,555	7,422
Deferred tax	43,064	29,135

Notes to the financial statement

(DKK 1000)

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 2022	203,168	298,392	36,436	131,307	669,303
Adjustments to previous year	0	0	0	0	0
Net additions for the year	31,591	90,409	9,420	-25,736	105,684
Disposals for the year	-1,187	-1,338	0	0	-2,525
Transfers for the year	4,183	981	545	-5,709	0
Cost at 31 December 2022	237,755	388,444	46,401	99,862	772,462
Impairment losses and depreciations at 1 January 2022	57,370	209,575	10,549	0	277,494
Depreciations and impairments for the year	6,251	20,314	8,175	0	34,740
Reversal of impairment and depreciations of sold assets	-330	-1,338	0	0	-1,668
Impairment losses and depreciations at 31 December 2022	63,291	228,551	18,724	0	310,566
Carrying amount at 31 December 2022	174,464	159,893	27,677	99,862	461,896

Specification of depreciations	2022	2021
Cost of goods sold	33,346	26,602
Sales & Distribution	0	0
Research & Development	1,394	919
Administration	0	0
Total	34,740	27,521

Notes to the financial statement

(DKK 1000)

Notes 8–12

	2022	2021
8. Inventories		
Raw materials and consumables	173,041	78,656
Work in progress	1,676	69
Goods in transit	13	0
Finished goods and goods for resale	178,007	103,085
	352,737	181,810
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	39,307	113,748
Dividend	0	0
	39,307	113,748

2022 2021

11. Contingent liabilities

Lease and purchase obligations

Leasing and purchase obligations concerning cars, equipment and raw materials.

Within 1 year	18,335	19,689
Between 2 and 5 years	391,371	19,793
	409,706	39,482

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 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

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