

# **Novo Nordisk Region Japan & Korea A/S**

c/o Novo Nordisk A/S  
Novo Allé  
2880 Bagsværd  
Denmark

CVR number 25 68 07 66

## **Annual Report 2018**

**The Annual Report has been presented and adopted at the Annual  
General Meeting on 14 May 2019.**



Chairman of the meeting

**Novo Nordisk Region Japan & Korea A/S**  
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**Statement by the Board of Directors and Executive Management**

Today, the Board of Directors and Executive Management have approved the Annual Report of Novo Nordisk Region Japan & Korea A/S for the year 2018.

The Annual Report has been 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 of the company at 31 December 2018 and of the results of the company's operations for 2018 in accordance with the Danish Financial Statements Act.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial matters and the results of the company's operations and financial position.

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

Bagsværd, 14 May 2019

**Executive Management:**




Peter Bøggild


**Board of Directors:**



Karsten Munk Knudsen  
Chairman



Lene Bang



Tomas Haagen

## **Novo Nordisk Region Japan & Korea A/S**

# **Independent Auditor's Report**

**To the Shareholder of Novo Nordisk Region Japan & Korea 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 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novo Nordisk Region Japan & Korea A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

### **Basis for Opinion**

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

### **Statement on Management's Review**

Management is responsible for Management's Review.

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

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

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

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

### **Management's Responsibilities for the Financial Statements**

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

**Novo Nordisk Region Japan & Korea A/S**  
**Independent Auditor's report**

- 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, 14 May 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Mads Melgaard

State Authorised Public Accountant

mne34354



Elife Savas

State Authorised Public Accountant

mne34453

## **Novo Nordisk Region Japan & Korea A/S**

### **Company information**

<b>Company</b>	Novo Nordisk Region Japan & Korea A/S c/o Novo Nordisk A/S Novo Allé 2880 Bagsværd Denmark
	CVR no.: 25 68 07 66 Founded: 1 October 2000 Municipality of domicile: Gladsaxe Financial year: 1 January – 31 December
<b>Board of Directors</b>	Karsten Munk Knudsen, chairman Lene Bang Tomas Haagen
<b>Executive Management</b>	Peter Bøggild
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup Denmark
<b>General meeting</b>	The Annual General Meeting will be held on 14 May 2019 at the company's address.
<b>Consolidated financial statements</b>	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, in which Novo Nordisk Region Japan & Korea A/S is fully consolidated, 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.

**Novo Nordisk Region Japan & Korea A/S**  
**Financial key figures**

	<b>2018</b>	2017	2016	2015	2014
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Income statement:</b>					
Income from service activity	43,301	30,593	33,393	61,618	48,759
Operating profit from service activity	9,940	7,867	6,897	14,041	11,218
Operating profit/(loss)	1,600	2,186	273	2,147	1,833
Net financials & profit/(loss) in subsidiaries	184,301	218,585	222,394	215,654	140,266
Net profit/(loss) for the year	183,952	252,260	220,966	218,745	140,296
<b>Balance sheet:</b>					
Financial assets	1,374,403	1,621,810	1,701,684	1,718,392	1,500,132
Total assets	1,529,472	1,885,312	2,248,415	1,804,264	1,620,340
Equity	1,519,266	1,878,723	1,730,072	1,444,814	1,188,937

## **Novo Nordisk Region Japan & Korea A/S Management Review**

### **Main activities**

The company's main activities are the holding of equity investments in companies, and other investments, as well as financial activities, and – at the discretion of the Board of Directors – supporting the operations of such companies.

### **Development during the financial year**

Net profit for Novo Nordisk Region Japan & Korea A/S ended at DKK 183,952 thousand for the year 2018 compared with DKK 252,260 thousand for the year 2017. The decrease in net profit is mainly related to a decrease in net profit in subsidiaries. The net profit is in line with the expectations stated in the Annual Report 2017.

In 2018 the company has acquired one share in the company Aldaph SpA in Algeria. The share is classified as 'Other financial assets'.

### **Events after the balance sheet date**

No events have occurred after the end of the reporting period that materially affect the financial position of the company.

### **Outlook for the company, including specific assumptions and elements of uncertainty**

The company's most important activity, also in 2019, is expected to comprise the holding of equity investments in a portfolio of subsidiaries and providing operational services to such subsidiaries.

The company's financial performance reflects the development in the underlying subsidiaries as well as the service activities. Management expects both activity areas to record a positive return in 2019.

### **Specific risks**

For other specific risks and presentation of capital resources please see management review included in the annual report of Novo Nordisk A/S.

### **Foreign branches**

The company has a branch in Tokyo, Japan. The name of the branch is Novo Nordisk Region Japan & Korea A/S, Japan Branch Office.

The main task of the branch is to assist the company's subsidiaries in the coordination of marketing and clinical activities as well as financial planning and controlling. In 2018, this service constituted the majority of the activity of the branch.



**Novo Nordisk Region Japan & Korea A/S**  
**Income statement**

	Note	2018 DKK '000	2017 DKK '000
Income from service activity		43,301	30,593
Expenses from service activity	1	33,361	22,726
<b>Operating profit from service activity</b>		<b>9,940</b>	<b>7,867</b>
Administrative costs	1	8,340	5,681
<b>Operating profit/(loss)</b>		<b>1,600</b>	<b>2,186</b>
Profit/(loss) in subsidiaries	2	178,289	231,435
Financial income	3	6,023	1
Financial expenses	4	11	12,851
<b>Profit/(loss) before income taxes</b>		<b>185,901</b>	<b>220,771</b>
Income taxes	5	1,949	(31,489)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>	6	<b>183,952</b>	<b>252,260</b>

For proposed appropriation of net profit see note 6.

**Novo Nordisk Region Japan & Korea A/S**  
**Balance sheet at 31 December**

	Note	2018 DKK '000	2017 DKK '000
<b>ASSETS</b>			
Financial assets	2	1,374,403	1,621,810
Other financial assets		2	-
Deferred income tax assets	7	2,034	1,042
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,376,439</b>	<b>1,622,852</b>
Amounts owed by affiliated companies		42,761	227,033
Tax receivables		381	34,177
Other receivables		109,891	1,250
<b>TOTAL CURRENT ASSETS</b>		<b>153,033</b>	<b>262,460</b>
<b>TOTAL ASSETS</b>		<b>1,529,472</b>	<b>1,885,312</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	15,500	15,500
Net revaluation reserve according to the equity method		812,003	1,059,410
Retained earnings		441,763	163,813
Proposed dividends		250,000	640,000
<b>TOTAL EQUITY</b>		<b>1,519,266</b>	<b>1,878,723</b>
Amounts owed to affiliated companies		1,599	1,997
Tax payables		1,684	385
Other liabilities	9	6,923	4,207
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,206</b>	<b>6,589</b>
<b>TOTAL LIABILITIES</b>		<b>10,206</b>	<b>6,589</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,529,472</b>	<b>1,885,312</b>

**Novo Nordisk Region Japan & Korea A/S**  
**Statement of changes in equity at 31 December**

	Share capital DKK '000	Net revaluation reserve DKK '000	Retained earnings DKK '000	Proposed dividends DKK '000	Total DKK '000
<b>2018</b>					
Balance at the beginning of the year	15,500	1,059,410	163,813	640,000	1,878,723
Net profit/(loss) for the year			183,952		183,952
Proposed dividends			(250,000)	250,000	-
Remeasurements of defined benefit plans in subsidiaries			2,343		2,343
Dividends paid				(640,000)	(640,000)
Transfer of net profit for the year to net revaluation reserve		(247,407)	247,407		-
Exchange rate adjustments of investments in subsidiaries			94,248		94,248
<b>Balance at the end of the year</b>	<b>15,500</b>	<b>812,003</b>	<b>441,763</b>	<b>250,000</b>	<b>1,519,266</b>
<b>2017</b>					
Balance at the beginning of the year	15,500	1,139,284	575,288	-	1,730,072
Net profit/(loss) for the year			252,260		252,260
Proposed dividends			(640,000)	640,000	-
Remeasurements of defined benefit plans in subsidiaries			19,516		19,516
Transfer of net profit for the year to net revaluation reserve		(79,874)	79,874		-
Exchange rate adjustments of investments in subsidiaries			(123,125)		(123,125)
<b>Balance at the end of the year</b>	<b>15,500</b>	<b>1,059,410</b>	<b>163,813</b>	<b>640,000</b>	<b>1,878,723</b>

## **Novo Nordisk Region Japan & Korea A/S**

### **Accounting policies**

#### **Accounting basis**

The Annual Report of the company is prepared in accordance with the Danish Financial Statements Act for a medium-sized class C enterprise.

The accounting policies applied remain unchanged from last year.

The Annual Report is presented in DKK 1,000.

#### **Translation of foreign currencies**

Assets and debt in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Financial statements of foreign subsidiaries are translated into Danish kroner at the exchange rates at the balance sheet date for the balance sheet items and at average exchange rates for income statement items.

All exchange rate adjustments are recognised in the income statement except exchange rate adjustments arising from:

- translation of subsidiaries' net assets at the beginning of the year at the exchange rates at the balance sheet date
- translation of subsidiaries' income statements at average exchange rates and translation of their balance sheet items at the exchange rates at the balance sheet date
- translation of non-current intra-Group receivables that are considered a supplement to the net assets of the subsidiaries.

The above currency translation differences are recognised directly in equity.

#### **Income from service activity**

Income from service activity is recognised as earned.

#### **Expenses from service activity**

Expenses from service activity are made up of costs relating to income from service activity.

#### **Administrative costs**

Administrative costs comprise expenses for the management and administration of the company, such as expenses for administrative staff, management, office premises, office costs etc, as well as depreciation, amortisation and impairment losses.

#### **Share-based payment**

The parent company offers incentive schemes to a group of managerial employees in the company's branch and subsidiaries. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense.

#### **Retirement benefit obligations**

A few of the company's subsidiaries operate defined benefit plans. The cost for the year for defined benefit plans are determined using the projected unit credit method based on actuarial assumptions. Gains and losses arising from changes in actuarial assumptions are charged directly to Equity.

#### **Financial items**

Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses on securities, debt and transactions in foreign currencies, amortisation of financial assets and liabilities, as well as surcharges and allowances under the tax prepayment scheme etc. Financial income and expenses are recognised by the amounts pertaining to the financial year.

#### **Financial assets**

Equity investments in subsidiaries are recognised at equity value, i.e. at the proportional share of the carrying amount of the equity value of the subsidiary.

The share of profit or loss in subsidiaries is recognised in the income statement of the parent company.

For business combinations in connection with the foundation of the company the acquisition method is used, resulting in a revaluation of the acquired companies' assets and liabilities and recognition of goodwill. This goodwill is amortised over a maximum period of 20 years, based on life expectancy, and an impairment test is conducted annually.

Subsequent internal business combinations are recognised using the pooling of interests method, meaning that assets and liabilities are recognised at the carrying amounts that would have applied if the Group relationship had been established at the beginning of the comparative period, without any subsequent revaluation.

## **Novo Nordisk Region Japan & Korea A/S**

### **Accounting policies**

When using the pooling of interests method, there is no recognition of goodwill. The difference between the amount paid as capital and the equity in the acquired company is recognised directly in equity.

Net revaluation of equity investments in subsidiaries exceeding the declared dividend of the subsidiaries is transferred to equity as net revaluation reserve according to the equity method.

#### **Receivables**

Receivables are stated at amortised cost less write-downs for potential losses on doubtful debts. The write-downs are based on an individual assessment of each debtor, including an evaluation of payment risk associated with individual countries.

#### **Tax**

Deferred tax is provided for using the balance sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities, with the exception of goodwill in situations where goodwill is not deducted for tax purposes. The tax value of tax loss carry-forwards is included in the statement of deferred tax if the losses are likely to be utilised in the future. Deferred tax is provided for using the tax rate expected to apply when the temporary differences are expected to be eliminated.

Novo Nordisk recognises deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences can be utilised.

Tax payable/receivable includes tax payable computed on the basis of the expected taxable income for the year and any adjustments of taxes payable for previous years.

Income tax in the income statement comprises current tax for the year and any change in the provision for deferred tax.

The company is jointly taxed with the Danish companies in the Novo Holdings A/S Group. The tax effect of the joint taxation with the parent company and other subsidiaries is allocated to the companies in proportion to their taxable incomes (full allocation). The current tax in the joint taxation is paid by the ultimate parent company, Novo Holdings A/S, which functions as the tax administration company. The jointly taxed Danish enterprises have adopted the on-account taxation scheme.

#### **Dividends**

Proposed dividends (not yet declared) for the accounting period are recognised in the equity as proposed dividends.

#### **Long- and short-term debt**

Long- and short-term debt are measured at amortised cost.

#### **Statement of cash flows**

In accordance with section 4, paragraph 86, of the Danish Financial Statements Act, no separate cash flow statement has been prepared for the parent company. Reference is made to the cash flow statement in the Consolidated Financial Statements for the Novo Nordisk Group.

**Novo Nordisk Region Japan & Korea A/S**  
**Notes**

**1 - Employee costs**

	<b>2018</b>	2017
	DKK '000	DKK '000
Wages and salaries	12,250	10,203
Other social security contributions	1,910	1,846
Share-based payment, paid	3,788	2,143
Share-based payment, adjustment of provision	-	(7,800)
Other employee costs	17,818	15,533
<b>Total employee costs</b>	<b>35,766</b>	<b>21,925</b>
Average number of full-time employees (incl. branch)	15	14
Number of full-time employees at year-end (incl. branch)	16	14

According to the Danish Financial Statements Act §98b (3) executive management remuneration is not disclosed.

**2 - Financial assets**

	<b>2018</b>	2017
	DKK '000	DKK '000
<b>Capital investments in subsidiaries</b>		
Cost at the beginning of the year	562,400	562,400
<b>Cost at the end of the year</b>	<b>562,400</b>	<b>562,400</b>
Value adjustments at the beginning of the year	1,059,410	1,139,284
Profit/(loss) before tax	276,463	394,088
Income taxes on profit for the year	(90,649)	(155,128)
Amortisation and write-down of goodwill	(7,525)	(7,525)
Remeasurements of defined benefit plans	2,343	19,516
Dividends	(522,287)	(207,700)
Effect of exchange rate adjustment	94,248	(123,125)
<b>Value adjustments at the end of the year</b>	<b>812,003</b>	<b>1,059,410</b>
<b>Carrying amount at the end of the year</b>	<b>1,374,403</b>	<b>1,621,810</b>

The carrying amount of equity investments in subsidiaries includes goodwill of DKK 32 million (2017: DKK 40 million), which occurred in connection with the acquisition of subsidiaries. Amortisation of goodwill amounts to DKK 7.5 million (2017: DKK 7.5 million).

A list of capital investments in subsidiaries is shown in note 14.

**3 - Financial income**

	<b>2018</b>	2017
	DKK '000	DKK '000
Foreign exchange rate gain (net)	6,004	-
Other financial income	19	1
<b>Total financial income</b>	<b>6,023</b>	<b>1</b>

**4 - Financial expenses**

	<b>2018</b>	2017
	DKK '000	DKK '000
Interest expenses relating to affiliated companies	-	3,028
Foreign exchange rate loss (net)	-	9,809
Other financial expenses	11	14
<b>Total financial expenses</b>	<b>11</b>	<b>12,851</b>

**Novo Nordisk Region Japan & Korea A/S**  
**Notes**

<b>5 - Income taxes</b>	<b>2018</b>	2017
	DKK '000	DKK '000
Tax on the profit/(loss) for the year	2,404	(32,726)
Deferred tax on the profit/(loss) for the year	(919)	934
Adjustments recognised for current tax of prior periods	464	303
<b>Income taxes</b>	<b>1,949</b>	<b>(31,489)</b>

<b>6 - Proposed appropriation of net profit</b>	<b>2018</b>	2017
	DKK '000	DKK '000
Proposed dividends	250,000	640,000
Retained earnings	181,359	(307,866)
Net revaluation reserve according to the equity method	(247,407)	(79,874)
<b>Distribution of net profit</b>	<b>183,952</b>	<b>252,260</b>

<b>7 - Deferred income tax</b>	<b>2018</b>	2017
	DKK '000	DKK '000
Net deferred tax asset/(liability) at the beginning of the year	1,042	1,416
Income/(charge) to the Income statement	919	(193)
Income/(charge) to Equity	73	(181)
<b>Net deferred tax asset/(liability) at the end of the year</b>	<b>2,034</b>	<b>1,042</b>

**8 - Share capital**

The share capital consists of 155,000 shares of nominal value DKK 100. No shares carry any special rights.

The share capital has not changed during the last five years.

<b>9 - Other liabilities</b>	<b>2018</b>	2017
	DKK '000	DKK '000
Employee costs payable	3,791	2,605
Other payables	3,132	1,602
<b>Total other liabilities</b>	<b>6,923</b>	<b>4,207</b>

**10 - Contingencies**

The company is jointly taxed with the Danish companies in the Novo Holdings 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. 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.

The company has no other contingent liabilities.

**Novo Nordisk Region Japan & Korea A/S**  
**Notes**

**11 - Events after the balance sheet date**

No events have occurred after the end of the reporting period that materially affect the financial position of the company as of 31 December 2018.

**12 - Related party transactions**

For information on transactions with related parties, please refer to the annual report of Novo Nordisk A/S.

**13 - Related parties and ownership**

**Controlling interests**

Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark  
 Novo Holdings A/S, Tuborg Havnevej 19, 2900 Hellerup, Denmark  
 Novo Nordisk Foundation, Tuborg Havnevej 19, 2900 Hellerup, Denmark

**Basis**

Principal shareholder, owns 100%  
 Controls Novo Nordisk A/S  
 Ultimate parent of the Group

**14 - Subsidiaries**

**Activity**

	Country	Percentage of shares owned	Production	Sales and marketing	Research and development	Services/investments
			▲	■	•	□
<b>Subsidiaries</b>						
Novo Nordisk Pharma Ltd.	Japan	100	▲	■		
Novo Nordisk Pharma Korea Ltd.	South Korea	100		■		