

Novo Nordisk North America Operations A/S

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

CVR number 33 76 12 01

Annual Report 2020

The Annual Report has been presented and adopted at the Annual General Meeting on 12 May 2021.



A handwritten signature in blue ink, appearing to read 'Karsten Jensen', is written over a horizontal line. The signature is fluid and cursive.

Chairman of the meeting

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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 North America Operations A/S for the year 2020.

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 2020 and of the results of the company's operations for 2020 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, 12 May 2021

Executive Management:



Peter Bøggild

Board of Directors:



Karsten Munk Knudsen
Chairman



Linette Nielsen



Tomas Haagen

Novo Nordisk North America Operations A/S

Independent Auditor's report

To the Shareholder of Novo Nordisk North America Operations 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 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novo Nordisk North America Operations A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, summary of significant accounting policies and notes ("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.

Independent Auditor's report

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 12 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Mads Melgaard

State Authorised Public Accountant

mne34354

Company information

Company	Novo Nordisk North America Operations A/S c/o Novo Nordisk A/S Novo Allé 2880 Bagsværd Denmark
	CVR.no.: 33 76 12 01
	Founded: 14 June 2011
	Municipality of domicile: Gladsaxe
	Financial year: 1 January – 31 December

Board of Directors	Karsten Munk Knudsen, chairman Linette Nielsen Tomas Haagen
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Executive Management	Peter Bøggild
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Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup Denmark
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General meeting	The Annual General Meeting will be held on 12 May 2021 at the company's address.
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Financial key figures

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement:					
Royalty income	19,706	-	-	-	-
Operating profit/(loss)	(19,707)	(29)	(25)	(20)	(21)
Net financials & profit/(loss) in subsidiaries	70,752	182,982	184,038	115,611	59,780
Net profit/(loss) for the year	34,830	189,945	183,827	115,680	53,755
Balance sheet:					
Financial assets	273,796	716,799	495,071	329,577	237,602
Total assets	10,963,882	728,760	518,224	418,247	314,798
Equity	9,214,437	728,462	498,467	332,243	262,662

The company acquired Novo Nordisk Canada Inc. in 2019. Amounts for 2016-2018 have been restated. Please refer to accounting policies for a description of the accounting for the acquisition.

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 North America Operations A/S ended at DKK 34,830 thousand for the year 2020 compared with net profit of DKK 189,945 thousand for the year 2019.

December 2020, Novo Nordisk North America Operations A/S acquired the intellectual property rights related to the SNAC technology, and thus the right to receive royalties from Novo Nordisk A/S. The main development in 2020 is driven by amortisations of the assets offset by royalty income that is expected to increase in line with sales growth of Rybelsus® and other assets that utilises the SNAC technology.

The implications of COVID-19 did not have a material impact on the earnings in the subsidiaries.

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 2021, is expected to comprise the holding of equity investment in the Canadian subsidiary as well as the acquired intellectual property rights.

The company's financial performance reflects the development in the underlying subsidiary. Management expects to record a positive return in 2021.

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.

Income statement

		2020	2019
	Note	DKK '000	DKK '000
Royalty income		19,706	-
Operating costs	1	39,384	-
Administrative costs		29	29
Operating profit/(loss)		(19,707)	(29)
Profit/(loss) in subsidiaries	2	85,203	181,678
Financial income	3	11	1,355
Financial expenses	4	14,462	51
Profit/(loss) before income taxes		51,045	182,953
Income taxes	5	16,215	(6,992)
NET PROFIT/(LOSS) FOR THE YEAR	6	34,830	189,945

For proposed appropriation of net profit see note 6.

Novo Nordisk North America Operations A/S
Balance sheet at 31 December

		2020	2019
	Note	DKK '000	DKK '000
ASSETS			
Intangible assets	1	7,950,666	-
Financial assets	2	273,796	716,799
Other financial assets		77	65
TOTAL NON-CURRENT ASSETS		8,224,539	716,864
Amounts owed by affiliated companies		982,338	-
Tax receivables		1,756,963	-
Cash at bank		42	11,896
TOTAL CURRENT ASSETS		2,739,343	11,896
TOTAL ASSETS		10,963,882	728,760
EQUITY AND LIABILITIES			
Share capital	8	1,000	1,000
Retained earnings		8,251,437	717,462
Proposed dividends		962,000	10,000
TOTAL EQUITY		9,214,437	728,462
Deferred tax liability		1,749,147	-
TOTAL NON-CURRENT LIABILITIES		1,749,147	-
Tax payables		274	274
Other liabilities		24	24
TOTAL CURRENT LIABILITIES		298	298
TOTAL LIABILITIES		1,749,445	298
TOTAL EQUITY AND LIABILITIES		10,963,882	728,760

Statement of changes in equity at 31 December

	Share capital DKK '000	Share premium DKK '000	Fair value reserve DKK '000	Retained earnings DKK '000	Proposed dividends DKK '000	Total DKK '000
2020						
Balance at the beginning of the year	1,000	-	-	717,462	10,000	728,462
Paid in share capital *)	-	8,514,716				8,514,716
Transfer of share premium to retained earnings		(8,514,716)		8,514,716		-
Net profit/(loss) for the year				34,830		34,830
Proposed dividends				(962,000)	962,000	-
Dividends paid					(10,000)	(10,000)
Exchange rate adjustments of investments in subsidiaries				(53,571)		(53,571)
Fair value adjustments of cash flow hedges incurred in the period			215,239			215,239
Realised cash flow hedge in the period transferred to intangible assets			(215,239)			(215,239)
Balance at the end of the year	1,000	-	-	8,251,437	962,000	9,214,437

*) Paid in share capital amounts to nominal DKK 10 at a price of DKK 8,514,716 thousands.

2019

Balance at the beginning of the year	1,000	-	-	497,467	-	498,467
Net profit/(loss) for the year				189,945		189,945
Proposed dividends				(10,000)	10,000	-
Exchange rate adjustments of investments in subsidiaries				40,050		40,050
Balance at the end of the year	1,000	-	-	717,462	10,000	728,462

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.

Royalty income

Royalty income is recognised as the underlying sale is achieved in accordance with the terms of the relevant agreement.

Operating costs

Operating costs comprises costs related to the amortisation of intellectual property rights.

Administrative costs

Administrative costs comprise expenses for the management and administration of the company.

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

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. Financial income and expenses are recognised by the amounts pertaining to the financial year.

Intangible assets

Intellectual property rights comprises milestones, royalty payments and other related costs. The intellectual property rights are carried at historical cost less accumulated amortisation and any impairment loss. The estimated useful life is the legal duration or the economic useful life depending on which is shorter, and not exceeding 15 years. The amortisation of intellectual property rights, patents and licenses begins after regulatory approval has been obtained or when the intangible asset is considered available for use as intended by management. Amortisation is based on the straight-line method over the estimated useful life. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of intangible assets exceeds the recoverable amount based on the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash flows. Impairments are reviewed at each reporting date for possible reversal.

Financial assets

Investments in subsidiaries are recorded under the equity method, using the respective share of the net asset values in subsidiaries. The equity method is used as a measurement basis rather than a consolidation method.

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

Accounting policies

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.

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.

Other financial assets

Shares in Novo Nordisk affiliated companies are recognised at fair value.

Amounts owed by affiliated companies

Receivables are stated at amortised cost less write-downs for potential losses on doubtful debts. Any write-downs are based on an individual assessment of each debtor.

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.

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.

Notes

1 - Intangible assets	2020	2019
	DKK '000	DKK '000
Additions during the year	7,990,050	-
Cost at the end of the year	7,990,050	-
Amortisation for the year	39,384	-
Amortisation at the end of the year	39,384	-
Carrying amount at the end of the year	7,950,666	-
2 - Financial assets	2020	2019
	DKK '000	DKK '000
Capital investments in subsidiaries		
Cost at the beginning of the year	3,743,987	3,743,987
Cost at the end of the year	3,743,987	3,743,987
Value adjustments at the beginning of the year	(3,027,188)	(3,248,916)
Profit/(loss) before tax	106,582	244,184
Income taxes on profit for the year	(21,379)	(62,506)
Dividends	(474,635)	-
Effect of exchange rate adjustment	(53,571)	40,050
Value adjustments at the end of the year	(3,470,191)	(3,027,188)
Carrying amount at the end of the year	273,796	716,799
The capital investment in subsidiary is the fully owned subsidiary Novo Nordisk Canada Inc., incorporated in Canada.		
3 - Financial income	2020	2019
	DKK '000	DKK '000
Value adjustment of other financial assets	11	27
Foreign exchange rate gain (net)	-	156
Interests receivables	-	1,172
Total financial income	11	1,355
4 - Financial expenses	2020	2019
	DKK '000	DKK '000
Foreign exchange rate loss (net)	14,406	-
Other financial expenses	56	51
Total financial expenses	14,462	51
5 - Income taxes	2020	2019
	DKK '000	DKK '000
Tax on the profit/(loss) for the year	(1,732,932)	274
Deferred tax on the profit/(loss) for the year	1,749,147	-
Adjustments recognised for current tax of prior periods	-	(13,471)
Adjustments recognised for deferred tax of prior periods	-	6,205
Income taxes	16,215	(6,992)

Notes

6 - Proposed appropriation of net profit

	2020	2019
	DKK '000	DKK '000
Proposed dividends	962,000	10,000
Retained earnings	(927,170)	179,945
Distribution of net profit	34,830	189,945

7 - 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.

8 - Share capital

The share capital consists of 1000,010 shares of nominal value DKK 1. No shares carry any special rights.

	2020	2019
	DKK '000	DKK '000
Share capital 1 January	1,000,000	500,100
Capital contribution	10	499,900
Balance at the end of the year	1,000,010	1,000,000

In 2019 a capital increase of 499,900 shares of nominal value DKK 1 was issued. The capital increase was registered on 2019, but due to the use of the "pooling of interest" method the transaction is accounted for as the capital increase was decided on the 1 January 2018.

9 - 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.

10 - Related party transactions

All transactions with related parties have been carried out at arm's length principle.

11 - 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
 Controls Novo Nordisk A/S
 Ultimate parent of the Group

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 North America Operations 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.