

Novo Nordisk Denmark A/S

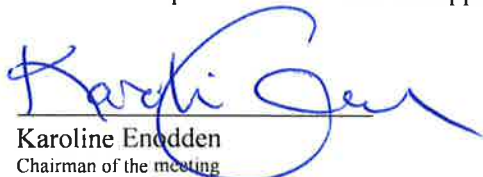
Ørestads Boulevard 108, 2300 København S

Company reg. no. 38 18 00 45

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 24 April 2020.



Karoline Enødden
Chairman of the meeting

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Statement by the Board of Directors and Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Novo Nordisk Denmark A/S for the financial year 1 January to 31 December 2019.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the Company's assets and liabilities and its financial position at 31 December 2019 and of the Company's results of its activities in the financial year 1 January to 31 December 2019.

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.

The annual report is recommended for approval by the general meeting..

Copenhagen, 24 April 2020

Executive Board



Kasper Bødker Mejlvang

Board of directors



Frederik Kier
Chairman



Thomas Haagen



Morten Englund

Independent Auditor's Report

To the shareholders of Novo Nordisk Denmark 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novo Nordisk Denmark A/S for the financial year 1 January to 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies.

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 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 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 the 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 the Management's Review and, in doing so, consider whether the 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 Statement Act. We did not identify any material misstatement in the Management's Review.

Independent Auditor's Report

Management's Responsibilities for the Financial Statement

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 evaluating 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 when 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 may arise from fraud or error and 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 in 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.

Independent Auditor's Report

- 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 the internal control that we identify during our audit.

Hellerup, 24 April 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31


Mads Melgaard

State Authorised Public Accountant
mne34354



Elife Savas
State Authorised Public Accountant
mne34453

Company information

The company

Novo Nordisk Denmark A/S
Ørestads Boulevard 108
2300 København S

Phone +45 35 35 00 02

Company reg. no. 38 18 00 45

Established: 14 November 2016

Domicile: Copenhagen

Financial year: 1 January - 31 December

Board of directors

Frederik Kier, Chairman
Tomas Haagen
Morten Engelund

Executive Board

Kasper Bødker Mejlvang

Auditors

PricewaterhouseCoopers Statsautoriseret
Revisionspartnerselskab
Strandvejen 44, 2900 Hellerup

Financial highlights

DKK in thousands.	2019	2018	2016/17
Profit and loss account:			
Revenue	363.936	341.939	317.443
Operating profit/loss	8.811	6.162	6.888
Net financials	-511	87	198
Profit/loss for the year	5.252	4.213	5.379
Balance sheet:			
Total assets	149.608	130.040	124.799
Investments in property, plant and equipment	0	0	1.769
Equity	15.343	10.092	5.879
Employees:			
Average number of full time employees	65	69	52
Key figures in %:			
Operating margin	2,4	1,8	2,2
Gross margin	37,1	34,9	35,2
EBITDA-margin	2,4	1,9	2,2
Return on assets	6,3	4,8	5,5
Current ratio	111,5	108,1	104,4
Return on equity	41,3	52,8	91,5
Equity ratio	10,3	7,8	4,7

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

The key figures appearing from the survey have been calculated as follows:

$$\text{Operating margin} = \frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$$

$$\text{Gross margin ratio} = \frac{\text{Gross margin} \times 100}{\text{Revenue}}$$

$$\text{EBITDA-margin} = \frac{\text{Earnings before interest, taxes and amortisations} \times 100}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Results from primary activities (EBIT)} \times 100}{\text{Average assets}}$$

Financial highlights

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Short-term liabilities}}$$

Equity ratio

$$\frac{\text{Equity, closing balance} \times 100}{\text{Assets in total, closing balance}}$$

Return on equity

$$\frac{\text{Results for the year} \times 100}{\text{Average equity}}$$

Management's review

Business review

The purpose of Novo Nordisk Denmark A/S (secondary name Novo Nordisk Region Europe Pharmaceuticals A/S) is to act as a regional office and support sales and marketing activities in the Novo Nordisk affiliates in Europe in order to launch and supply best in class products. The treatment areas consist of diabetes, obesity, growth and bleeding disorders as well as hormone replacement treatment.

In the beginning of 2019, a restructuring in the IT organization took place. As a result, the local IT support is conducted in the European affiliates and the cost stay locally in the affiliates. Compared to 2018 it results in a decrease in IT costs. The virtual setup for the Health Economics & Outcome Research team still exist and HEOR employees are located in European affiliates and reporting to management in Copenhagen.

Number of average employees has declined from 69 in 2018 to 65 in 2019.

Unusual matters having affected the financial statements

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual matters.

Financial review

The revenue for the year is DKK 363.935.809 against DKK 341.939.233 last year. The results from ordinary activities after tax are DKK 5.251.810 against DKK 4.213.051 last year. The management consider the results satisfactory.

Risks

Novo Nordisk Denmark A/S is a service company in the Novo Nordisk group and Novo Nordisk A/S bears all the risks for launches and research & development. All costs, both internal and external, in Novo Nordisk Denmark A/S are (due to a service contract) invoiced to Novo Nordisk A/S as service fee including a mark-up for internal costs.

Events after the balance sheet date

Covid-19: The company's focus for 2020 is to ensure that we can continue to supply distributors and patients. We do not foresee any significant financial impact.

Governments across the world have decided to initiate measures as a response to the COVID-19 outbreak. See comments in note 14 to the financial statement.

Management's review

Outlook

Novo Nordisk Denmark A/S will undergo significant changes in 2020 since the Danish part of Novo Nordisk Scandinavia AB will merge with Novo Nordisk Denmark A/S. This will take place 1st of January 2020 and the company will then consist of the following three units:

Regional office Europe: Service company supporting the business areas/large affiliates in Europe. All costs, both internal and external are (due to a service contract) invoiced to Novo Nordisk A/S (parent company) as service fee including a mark-up for internal costs.

North & Central business area office: Service company supporting the affiliates in business area North & Central (Denmark, Sweden, Norway, Finland, Netherlands, Belgium, Switzerland, Austria and Ireland). All costs, both internal and external are due to a service fee contract invoiced to the affiliates in business area North & Central (as a service fee invoice including a mark-up for internal costs).

The Danish sales affiliate: Sales company selling medicine in the treatment areas diabetes, obesity, growth and bleeding disorders as well as hormone replacement treatment. Novo Nordisk A/S bears all the risks for launches and research & development, hence launch costs and R&D costs are invoiced to Novo Nordisk A/S (mother company) as service fee including a mark-up for internal costs.

Income statement 1 January - 31 December

All amounts in DKK.

Note	2019	2018
Revenue	363.935.809	341.939.233
Cost of sales	-28.314.565	-75.024.725
Other operating income	112.489	7.173.851
Other external expenses	-200.847.323	-154.861.412
Gross margin	134.886.410	119.226.947
2 Staff costs	-125.898.522	-112.887.887
Depreciation of property, plant and equipment	-176.851	-176.851
Profit before net financials	8.811.037	6.162.209
3 Financial income	398.140	421.609
4 Financial expenses	-909.538	-335.097
Profit before tax	8.299.639	6.248.721
5 Tax for the year	-3.047.829	-2.035.670
6 Profit for the year	5.251.810	4.213.051

Balance sheet 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Fixed assets			
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	1.329.741	1.506.592
		<u>1.329.741</u>	<u>1.506.592</u>
	Total fixed assets	<u>1.329.741</u>	<u>1.506.592</u>
Non-fixed assets			
	Trade receivables	274.614	55.835
	Receivables from group enterprises	4.168.617	91.960.845
8	Deferred tax assets	998.202	1.814.417
	Corporate tax receivable	880.604	2.818.410
	Other receivables	5.870	5.907
9	Prepayments	4.789.060	2.429.212
		<u>11.116.967</u>	<u>99.084.626</u>
	Cash	137.161.043	29.448.964
	Total non-fixed assets	<u>148.278.010</u>	<u>128.533.590</u>
	Total assets	<u>149.607.751</u>	<u>130.040.182</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Equity			
10	Share capital	500.000	500.000
	Retained earnings	14.843.476	9.591.666
	Total equity	15.343.476	10.091.666
Provisions			
11	Other provisions	1.261.926	1.024.084
	Total provisions	1.261.926	1.024.084
Liabilities other than provisions			
	Trade payables	12.912.101	10.289.190
	Payables to group enterprises	37.286.108	30.434.547
	Other payables	82.804.140	78.200.695
	Total liabilities other than provisions	133.002.349	118.924.432
	Total liabilities	133.002.349	118.924.432
	Total equity and liabilities	149.607.751	130.040.182

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Statement of changes in equity

All amounts in DKK.

	<u>Share capital</u>	<u>Retained earnings</u>	<u>In total</u>
Equity 1 January 2018	500.000	5.378.615	5.878.615
Profit or loss for the year brought forward	0	4.213.051	4.213.051
Equity 1 January 2019	500.000	9.591.666	10.091.666
Profit or loss for the year brought forward	0	5.251.810	5.251.810
	500.000	14.843.476	15.343.476

1. Accounting policies

The annual report for Novo Nordisk Denmark A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts for the higher-ranking parent company Novo Nordisk A/S.

Recognition and measurement in general

The Financial Statements have been prepared under the historical cost method.

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

1. Accounting policies (continued)

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. All income is related to invoiced fees to Novo Nordisk A/S which consist of the actual expenses including a mark-up.

Cost of sales

Costs of sales includes costs of external services used in generating the year's revenue.

Other external expenses

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

1. Accounting policies (continued)

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Fixed assets

Fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Fixtures and furniture, other plant and equipment	10 years

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operating leases and rental agreements are recognised under contingencies etc.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on individual basis.

1. Accounting policies (continued)

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtor's domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprises prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Notes

All amounts in DKK.

	2019	2018
2. Staff costs		
Salaries and wages	103.917.040	94.992.291
Pensions	8.560.321	8.132.551
Other social security costs	563.050	471.183
Other staff costs	12.858.111	9.291.862
	125.898.522	112.887.887
Average number of full-time employees	65	69
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
Incentive programmes		
Management participates in Novo Nordisk A/S's incentive programme.		
3. Financial income		
Interest income, group entities	137.597	177.154
Other financial income	260.543	244.455
	398.140	421.609
4. Financial expenses		
Interest expenses, group entities	385.025	165.522
Other financial expenses	524.513	169.575
	909.538	335.097
5. Tax for the year		
Estimated tax charge for the year	2.231.614	1.766.715
Deferred tax adjustments in the year	816.215	268.955
	3.047.829	2.035.670

Notes

All amounts in DKK.

	2019	2018
6. Proposed distribution of the results		
Retained earnings	5.251.810	4.213.051
Distribution in total	5.251.810	4.213.051
7. Property, plant and equipment		
		Fixtures and fittings, other plant and equipment
Cost at 1. januar 2019		1.768.507
Cost at 31. december 2019		1.768.507
Impairment losses and depreciation at 1. januar 2019		261.915
Depreciation		176.851
Impairment losses and depreciation at 31. december 2019		438.766
Carrying amount at 31. december 2019		1.329.741
8. Deferred tax assets		
Deferred tax assets 1 January 2019	1.814.417	2.083.372
Deferred tax of the results for the year	-816.215	-268.955
	998.202	1.814.417
9. Prepayments		
Prepayments include accrual of expenses relating to subsequent financial years, including payments for market data, congresses and software licenses.		

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
10. Share capital		
Change in the share capital over the past 3 years		
Share capital 1 January 2019	500.000	500.000
	<u>500.000</u>	<u>500.000</u>

The Company was founded 14. November 2016 and there has been no change in the share capital.

11. Other provisions

Other provisions comprise provisions for anniversary bonuses, totalling DKK 1.261.926.

12. Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, Novo Nordisk A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2019 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 14 November 2017.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	<u>19.693.326</u>	<u>27.449.302</u>
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Notes

All amounts in DKK.

13. Related parties

Controlling interest

Related party

Novo Nordisk Region Europe A/S
Novo Alle 1
2880 Bagsværd
Denmark

Basis for control

Participating interest
Shareholders' agreement

Information about consolidated financial statement

Parent

Novo Nordisk A/S
Novo Alle 1
2820 Bagsværd

Requisitioning of the parent
company's consolidated financial
statements:
www.novonordisk.dk

Other related parties

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

14. Subsequent events

COVID-19

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), and therefore will not have any effect on the Financial Statements for 2019 (a non-adjusting event). It is too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact earnings in 2020.