

## Financial report for the period 1 January 2020 to 31 December 2020

3 February 2021

### Novo Nordisk's net profit increased by 8% in 2020

- Sales increased by 4% in Danish kroner and by 7% at CER to DKK 126.9 billion. Sales in International Operations increased by 7% in Danish kroner (10% at CER), and sales in North America Operations increased by 1% in Danish kroner (3% at CER). Sales growth was negatively impacted by COVID-19, driven by fewer patients initiating treatment.
- Sales within Diabetes and Obesity care increased by 5% to DKK 108.0 billion (8% at CER), driven by GLP-1 growth of 26% in Danish kroner (29% at CER) reflecting the uptake of Ozempic<sup>®</sup> and Rybelsus<sup>®</sup>. Biopharm sales decreased by 1% in Danish kroner (increased by 1% at CER).
- The R&D pipeline progressed with the submissions of new drug applications for semaglutide 2.4 mg in obesity in the US and the EU. Furthermore, the phase 3b trial with semaglutide 2.0 mg in people with type 2 diabetes was successfully completed.
- As per end of February 2021, Mads Krosgaard Thomsen, executive vice president (EVP) and chief scientific officer (CSO) will retire from Novo Nordisk and be succeeded by Marcus Schindler, who is promoted to CSO and EVP for Research & Early Development and Martin Holst Lange, who is promoted to EVP for Development.
- For the 2021 outlook, sales growth is expected to be 5-9% at CER, and operating profit growth is expected to be 4-8% at CER. Growth reported in DKK is expected to be around 4 and 6 percentage points lower than at CER for sales and operating profit, respectively.
- At the Annual General Meeting on 25 March 2021, the Board of Directors will propose a final dividend of DKK 5.85 for 2020 per share of DKK 0.20. The expected total dividend for 2020 is DKK 9.10 per share, of which DKK 3.25 was paid as interim dividend in August 2020. The Board of Directors intends to initiate a new 12-month share repurchase programme of up to DKK 17 billion.

PROFIT AND LOSS	2020	2019	Growth as reported	Growth at CER*
DKK million				
Net sales	126,946	122,021	4%	7%
Operating profit	54,126	52,483	3%	7%
Net profit	42,138	38,951	8%	N/A
Diluted earnings per share (in DKK)	18.01	16.38	10%	N/A

\* CER: Constant exchange rates (average 2019).

Lars Fruergaard Jørgensen, president and CEO: "We are very satisfied with the progress on our Strategic Aspirations in 2020 despite the challenges of COVID-19. This was only possible due to the commitment from all our employees. The financial results reflect sales growth in both International Operations and North America Operations driven by more patients using our GLP-1 treatments. Within R&D, key milestones in the fourth quarter were the regulatory submissions of semaglutide 2.4 mg which has the potential to redefine the treatment of obesity. In 2021, we will continue our focus on commercial execution while conducting more late-stage clinical trial programmes than ever to meet the unmet needs of people living with diabetes and other serious chronic diseases."

On 3 February 2021 at 13.00 CET, corresponding to 7.00 am EST, a conference call will be held. Investors will be able to listen in via a link on [novonordisk.com](http://novonordisk.com), which can be found under 'Investors'.

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## UPDATE ON COVID-19

During the COVID-19 pandemic, Novo Nordisk's key priorities are to safeguard employees, continue the supply of lifesaving medicines and support societies around the world.

### Production

Novo Nordisk's manufacturing sites continue to operate and products are still distributed and made available to patients worldwide.

### R&D

Novo Nordisk continues conduct of all clinical trials already initiated. For ongoing trials, recruitment of new patients is still below pre-COVID-19 levels. Some new trials have been initiated.

### Commercial

Most Novo Nordisk medicines are mainly used for chronic treatment. However, during the period of social distancing implemented in many markets, fewer new patients are initiating treatment. This is especially impacting launch products and products with a short stay time. A gradual recovery of patient initiations took place in the fourth quarter. In the beginning of the pandemic, stocking mainly at patient level was seen particularly in the US and Europe and a gradual destocking at patient level has taken place in the following quarters.

The COVID-19 pandemic continues to evolve differently across geographies and operations are running accordingly. In many markets, sales representatives are working from home using virtual promotion tools.

### Support to society

Novo Nordisk supports societies and local healthcare systems during the COVID-19 pandemic with contributions in countries across the world, including patient support, emergency relief donations as well as protection equipment for medical staff and hospitals.

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# STRATEGIC ASPIRATIONS

## STRATEGIC ASPIRATIONS 2025

To reflect the broad aspects of Novo Nordisk across therapy areas and geographies, Novo Nordisk introduced in 2019 a comprehensive approach describing the future growth aspirations of the company under the headline Strategic Aspirations 2025.

The strategic aspirations are objectives that Novo Nordisk intends to work towards and are not a projection of Novo Nordisk's financial outlook or expected growth. Novo Nordisk intends to describe how its activities develop in relation to each of the four dimensions on an ongoing basis.

Performance highlights for 2020:

### Purpose and sustainability

#### Adding value to society:

- Launch of social strategy 'Defeat Diabetes'
- Expansion of US affordability options
- Societal contributions during COVID-19 pandemic
- Lowered ceiling pricing of human insulin as part of Access to Insulin Commitment in 76 countries

#### Progress towards zero environmental impact:

- Sourcing of renewable power for all US operations and 100% renewable power across all production sites
- Launch of supplier target aiming at 100% renewable power across all suppliers by 2030

#### Ensure distinct core capabilities and evolve culture:

- Progress on diversity and inclusion agenda as well as digitalisation capabilities

### Innovation and therapeutic focus

#### Further raise innovation bar for diabetes treatment:

- Semaglutide high-dose phase 3b trial successfully completed and submitted in the EU and the US
- Phase 3a trial with once-weekly insulin icodec initiated
- Rybelsus<sup>®</sup> approved in the EU and Japan

#### Develop superior treatment solutions for obesity:

- Semaglutide 2.4 mg in obesity phase 3a programme successfully completed and submitted in the US and the EU
- Phase 2 monotherapy trial with AM833 phase 1 combination trial of AM833 and semaglutide 2.4 mg successfully completed

#### Strengthen and progress Biopharm pipeline:

- Mim8 phase 1/2 trials initiated
- Concizumab phase 3 trial reinitiated

#### Establish presence in Other serious chronic diseases:

- Ziltivekimab phase 2b trial in cardiovascular disease successfully completed
- Semaglutide in NASH phase 2 trial successfully completed

### Commercial execution

#### Strengthen diabetes leadership:

- Diabetes value market share increased by 0.7 percentage point to 29.3%

#### Strengthen obesity leadership and double sales

- Obesity care sales increased by 3% (CER) to DKK 5.6 billion

#### Secure a sustained growth outlook for Biopharm

- Biopharm sales increased by 1% (CER)

### Financials

#### Deliver solid sales and operating profit growth:

- Sales and operating profit growth at 7% (CER)
- Sales in International Operations grew by 10% (CER)
- In the US, 48% of sales came from products launched since 2015

#### Drive operational efficiencies:

- Gross margin improvement (CER) driven by productivity gains in Product Supply

#### Enable attractive capital allocation to shareholders:

- Free cash flow of DKK 28.6 billion reflecting acquisitions in 2020
- DKK 37.0 billion returned to shareholders through share buybacks and dividends

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# FINANCIAL PERFORMANCE

## CONSOLIDATED FINANCIAL STATEMENT FOR 2020

PROFIT AND LOSS	2020	2019	2018	2017	2016	% change 2020 to 2019
<small>(Amounts are in DKK million, except for earnings per share, dividend per share and employees)</small>						
<b>Net sales</b>	<b>126,946</b>	<b>122,021</b>	<b>111,831</b>	<b>111,696</b>	<b>111,780</b>	<b>4%</b>
<b>Gross profit</b>	<b>106,014</b>	<b>101,933</b>	<b>94,214</b>	<b>94,064</b>	<b>94,597</b>	<b>4%</b>
<b>Gross margin</b>	<b>83.5%</b>	<b>83.5%</b>	<b>84.2%</b>	<b>84.2%</b>	<b>84.6%</b>	
Sales and distribution costs	32,928	31,823	29,397	28,340	28,377	3%
<i>Percentage of sales</i>	25.9%	26.1%	26.3%	25.4%	25.4%	
Research and development costs	15,462	14,220	14,805	14,014	14,563	9%
<i>Percentage of sales</i>	12.2%	11.7%	13.2%	12.5%	13.0%	
Administrative costs	3,958	4,007	3,916	3,784	3,962	(1%)
<i>Percentage of sales</i>	3.1%	3.3%	3.5%	3.4%	3.5%	
Other operating income, net	460	600	1,152	1,041	737	(23%)
<b>Operating profit</b>	<b>54,126</b>	<b>52,483</b>	<b>47,248</b>	<b>48,967</b>	<b>48,432</b>	<b>3%</b>
<b>Operating margin</b>	<b>42.6%</b>	<b>43.0%</b>	<b>42.2%</b>	<b>43.8%</b>	<b>43.3%</b>	
Financial items (net)	(996)	(3,930)	367	(287)	(634)	(75%)
<b>Profit before income taxes</b>	<b>53,130</b>	<b>48,553</b>	<b>47,615</b>	<b>48,680</b>	<b>47,798</b>	<b>9%</b>
Income taxes	10,992	9,602	8,987	10,550	9,873	14%
<i>Effective tax rate</i>	20.7%	19.8%	18.9%	21.7%	20.7%	
<b>Net profit</b>	<b>42,138</b>	<b>38,951</b>	<b>38,628</b>	<b>38,130</b>	<b>37,925</b>	<b>8%</b>
<i>Net profit margin</i>	33.2%	31.9%	34.5%	34.1%	33.9%	
<b>OTHER KEY NUMBERS</b>						
Depreciation, amortisation and impairment losses	5,753	5,661	3,925	3,182	3,193	2%
Purchase of intangible assets	16,256	2,299	2,774	1,022	1,199	607%
Capital expenditure <sup>1</sup>	5,825	8,932	9,636	7,626	7,068	(35%)
Net cash generated from operating activities	51,951	46,782	44,616	41,168	48,314	11%
Free cash flow	28,565	34,451	32,536	32,588	39,991	(17%)
Total assets	144,922	125,612	110,769	102,355	97,539	15%
Equity	63,325	57,593	51,839	49,815	45,269	10%
<i>Equity ratio</i>	43.7%	45.8%	46.8%	48.7%	46.4%	
<b>Diluted earnings per share / ADR (in DKK)</b>	<b>18.01</b>	<b>16.38</b>	<b>15.93</b>	<b>15.39</b>	<b>14.96</b>	<b>10%</b>
Total dividend per share <sup>2)</sup>	9.10	8.35	8.15	7.85	7.6	9%
Payout ratio <sup>3)</sup>	50.0%	50.5%	50.6%	50.4%	50.2%	

<sup>1)</sup> Cash-based capital expenditure (purchase of property, plant and equipment) and intangible assets.

<sup>2)</sup> Total dividend for the financial year 2020 including proposed final dividend of DKK 5.85 per share and interim dividend paid in August 2020 of DKK 3.25 per share.

<sup>3)</sup> Total dividend for the year as a percentage of net profit.

The Board of Directors and Executive Management have approved the *Annual Report 2020* of Novo Nordisk A/S including the audited consolidated financial statements. The Board of Directors and Executive Management also approved this unaudited financial statement containing condensed financial information for 2020. This financial statement is prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards (IFRS) as issued by IASB and IFRS as endorsed by the EU.

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## GEOGRAPHIC SALES DEVELOPMENT

Sales increased by 4% measured in Danish kroner and by 7% at CER to DKK 126,946 million in 2020. Sales growth was negatively impacted by COVID-19, driven by fewer patients initiating treatment. Sales in International Operations increased by 7% measured in Danish kroner and by 10% at CER. Sales in North America Operations increased by 1% measured in Danish kroner and by 3% at CER.

As of April 2020, International Operations was reorganised and financial reporting has been divided into: EMEA (covering Europe, the Middle East and Africa), Region China (covering Mainland China, Hong Kong and Taiwan) and Rest of World (covering all other countries except for North America). North America Operations was not impacted by the reorganisation and still includes the US and Canada. Please see appendix 8 for a breakdown of sales per area in 2019.

Sales split per geographical area	Sales 2020 DKK million	Growth as reported	Growth at CER	Share of growth at CER
<b>International Operations</b>	<b>65,829</b>	<b>7%</b>	<b>10%</b>	<b>77%</b>
- EMEA	34,297	6%	9%	34%
- Region China	14,084	10%	11%	18%
- Rest of World	17,448	6%	12%	25%
<b>North America Operations</b>	<b>61,117</b>	<b>1%</b>	<b>3%</b>	<b>23%</b>
- The US	57,824	1%	3%	18%
<b>Total sales</b>	<b>126,946</b>	<b>4%</b>	<b>7%</b>	<b>100%</b>

### International Operations

Sales in International Operations increased by 7% measured in Danish kroner and by 10% at CER. Sales growth was driven by all geographical areas, with EMEA growing by 9% (CER), Rest of World growing by 12% (CER) and Region China growing by 11% (CER). Sales growth was driven by all therapy areas. Sales growth was negatively impacted by COVID-19, driven by fewer patients initiating treatment

#### *EMEA*

Sales in EMEA increased by 6% measured in Danish kroner and by 9% at CER. Sales growth was driven by Diabetes care growing by 10% (CER) driven by increased GLP-1 and insulin sales. Biopharm sales increased by 4% (CER) and Obesity care increased by 18% (CER).

#### *Region China*

Sales in Region China increased by 10% measured in Danish kroner and by 11% at CER. Sales growth was driven by Diabetes care growth of 11% (CER) due to increased modern and new-generation insulin sales and Biopharm growing by 33% (CER).

#### *Rest of World*

Sales in Rest of World increased by 6% measured in Danish kroner and by 12% at CER. Sales growth was driven by Diabetes care growing by 16% (CER) reflecting increased insulin and GLP-1 sales, Biopharm growing by 5% (CER) and Obesity care growing by 4% (CER).

### North America Operations

Sales in North America Operations increased by 1% measured in Danish kroner and by 3% at CER. Sales growth was negatively impacted by COVID-19 due to fewer patients initiating treatment and increased unemployment in the US, partially offset by COVID-19-related stocking in the first quarter.

The sales development reflects Diabetes care GLP-1 sales growing by 28% (CER). This was partially offset by insulin sales declining by 20% (CER) due to lower realised prices in the US following unfavourable channel mix, rebate enhancements, affordability programmes and changes in the coverage gap legislation as well as Biopharm sales declining by 6% (CER) and Obesity care declining by 1% (CER).

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