Annual Review 2002

Diabetes is a silent killer. It significantly increases the risk of cardiovascular disease, stroke and serious long-term complications. The need for answers is urgent, and Novo Nordisk is determined to find them.

Novo Nordisk produces three annual publications

- Annual Review: a summary of 2002’s financial results, activities and events, including the management report, feature and news articles on significant topics.
- Annual Financial Report: the full set of accounts and notes from the Novo Nordisk Group and its parent company Novo Nordisk A/S.
- Sustainability Report: accounts for our strategies, activities and targets regarding social, environmental, ethical and socio-economic issues affecting our future business performance.

All shareholders automatically receive the Annual Review. However, to reduce the environmental and financial costs of producing and distributing these publications, the Annual Financial Report and Sustainability Report are only sent to shareholders upon request. The reports are all available at www.novonordisk.com where paper copies can also be ordered.
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Front cover photograph: Rien Doornaar and his daughter Linn, who both have type 1 diabetes.
Rien works for Novo Nordisk in the Netherlands.

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Dear stakeholders,

In 2002 we have expanded our capacity to deliver our life-saving drugs, sharpened our competitive focus and skills and have ultimately improved our market position in major markets – especially in the US, the world’s biggest pharmaceutical market – and we now believe the company is stronger than at the beginning of 2002.

The year 2002 has been a very challenging time for Novo Nordisk.

On 10 April 2002 we announced that due to unexpected factors, full-year performance was not likely to meet our previous guidance. The reasons for the shortfall were partly time-related and partly performance- and market-related.

At the end of 2001 wholesalers had stockpiled more insulin than usual, and subsequently de-stocked at the beginning of 2002. Our introduction of insulin analogues was going slower than expected. Sales of Norditropin® SimpleXx® in Japan were impacted by lower market growth and increased competition. First-quarter sales of NovoSeven® in Europe were flat due to seasonal fluctuations. In addition, there was an increasing level of parallel trade in Europe of diabetes care and HRT products – a trend which is expected to continue going forward.

The combination of these factors meant that we had to revisit our guidance.

However, we have responded strongly, yet in a balanced way to these challenges.

We established a separate sales and marketing team in Japan to focus solely on Norditropin® SimpleXx®, and have thereby strengthened our competitive position. Our European organisation has been consolidated under one leadership with the aim to improve focus on sales activities and market monitoring.

We have now improved monitoring and forecasting systems related to our sales and the distribution chain.

We implemented a significant cost-containment programme, including a hiring freeze in all areas outside manufacturing and sales.

We are very pleased to see the way in which the Novo Nordisk organisation has responded to these challenges.

With these measures, Novo Nordisk has been able to meet the revised full-year targets without compromising our ability to grow our business in the longer term.

On 22 July 2002 we suspended the phase 3 trials of ragagli-tazar (NN622), a promising dual-acting insulin sensitiser. This was done based on urine bladder tumour findings in one mouse and a number of rats. We have now decided not to pursue further development of NN622 based on a renewed benefit/risk assessment of the compound. The analysis included both data from the terminated clinical phase 3 studies and further animal tumour mechanism studies that turned out not to be conclusive.

This decision does not imply that Novo Nordisk is stopping the search for new type 2 diabetes drugs – as we have decided to progress the development of NNN2344, another insulin sensitisier, based on the completed analysis of phase 2, where we found a good clinical efficacy and safety profile.
By the third quarter of 2002, the currency environment had become increasingly negative for Novo Nordisk, primarily the major currencies such as Japanese yen, US dollar and also Brazilian real.

Therefore it is even more positive to see that, with the measures implemented as mentioned above, the performance of our business after the first quarter has been so strong that we have met the full-year targets set after the first quarter under quite different circumstances. In fact, in 2002 we have expanded our capacity to deliver our life-saving drugs, sharpened our competitive focus and skills and have ultimately improved our market position in major markets – especially in the US, the world’s biggest pharmaceutical market – and we now believe the company is stronger than at the beginning of 2002.

Financial performance in 2002 Operating profit grew by 7% to DKK 5,979 million primarily due to sales growth of 6% to DKK 25,187 million. Sales increased by 11% measured in local currencies. Net profit grew by 6% to DKK 4,095 million.

- Diabetes care sales increased by 6% to DKK 17,665 million.
- Sales within haemostasis management increased by 17% to DKK 3,621 million.
- Sales within growth hormone therapy decreased by 2% to DKK 2,131 million.
- HRT sales decreased by 6% to DKK 1,342 million.

BUSINESS HIGHLIGHTS 2002 Novo Nordisk's business events and highlights from the year are as follows.

Reorganisation of European activities Several changes have been made in our European organisation during 2002. To strengthen coordination within the European markets, our two European business regions were merged into one in February, and subsequently relocated to a new European headquarters in Zurich, Switzerland.

Our European Haematology Business Unit, Global HRT office and International Operations regional office are now also located in Zurich. In May, our three European Clinical Development Centres (CDCs) were unified into a single CDC Europe, also at the same location in Zurich.

In June 2002, the seven European business areas were reorganised into five equal-sized business areas and in August a restructuring was initiated for the European organisations to increase attention on our sales activities, ensuring a stronger focus on our customers and the market opportunities in Europe.

Building a strong presence in Latin America In January 2002 Novo Nordisk acquired 76% of the voting shares and 39% of the total capital of Biobrás – a well-established company in the Brazilian diabetes care market. On 19 November we acquired an additional 55.4% of the total share capital in Biobrás. During December the remaining shares were redeemed and Biobrás was delisted from the São Paulo stock exchange. Consequently, Biobrás is now a wholly-owned subsidiary of Novo Nordisk. The total purchase price of Novo Nordisk’s shareholding after the redemption is BRL 133.5 million (DKK 380 million). The acquisition and full integration of Biobrás in the Novo Nordisk organisation is still subject to final clearance by the Brazilian competition authorities. This clearance is now expected to be obtained during the first half of 2003. With this investment we will be able to make our product portfolio available to a greater part of the Brazilian diabetes community than in the past (see page 25).

Investment in research and development In 2002 we spent DKK 4,139 million on research and development.

- We submitted an application for marketing authorisation in the EU and US for NN304 (insulin detemir), our long-acting insulin analogue, for the treatment of diabetes (see page 10 and 17).
- Our pulmonary insulin delivery device, AERx® iDMS (NN1998), developed jointly with Araçagi Corporation, entered phase 3 clinical development (see page 17).
- The NovoSeven® expansion programme continues with a number of studies taking place (see page 15 and 16).
- We signed a collaborative agreement with ZymoGenetics for the preclinical development of interleukin 21 (IL-21), a potential cancer treatment.

Investment in people Development of employees is one of the focus areas in Novo Nordisk’s global People Strategy. The Strategy is part of the company’s Balanced Scorecard, and so we measure our own ability to perform against targets for development of employees. In addition, 4,107 employees took part in a voluntary climate survey in 2002 which included questions related to development. The survey will be mandatory in 2003.

Novo Nordisk has for some years set targets for the number and quality of development plans for employees. In 2002 more than 90% of managers established targets for how to develop their employees. The quality of development plans and activities is measured by employees and management, and they are audited by Novo A/S. More than DKK 150 million was spent on classroom training alone for employee development activities in 2002.

Investment in facilities In 2002 the company invested DKK 4.0 billion in new facilities. This is at an all-time high level which is necessitated by the increasing demand for our products. Our largest investment projects are a new Insulin Bulk Plant in Kalundborg, Denmark and a new NovoSeven® plant in Hillerød, Denmark (see page 20). As these projects are completed or nearing completion, the capacity investment level is expected to be reduced significantly in 2003, and by 2004 reach a sustainable level relative to sales.

Share repurchase On 6 August 2002 the Board of Directors announced a share repurchase programme of up to DKK 2 billion worth of Novo Nordisk B shares in the open market. During 2002 Novo Nordisk’s repurchases amounted to DKK 386 million, equivalent to 1,786,762 B shares. The repurchased shares will be kept as treasury shares (see page 31 in the Annual Financial Report).

As of 31 December 2002, Novo Nordisk’s holding of its own shares (treasury shares) was 9,396,841 B shares, representing 2.65% of the total share capital. As of 6 February 2003, Novo Nordisk’s holding of its own shares was 9,621,841 B shares. A total of 407,244 B shares equal to 0.11% of the total share capital were sold during 2002 as part of either the existing share option incentive programmes for management or the general employee share programme.

Employee share programmes In May 2001 the Board of Directors decided to implement a global share programme for the employees in Novo Nordisk A/S and its subsidiaries. Each employee was offered the possibility to buy up to 100 B shares at DKK 100 per share. In Denmark the programme was exe-
Novo Nordisk is in line with the guidelines for good corporate governance on stock exchanges in Copenhagen, New York and London.

At the same time, two of the current Executive Management members, Lars Almblohm Jørgensen and Kåre Schultz, changed positions so that Lars Almblohm Jørgensen became chief of quality, personnel and other corporate staffs and Kåre Schultz assumed the position of chief operating officer.

European report on takeover bids A report issued in January 2002 commissioned by the European Commission (Report of the High Level Group of Company Law Experts on Issues Related to Takeover Bids) recommended that any special voting rights should be overruled in a hostile takeover bid situation provided the bidder acquires at least 75% of the company’s risk-bearing capital.

However, Novo Nordisk is in favour of maintaining a differentiated voting class system with A and B shares as it promotes continuity and expansion by enabling the founders of a company to raise capital for developing the company, while at the same time retaining control of the company. This stability allows the company to develop in accordance with its long-term visions rather than on the basis of short-term interests, while at the same time serving the shareholders’ interests.

Dividend policy and share performance At the Annual General Meeting on 25 March 2003, the Board of Directors will propose a dividend for 2002 of DKK 3.60 per share of DKK 2, up from DKK 3.35 per share in 2001, corresponding to an increase in dividend paid of 7%. No dividend will be paid on the company’s holding of own shares.

Novo Nordisk’s B share price on 31 December 2002 on the Copenhagen Stock Exchange was DKK 205 and our ADRs on the New York Stock Exchange were USD 28.90. This represents a decrease in the share price of 40% and 28% respectively. Apart from the Novo Nordisk-specific issues mentioned, this development reflects a lower absolute level for the US dollar versus the Danish krone and a general trend for the most traded

cuted in November 2001. Outside of Denmark the programme was executed in the first half of 2002 and in total 1,332,379 shares were sold to employees.

Social responsibility In 2002 we paid particular attention to the integration of social responsibility and human rights issues in the core business processes. One focus area is promoting equal opportunities. All business areas have formulated their individual action plans to remove barriers to equal opportunities and create an open organisational culture (see page 30).

Also in 2002, 90% of our first-tier suppliers were evaluated on their environmental and social responsibility, based on a self-assessment questionnaire and dialogue with our purchasers.

Environmental management With increases in eco-productivity at 16 percentage points for water and 15 percentage points for energy, the medium-range targets for ‘producing more with less’ are likely to be achieved, if not exceeded. The implementation of our new Environmental Management System, with six certificates to the ISO 14001 standard obtained, is instrumental in that it brings about increased awareness and participation among employees (see page 29). As part of this, target-setting has shifted to a bottom-up process, involving nearly 4,000 employees through training.

Agreements and transactions Novo Nordisk is the largest shareholder in ZymoGenetics, Inc. In January 2002, ZymoGenetics completed an initial public offering on the NASDAQ stock exchange in the US of 10,000,000 shares of its common stock. Novo Nordisk now holds approximately 39% of the capital.

During the first quarter, the transfer of Gabitriil® rights outside North and South America by Sanofi-Synthelabo to Anesta/Cephalon also contributed to Novo Nordisk’s income.

In the second quarter of 2002 our former subsidiary Hermedico BV was sold. Hermedico BV is a medical supplier in the Netherlands with focus outside the core business of Novo Nordisk.

On 4 October 2002 we reached an out-of-court settlement with Becton, Dickinson and Company, ending a five-year-old Agreements and transactions Novo Nordisk is the largest shareholder in ZymoGenetics, Inc. In January 2002, ZymoGenetics completed an initial public offering on the NASDAQ stock exchange in the US of 10,000,000 shares of its common stock. Novo Nordisk now holds approximately 39% of the capital.

During the first quarter, the transfer of Gabitriil® rights outside North and South America by Sanofi-Synthelabo to Anesta/Cephalon also contributed to Novo Nordisk’s income.

In the second quarter of 2002 our former subsidiary Hermedico BV was sold. Hermedico BV is a medical supplier in the Netherlands with focus outside the core business of Novo Nordisk.

On 4 October 2002 we reached an out-of-court settlement with Becton, Dickinson and Company, ending a five-year-old patent infringement lawsuit brought by Novo Nordisk regarding the needles used with pen-type insulin delivery systems, such as Novo Nordisk’s NovoPen® 3.

On 13 November 2002 the Danish Supreme Court decided that a tax deduction of about DKK 415 million claimed by Novo Nordisk in 1998 in connection with an employee share programme was allowable under Danish law. As the impact of the original employee share programme was recorded under shareholders’ funds, the tax consequence of DKK 120 million has impacted equity positively.

In the fourth quarter of 2002 licence fees and other operating income was elevated primarily due to the transfer of Gabitriil® marketing rights in the US from Abbott Laboratories to Anesta/Cephalon and a minor patent settlement related to the US market.

CORPORATE GOVERNANCE Novo Nordisk is in general in compliance with the codes of good corporate governance designated by stock exchanges in Copenhagen, New York and London where Novo Nordisk is listed. However, for more information see page 6.

Below is a review of key Novo Nordisk corporate governance highlights for 2002.

Board of Directors In February 2002 the employees elected three directors for a four-year term. Anne Marie Kverneland and Stig Strøbæk were re-elected and Johnny Henriksen was elected as a new employee representative. Tove Funder-Nielsen did not seek re-election and, after serving eight years, left the Board of Directors. We wish to thank Tove for her dedication and hard work. At the Annual General Meeting in March 2002, Kurt Anker Nielsen and Ulf J Johansson were re-elected to the Board for a three-year term. See page 36 for more details.

Executive Management In March 2002 Lise Kingo, senior vice president, Stakeholder Relations was appointed executive vice president and member of Novo Nordisk’s Executive Management.
shares in the pharmaceutical industry worldwide, where the index decreased by 32%. In Europe the index of the most traded shares in the pharmaceutical industry decreased by 32%, whereas the similar US index decreased by 22%.

**Long-term financial targets** The long-term financial targets of Novo Nordisk were defined and communicated to the stock market in 2001.
- Operating profit (EBIT) growth of 15% per annum
- Operating margin (EBIT margin) of 25%
- Return on invested capital (ROIC) of 25% per annum
- Cash to earnings ratio of 60% as a three-year average.

The targets were selected to ensure management focus on long-term growth of the business, transformation of results into cash and pursuing a significant improvement in return on invested capital. The pursuit of these long-term targets will support the creation of a competitive shareholder return.

The currency development during the second half of 2002 will have a significant negative impact on Novo Nordisk’s operating profit in 2003. In fact, if Novo Nordisk’s main invoicing currencies remain at their current levels, it is likely that Novo Nordisk will be unable to meet its 15% operating profit growth target in 2003.

Even if this proves to be the case, our view is that the 15% growth target is still a realistic and prudent target which Novo Nordisk will be able to meet most years, based on the performance of the recurring business and assuming that currencies are relatively stable. Our ability to deliver on the target in a particular year will however be impacted by significant changes in currency exchange rates or events of a non-recurring nature.

**OUTLOOK FOR THE YEAR 2003** The strong demand for insulin products in general and the continued market penetration of the Novo Nordisk insulin analogue portfolio, combined with the expectation of increasing NovoSeven® sales, underpins Novo Nordisk’s expectations of a double-digit sales growth in local currencies for 2003. However, given the significant lower present level for Novo Nordisk’s major currencies the sales growth measured in Danish kroner will be negatively impacted by approximately 8 percentage points. Measured in Danish kroner sales are expected to increase by more than 5%.

For 2003 growth in operating profit measured in local currencies is expected to be close to 20%. However, measured in Danish kroner operating profit will grow towards 5%, reflecting a negative currency impact of around 15 percentage points on operating profit if the present currency exchange rates remain at the current level throughout the full year of 2003.

The expectations for growth assume that licence fees and other operating income will be realised at a level similar to the DKK 1 billion realised in 2002. For 2003 this includes a significant income related to the settlement of a patent dispute with Aventis in January 2001. As a major proportion of this non-recurring income is expected to be realised in the final quarter of the year, the operating profit growth for this quarter will be above average.

As Novo Nordisk has hedged expected cash flows for 2003 in relation to USD, JPY and GBP, the negative influence from the depreciation of those main currencies versus DKK on operating profit will be offset by currency hedging gains included in net financials. Net financial income is expected at the level of DKK 600 million for the year.

For 2003 Novo Nordisk expects the tax rate to be 34%, 1 percentage point lower than the tax rate realised in 2002.

Net profit in 2003 is expected to grow towards 10%. Apart from growth in operating profit this reflects the expected significant income from the hedging of the exposure in major currencies for 2003 and expectations for a lower income tax rate compared to 2002.

Novo Nordisk plans to invest DKK 3.5 billion in fixed assets in 2003, and depreciation and amortisation for 2003 are expected to be realised at the level of DKK 1.5 billion.

Given the lower anticipated capacity expenditure level for 2003 free cash flow is expected to exceed the free cash flow realised in 2002.

All of the above expectations are provided that currency exchange rates remain at the current level for the rest of 2003. All other things being equal, a 5% movement in USD, JPY and GBP rates is estimated to have an annual impact on operating profit of DKK 160 million, DKK 130 million and DKK 75 million, respectively.

All in all, 2002 was an eventful year for the company. We believe that the challenges we faced in 2002 have made us stronger. Within the diabetes area we are on track to become the first company with a full unique portfolio of insulin analogues, designed to improve the lives of people with diabetes. In haemostasis management, we are conducting a range of trials which we believe could establish NovoSeven® as the world’s first general haemostatic agent. In addition we have a number of exciting products in our research and development pipeline. Last but not least, our organisation has shown a remarkable fighting spirit, which makes us look forward to the coming year and the challenges that it may bring.
**DIABETES CARE**

**Insulin analogues and oral treatment sales growth**

Insulin products and delivery devices accounted for 91% of Novo Nordisk’s diabetes care sales in 2002. The rest came from sales of the oral treatment for type 2 diabetes, NovoNorm® (Prandin® in the US) and Glucoformin® (metformin).

Our total sales of diabetes products in 2002 grew by 6%. This was driven primarily by sales growth in International Operations (which includes South & Central America, the Middle East, Africa, Asia and South East Europe) and North America, followed by Europe. Sales in Japan & Oceania declined slightly, mainly because of currency depreciations and mandatory price reductions in Japan.

Novo Nordisk’s fastest-growing diabetes product area was insulin analogues, whose sales rose by 160% from 2001.

In July 2002 we suspended phase 3 trials of ragaglitazar (NN622), our dual-acting insulin sensitisser (see page 2).

In 2002, we launched NovoMix® 30 FlexPen® (NovoLog® Mix 70/30 in the US) (see page 14) in Europe and the US. Also in 2002, our long-acting insulin analogue NN304, known as insulin detemir, was submitted for regulatory approval in Europe and the US for the treatment of diabetes (see page 10 and 17).

**GROWTH HORMONE THERAPY**

**Increase in sales for Norditropin® SimpleXx®**

During 2002 sales of human growth hormone products outside Japan increased by 12%, driven by the continued roll-out of the liquid recombinant growth hormone, Norditropin® SimpleXx®, in North America and Europe.

In Japan, sales decreased by 16% due to a combination of mandatory price reductions, depreciation of the Japanese yen and generally negative market growth.

Norditropin® SimpleXx® is now awaiting approval by the European Union (EU) for the treatment of infants who are born small for their gestational age and remain so (see page 15 and 17). The EU’s authorisation of Norditropin® SimpleXx® for this new therapeutic application is expected in 2003.

**HORMONE REPLACEMENT THERAPY**

**Low-dose preparations with natural oestrogen**

Sales of hormone replacement therapy (HRT) products for women decreased by 6% during 2002. This reflected increased parallel trading in Europe and weaker demand in general after the termination of a US study with a competitor product which contains different ingredients to our products (see page 25).

However, this decline in sales was not as great as that experienced by the market in general, and therefore our HRT market share has grown.

Novoferm®, now being launched in Europe, is a low-dose, sequential combined oral therapy for women who require symptom relief and regular cycle control.

**HAEMOSTASIS MANAGEMENT**

**Demand for NovoSeven® increasing**

Sales of NovoSeven® continued to rise steadily in 2002, by 17%, mainly in the US and Europe.

During the year, clinical studies have started to indicate that NovoSeven® could become the world’s first general haemostatic agent.

Several clinical phase 2 studies are now under way globally to test how NovoSeven® works in relation to other bleeding situations, such as bleedings in emergency and during elective surgery. The trials, conducted in parallel, involve about 200 people each in various patient groups.

Among other studies, an exploratory safety study of NovoSeven® in patients with brain haemorrhaging was completed in 2002, and these results have encouraged ongoing testing, this time for haemostatic effect.

Conclusions from a study on the drug’s use during liver surgery are expected in 2003 (see page 15 and 16).

**LEGAL NOTICE**

**Forward-looking statement**

This Annual Review contains forward-looking statements as the term is defined in the US Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of events such as new product introductions, product approvals and financial performance. Such forward-looking statements are subject to risks, uncertainties and inaccurate assumptions. This may cause actual results to differ materially from expectations.

Factors that may affect future results include, among other things, market factors, competitive product development, changes to wholesaler inventory levels, interest rate and currency exchange rate fluctuations, delay or failure of development projects, production problems, unexpected contract breaches or terminations, government-mandated or market-driven price decreases for Novo Nordisk’s products, Novo Nordisk’s ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws and related interpretation thereof, unexpected growth in costs and expenses. Risks and uncertainties are further described in reports filed by Novo Nordisk with the US Securities and Exchange Commission (SEC) including the company’s Form 20-F, which was filed on 26 April 2002. Please also refer to the section ‘Financial risk factors’ in the Annual Financial Report, and to the company’s Form 20-F for 2002, which will be filed before the end of April 2003.

Novo Nordisk is under no duty to update any of the forward-looking statements or to conform such statements to actual results, unless required by law.
Novo Nordisk’s approach

For many years, Novo Nordisk has applied principles of good corporate governance that support its business and give value to its stakeholders. These are not just formal rules, but an entire culture that strives to establish and maintain good governance at all levels of the organisation.

The Novo Nordisk Way of Management consists of the company's Vision, Charter, commitment to the Triple Bottom Line and Policies, and it ensures the long-term growth and welfare of the company. For information on the Novo Nordisk Way of Management and how it is governed, please see page 12 of the Sustainability Report 2002.

Novo Nordisk recognises the value of an open and active dialogue with its stakeholders in order to develop and strengthen its businesses. This is aided by transparency in the way the company conducts its business.

ORGANISATIONAL STRUCTURE Novo Nordisk is organised under Danish law as a public limited liability company. As such, the company has a two-tier board structure consisting of a Board of Directors and Executive Management. The Board of Directors supervises the performance of the company, its management and organisation on behalf of the shareholders. It also participates in determining the company strategy. Executive Management, on the other hand, has responsibility for the company’s daily operations. The two bodies are separate, and no one serves as a member of both.

SHAREHOLDERS’ GENERAL MEETING Within the framework established by laws and regulations, shareholders have the ultimate authority over the company, and they exercise their right to make decisions affecting Novo Nordisk at general meetings. These are called with approximately three weeks’ notice, and the agenda is accompanied by proxy forms enabling the shareholder to vote specifically on each item. All shareholders may attend the general meetings and ask questions, and Novo Nordisk strives to reply to all of them. Any proposal for resolution at the annual general meeting must be submitted by the shareholders in writing to the Board of Directors not later than 1 February of any given year.

The annual general meeting approves the annual financial report. Further, the general meeting elects four to ten board members, and, subject to applicability, one or two external auditing firms.

The share capital in Novo Nordisk is divided into A shares and B shares. The A shares, which are owned by the Novo Nordisk Foundation via Novo A/S, have 10 votes per share, whereas the B shares have one vote. Such A shares cannot be divested by Novo A/S or the Foundation. The voting power of the A shares represents 64.1% of the entire voting power in the company. The A shares cannot be sold and are not listed, but the B shares are listed on the Copenhagen and London stock exchanges, and on the New York Stock Exchange in the form of ADRs.

Novo Nordisk is of the opinion that the current ownership structure with differentiated voting rights has been and continues to be appropriate and preferable for the long-term development of the company. A revocation of the current voting rights differentiation cannot be implemented as this would violate the Articles of Association of the Novo Nordisk Foundation as approved by the Danish foundation authorities. For further information on shares please see page 31 of the Annual Financial Report 2002.

THE BOARD OF DIRECTORS The Board currently consists of nine directors. Six are elected by shareholders at general meetings, and three are elected by and among Novo Nordisk employees in Denmark.

Shareholder-elected board members serve a three-year term and may be re-elected at the general meeting. According to the Rules of Procedure of the Board of Directors, however, board members must retire at the first general meeting after having reached the age of 70.

The aim is to compose a board consisting of persons who have such knowledge and experience that the board can, in the best possible way attend to the interests of the shareholders, the company and other stakeholders of the company. The board actively contributes to developing the company as a focused global pharmaceutical company and supervises Executive
Management in its decisions and operations. Executive search has been contributing to identify directors that meet such criteria. Descriptions of the qualifications of nominated candidates for the board accompany the agenda of the general meeting.

According to Danish law, Novo Nordisk employees in Denmark are entitled to be represented by half of the total number of board members elected at the general meeting. Thus, employees have elected three board members, each of whom serves for a four-year term. For information on each board member, please see page 36.

The chairman and the deputy chairman constitute the chairmanship of the Board of Directors. They carry out a number of administrative tasks, such as the planning of board meetings to ensure an appropriate balance between determination of overall strategy and the financial and managerial supervision of the company. Other tasks include recommending the remuneration of board members and executives, suggesting potential new board members to be elected by the general meeting, and supervising the auditing of the company’s accounts. The board works without permanent committees. Novo Nordisk believes that each board member must have the opportunity to contribute actively to all discussions and have access to all relevant information, hence the limited number of board members.

The Board ordinarily meet seven times a year including the meetings held at the announcements of the financial results and the annual general meeting.

**EXECUTIVE MANAGEMENT** Executive Management is responsible for the day-to-day management of the company. It consists of the president and CEO, and five other executives. The board is responsible for the appointment of Executive Management and their remuneration. For information on each executive please see page 37. Novo Nordisk has the tradition that the CEO acts as external spokesperson for company matters.

**REMUNERATION POLICY** The remuneration policy is designed to attract, retain and motivate the board members and executives.

Each board member receives a fixed fee per year at a competitive level. The total amount allocated for the remuneration of the board members is approved by the general meeting in connection with the approval of the annual financial report. Board members are not offered stock options, warrants or participation in other incentive schemes.

Executive remuneration is evaluated against a Danish benchmark of large companies with international activities. The remuneration package is determined by the Board of Directors, and should align the interests of the executive with those of the shareholders. The remuneration package for 2002 to executives consisted of basic salary, including benefits in kind (at least 75%) and rewards for the achievement of annually predefined individual performance targets (up to 25%). In addition long-term benefits such as share options are granted when predefined overall business targets have been achieved.

For further information on board members’ and executives’ remuneration, please see page 36 of the Annual Financial Report 2002.

**ASSESSMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT** An annual self-assessment procedure has been formalised to improve the performance of the Board of Directors and Executive Management. The process evaluates whether each board member participates actively in the board discussions and contributes with independent judgment, and that the environment supports open discussion at board meetings.

The board continuously assesses, formally once a year, the performance of each executive. The chairman also conducts an annual interview with each executive.

**RISK MANAGEMENT** Novo Nordisk has processes to identify, assess and manage business risks. The major risks of not achieving the company’s business objectives have been linked into its Balanced Scorecard for regular reporting to management.

In 2002, Novo Nordisk established a process to standardise and optimise the company’s risk management system. This has resulted in an improved reporting structure. Executive Management has responsibility for conducting the ongoing risk management process including risk identification, risk assessment and evaluation of risk probability within their areas of responsibility.

**INTERNAL CONTROL** The board has overall responsibility for the Novo Nordisk Group’s system of internal control. The company has an internal audit function, Group Internal Audit, which provides independent, objective assurance on the internal control environment. In order to ensure that the internal audit function is working independently of management, the vice president of Group Internal Audit reports quarterly to the board chairmanship.

Once a year, the board conducts a review of the effectiveness of the Novo Nordisk Group’s system of internal control, including finance, operations and compliance. The review is based on reports from Group Internal Audit as well as the external auditors.

Once a year, the external auditors issue a long-form audit report to the Board of Directors. It includes any significant internal control weaknesses identified during the audit. In addition a more detailed management report on internal controls and accounting issues is provided to Executive Management.

**AUDIT** Two independent auditing firms are elected by the general meeting, and act in the interest of the shareholders, as well as the public in general. The auditors report significant findings directly to the board, and the chairmanship supervises the annual audit process. This includes a direct meeting between the chairmanship and the auditors without the participation of executives.

Novo Nordisk recognises the value of an open and active dialogue with its stakeholders in order to develop and strengthen its businesses. This is aided by transparency in the way the company conducts its business.
Financial highlights

In 2002 Novo Nordisk’s sales increased by 6% from 2001 to DKK 25,187 million. Sales increased by 11% measured in local currencies. Operating profit in 2002 increased by 7% from 2001 to DKK 5,979 million. The growth is based on 6% growth in both sales and total costs and 15% growth in licence fees and other operating income.

<table>
<thead>
<tr>
<th>Therapy areas</th>
<th>Net turnover DKK million</th>
<th>Geographical areas</th>
<th>Net turnover DKK million</th>
<th>Diabetes care</th>
<th>Net turnover DKK million</th>
<th>Haemostasis management</th>
<th>Net turnover DKK million</th>
<th>Growth hormone therapy</th>
<th>Net turnover DKK million</th>
<th>Hormone replacement therapy</th>
<th>Net turnover DKK million</th>
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</tr>
<tr>
<td>Diabetes care</td>
<td>9,818</td>
<td>11,777</td>
<td>14,578</td>
<td>16,624</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Haemostasis management (NovoSeven®)</td>
<td>576</td>
<td>1,313</td>
<td>2,270</td>
<td>3,096</td>
<td>3,621</td>
<td>(17%)</td>
<td>417</td>
<td>488</td>
<td></td>
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</tr>
<tr>
<td>Growth hormone therapy</td>
<td>1,498</td>
<td>1,721</td>
<td>2,107</td>
<td>2,164</td>
<td>2,131</td>
<td>(2%)</td>
<td>291</td>
<td>288</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Hormone replacement therapy</td>
<td>1,094</td>
<td>1,130</td>
<td>1,306</td>
<td>1,435</td>
<td>1,342</td>
<td>(6%)</td>
<td>193</td>
<td>181</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>661</td>
<td>482</td>
<td>550</td>
<td>457</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total turnover</td>
<td>13,647</td>
<td>16,423</td>
<td>20,811</td>
<td>23,776</td>
<td>25,187</td>
<td>(6%)</td>
<td>3,202</td>
<td>3,393</td>
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</table>

| Europe        | 7,299                    | 7,805               | 9,131                    | 10,533        | 10,880                   | (3%)                   | 1,421                    | 1,465                    |                          |                        |                          |
| North America | 1,572                    | 2,769               | 4,114                    | 5,277         | 5,913                    | (12%)                  | 711                      | 797                      |                          |                        |                          |
| Japan & Oceania | 2,854 | 3,761 | 4,697 | 4,498 | 4,239 | (6%) | 606 | 571 |                          |                        |                          |
| International Operations | 1,922 | 2,088 | 2,869 | 3,448 | 4,155 | (21%) | 464 | 560 |                          |                        |                          |
| Total turnover | 13,647                   | 16,423              | 20,811                   | 23,776        | 25,187                   | (6%)                   | 3,202                    | 3,393                    |                          |                        |                          |

| Price and volume/mix | 11% | 15% | 16% | 17% | 11% |
| Currency            | (3%) | 5%  | 11% | (3%) | (5%) |
| Total growth        | 8%  | 20% | 27% | 14% | 6%  |
### Key Figures

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (EBIT)</td>
<td>DKK million</td>
<td>2,933</td>
<td>3,527</td>
<td>4,816</td>
<td>5,614</td>
<td>5,979</td>
<td>7% (23%)</td>
</tr>
<tr>
<td>Net financials</td>
<td>DKK million</td>
<td>243</td>
<td>(178)</td>
<td>24</td>
<td>416</td>
<td>321</td>
<td>57</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>DKK million</td>
<td>3,176</td>
<td>3,349</td>
<td>4,840</td>
<td>6,030</td>
<td>6,300</td>
<td>4% (813)</td>
</tr>
<tr>
<td>Net profit</td>
<td>DKK million</td>
<td>2,016</td>
<td>2,001</td>
<td>3,087</td>
<td>3,865</td>
<td>4,095</td>
<td>6% (521)</td>
</tr>
</tbody>
</table>

| Shareholders’ funds | DKK million | 15,776 | 15,876 | 16,981 | 20,137 | 22,928 | 57 |

| Total assets         | DKK million | 22,085 | 23,082 | 24,920 | 28,905 | 31,496 | 57 |

| Capital expenditure (net)* | DKK million | 1,648 | 1,265 | 2,141 | 3,846 | 4,011 | 57 |

| Free cash flow        | DKK million | 706   | 1,533 | 2,712 | 186   | 497   | 57 |

### Per Share/ADR of DKK 2

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</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>DKK</td>
<td>5.43</td>
<td>5.60</td>
<td>8.84</td>
<td>11.18</td>
<td>11.81</td>
<td>6% (1.51)</td>
</tr>
</tbody>
</table>

| Earnings per share diluted | DKK   | 5.43  | 5.59  | 8.82  | 11.10 | 11.72 | 6% (1.50) |

| Proposed dividend       | DKK   | 1.55  | 1.95  | 2.65  | 3.35  | 3.60  | 7% (0.45) |

| Quoted price at year-end for B shares | DKK   | 153   | 178   | 285   | 342   | 205   | (40%) |

### Ratios

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</tr>
</thead>
<tbody>
<tr>
<td>Growth in operating profit (EBIT)</td>
<td>%</td>
<td>20.2%</td>
<td>20.3%</td>
<td>36.5%</td>
<td>16.6%</td>
<td>6.5%</td>
<td>15%</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>%</td>
<td>21.5%</td>
<td>21.5%</td>
<td>23.1%</td>
<td>23.6%</td>
<td>23.7%</td>
<td>25%</td>
</tr>
<tr>
<td>Return on invested capital (ROIC)</td>
<td>%</td>
<td>14.4%</td>
<td>15.3%</td>
<td>22.0%</td>
<td>23.1%</td>
<td>20.1%</td>
<td>25%</td>
</tr>
<tr>
<td>Cash to earnings</td>
<td>%</td>
<td>35.0%</td>
<td>76.6%</td>
<td>87.9%</td>
<td>4.8%</td>
<td>12.1%</td>
<td></td>
</tr>
<tr>
<td>Cash to earnings, three-year average</td>
<td>%</td>
<td>N/A</td>
<td>48.4%</td>
<td>66.5%</td>
<td>56.4%</td>
<td>34.9%</td>
<td>60%</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>%</td>
<td>14.8%</td>
<td>12.2%</td>
<td>14.8%</td>
<td>16.3%</td>
<td>16.3%</td>
<td></td>
</tr>
<tr>
<td>Return on shareholders’ funds</td>
<td>%</td>
<td>12.6%</td>
<td>12.6%</td>
<td>18.8%</td>
<td>20.8%</td>
<td>19.0%</td>
<td></td>
</tr>
<tr>
<td>Equity ratio</td>
<td>%</td>
<td>71.4%</td>
<td>68.8%</td>
<td>68.1%</td>
<td>69.7%</td>
<td>72.8%</td>
<td></td>
</tr>
<tr>
<td>Change in market capitalisation</td>
<td>%</td>
<td>(16.5%)</td>
<td>13.7%</td>
<td>56.2%</td>
<td>20.4%</td>
<td>(40.4%)</td>
<td></td>
</tr>
</tbody>
</table>

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*For 2002 capital expenditure (net) include fixed assets acquired in connection with the acquisition of Biobrás (DKK 104 million/EUR 14 million).

Figures for 1998–1999 are derived from the consolidated accounts of the former Novo Nordisk Group (prior to the demerger) – all dividend is allocated to the continuing Novo Nordisk.

Key figures and per share data are translated into EUR as supplementary information – the translation is based on the currency rate at 31 December 2002 (EUR 1=DKK 7.4243).
Novo Nordisk’s investments in research and development are significant, and in 2002 several projects reached important milestones, including the long-acting insulin analogue, insulin detemir, which has been submitted for registration in the US and Europe, among other countries.
Preparation of analogue sample for structural analysis.
The long journey from molecule to market
Novo Nordisk’s aspiration is to defeat diabetes and develop innovative health-care products that make a difference to people and society. The journey from the discovery of a new drug to its sale at the local pharmacy is a long and painstaking one that requires a huge commitment of time and resources. It takes more than a decade to see the first return on investment.
In 2002, Novo Nordisk invested 4.1 billion Danish kroner in research and development of new drugs and their delivery to find better ways to help the growing number of people with diabetes...
clinical development. For insulin detemir, this occurred on 3 July 1996, at the Heinrich Heine University in Düsseldorf, Germany.

Giving a new compound to humans is only permitted after it has been tested on at least two different animal species for a minimum of two weeks. It is then administered to 10–12 healthy, informed volunteers, at one of a number of special clinics that have all the control measures to closely monitor the compound’s effects on the body.

After the first human dose, an external safety committee reviews all the data, and if satisfactory the compound is then administered in incrementally larger amounts. After more reviews, the compound proceeds to multiple doses lasting up to one week, while still maintaining the same exacting procedures.

**FIRST EFFICACY DOSE**  NN304, insulin detemir, was administered to the first person with diabetes on 15 July 1997. This milestone is known as first efficacy dose and typically implies that the compound enters phase 2 clinical development. Testing in people with diabetes, usually about 200 individuals, will then progress according to the same procedures as those of exploratory clinical development. One or more different clinics may be involved.

The accumulated data from early clinical development are written up in protocols for a document called Proof of Concept. It is sent to regulatory authorities and ethical committees in various countries, clearing the way for the drug to begin phase 3 of the clinical development.

Insulin detemir achieved Proof of Concept in March 1999. Phase 3 testing commenced in October of that year.

**THE FINAL PHASE**  The final phase of clinical development investigates the normal use of the new drug on people with diabetes in many countries, spanning over a period of three years or more. Continuous monitoring and testing continues unabated in this phase, with the aim of showing long-term efficacy and safety in diverse patient groups.

Insulin detemir has been tested for the treatment of type 1 and type 2 diabetes, in once- and twice-daily dosages, in programmes carried out in Europe, Australia, New Zealand and the US. It has involved more than 3,000 people with diabetes and has been one of Novo Nordisk’s biggest clinical programmes to date.

Insulin detemir has now completed all phase 3 trials in several countries. Novo Nordisk has collected volumes of results from the past 10 years or so and sent this enormous pile of material to the regulatory authorities in Europe (the European Medicines Evaluation Agency in London) and the US (Federal Food & Drug Administration) for final approval.

**COMPLETING THE PORTFOLIO**  With the expected launch of insulin detemir, Novo Nordisk will be the only company to offer the full portfolio of insulin analogues: fast-acting (NovoRapid®, called NovoLog® in the US), long-acting (insulin detemir) and a mix of 30% rapid-acting and 70% intermediate-acting (NovoMix® 30, called NovoLog® Mix 70/30 in the US). All these analogue insulins can be used in the same convenient type of device.

---

**Launched of NovoMix® 30 FlexPen®**

In 2002 Novo Nordisk launched NovoMix® 30 FlexPen®, the dual-release insulin analogue and the prefilled pen system, in Europe, the US and Australia. It was the largest and fastest roll-out in the company’s history.

NovoMix® 30 (known as NovoLog® Mix 70/30 in the US) is a unique insulin analogue combining 30% rapid-acting insulin aspart, and 70% intermediate-acting insulin aspart. It closely resembles the normal physiological profile of human insulin, meeting insulin requirements via a single injection rather than via separate injections of both rapid- and intermediate-acting insulins. FlexPen® is a prefilled insulin pen designed to be simple, easy and discreet to use. NovoMix® 30 FlexPen® was designed especially for people with type 2 diabetes starting insulin therapy.

Diabetologists describe NovoMix® 30 as state-of-the-art in premixed insulins, while nurses and people with diabetes have praised FlexPen® as the best prefilled pen on the market.

Dr David Bell, an endocrinologist from the University of Alabama in the US and a leading investigator in a study of NovoMix® 30 FlexPen®, explains: “NovoMix® 30 FlexPen® showed excellent results. We achieved HbA1c (glucose control) at around 7%. The advantage for the
TREATMENT FOR SHORT CHILDREN

New indication for Norditropin® SimpleXx®

Norditropin® SimpleXx® (called Norditropin® S in Japan and Norditropin® cartridge in the US), is awaiting approval by the European Union for the treatment of short children who are born small for gestational age (SGA) mainly due to intrauterine growth retardation (IUGR).

At present Norditropin® is approved in the EU for growth hormone deficiency (GHD), Turner’s syndrome and chronic renal disease in children as well as for growth hormone deficiency in adults (GHDA).

Approximately 5% of newborns are born SGA. Although many of these children reach a normal height during the first or second year of life, some 10% remain short during childhood without signs of catch-up growth. This height deficit appears to persist throughout adolescence and into adulthood.

Recent research has shown that recombinant human growth hormone presents new opportunities to help children with this growth disorder. The European approval of Norditropin® SimpleXx® for this new therapeutic application is expected in 2003.

www.nordipen.com

HAEMOSTASIS AGENT

NovoSeven® – passing new tests

The NovoSeven® expansion programme is supporting the drug’s potential for becoming the world’s first general haemostatic agent – an agent that promotes the creation of a clot and hence stops bleeding. What Novo Nordisk originally developed in the 1990s as a niche medicine for haemophilia has now turned into one of the company’s fastest-growing products.

The original therapeutic purpose of NovoSeven® was to treat bleeding episodes in people who developed ‘inhibitors’ or antibodies, spontaneously to endogenous clotting factors (acquired haemophilia) or in response to standard haemophilia therapy of blood clotting factors VIII or IX (congenital haemophilia with inhibitors).

A number of clinical phase 2 studies are now under way in Asia, Europe and the US to test NovoSeven® efficacy and safety in the control of bleeding in various clinical settings, such as upper gastrointestinal (UGI) bleeding in people with liver disease, or bleeding in connection with trauma and surgery. These trials, conducted in parallel, involve about 200 people each.

Initial results from the studies in people with liver disease are promising. In the study evaluating NovoSeven® in the treatment of UGI variceal bleedings in patients with liver disease, people with mild liver disease were found to be well-controlled on standard therapy. However, approximately one-fifth of those with moderate to severe liver disease were not adequately treated with standard therapy and the study indicated that for these individuals the addition of NovoSeven® to the standard therapy led to improvement in haemostasis.

An exploratory safety study of NovoSeven® in people with intra-cerebral haemorrhage (ICH) was completed in 2002. ICH represents the deadliest and most disabling form of stroke, a condition for which no proven therapy currently exists. At least four out of every 10 patients that are scanned within the first three hours of onset exhibit further growth of the bleed leaving a big unmet medical need among patients that are hospitalised within this window of opportunity. The data from the study with NovoSeven® indicate that the drug has an excellent safety profile in ICH patients, and these results have prompted an ongoing follow-up study to further elucidate the haemostatic efficacy evaluation in this setting.

Conclusions from a study on the efficacy of NovoSeven® in cirrhotic people undergoing liver surgery are expected in 2003.

The recent findings both in terms of safety and efficacy suggest that NovoSeven® may indeed prove worthy as a general haemostatic agent used by doctors as a last resort to save lives threatened by severe, uncontrollable bleeding.

www.novoseven.com
Development of new drugs
In 2002, Novo Nordisk invested 16% of total group turnover in the development of innovative drugs and delivery devices.

Phase 1
The substance is being tested on a limited number of healthy volunteers.

**NN414**
An orally active potassium channel opener, under investigation for its effects on insulin secretion. NN414 is a selective opener of the ATP sensitive potassium channel subtype expressed in the β-cell (the insulin-secreting pancreatic cells). In preclinical experiments, β-cell sparing effects of NN414 have been demonstrated. Possible indications include treatment of impaired glucose tolerance (IGT) and type 2 diabetes as well as intervention in type 1 diabetes at diagnosis.

**NN344**
A soluble, long-acting human insulin analogue for once-daily insulin treatment of diabetes, with long duration of action and a very predictable response.

**NN2501**
An orally active glucagon antagonist for the treatment of type 2 diabetes. Glucagon receptor antagonists have the potential to be used in the treatment of type 2 diabetes due to the ability to inhibit excessive hepatic glucose production.

Phase 2
The substance is being tested on a limited number of patients in short-term treatment.

**NN2211**
A once-daily long-acting derivative of the natural human hormone GLP-1 (glucagon-like peptide) for treatment of type 2 diabetes. NN2211 stimulates pancreatic insulin production and secretion and decreases the secretion of glucagon – both in a glucose-dependent manner. Thus, NN2211 has been shown to lower blood glucose with little or no risk of inducing hypoglycaemia. Likewise, NN2211 is similar to GLP-1 and is expected to affect appetite regulation and gastric emptying leading to weight stability or potentially to weight loss. During preclinical testing NN2211 increased the β-cell mass in animal models of type 2 diabetes leading to speculations about its potential β-cell regeneration capacity.

**Balaglitazone (NN2344)**
A potent insulin sensitiser for the treatment of type 2 diabetes, which increases glucose uptake in the peripheral tissue. This insulin sensitiser is licensed from Dr Reddy’s Research Foundation.

**NovoSeven® (NN007) general haemostasis**
Novo Nordisk is carrying out a clinical expansion programme aimed at regulatory filing of new indications for NovoSeven®, originally developed for people with haemophilia with inhibitors. If successful, this project is expected to position NovoSeven® as the world’s first general haemostatic agent (see page 15).

**ASIS**
A project focused on using Active Site Inhibited Seven (ASIS) for the treatment of Acute Respiratory Distress Syndrome (ARDS) has entered phase 2 of clinical development. ASIS is an inactivated form of recombinant Factor VIIa (NovoSeven®), which has proven to work in animal models of several diseases, including ARDS which is a condition associated with a high mortality rate.

**Growth hormone therapy**
A project focused at using growth hormone for treating complicated fractures has entered phase 2 of clinical development.
Phase 3
The substance is being tested on a large number of patients in long-term treatment.

**AERx® iDMS (NN1998)**
The AERx® insulin Diabetes Management System is a pulmonary delivery system for administering human insulin by inhalation. Development is based on collaboration with Aradigm Corporation of Hayward, California, using their AERx® Drug Delivery System, designed to enhance the precision of dosing and increase the convenience to end-users by reducing the need for injections. The AERx® insulin system allows precise unit dosing and has the same or lower variability than subcutaneous administration. Further the electronic AERx® system allows for unique compliance monitoring. A two-year phase 3 safety study on AERx® has now been started.

**NovoMix® 50 and 70 (NN1185)**
These are premixed formulations of the rapid-acting insulin analogue, insulin aspart. NovoMix® 50 and 70 will be linked to the introduction of a three times daily concept in type 1 and type 2 diabetes for superior glycaemic control without increasing the risk of hypoglycaemia. NovoMix® 50 and 70 are targeted towards more intensified premix therapy.

Submitted for registration
Following clinical trials, applications for registration are submitted to the authorities in the countries where marketing approval is sought.

**Insulin detemir (NN304)**
A soluble basal insulin analogue with neutral pH and a unique mechanism of protraction providing a smooth and more predictable action profile and offering a longer duration of action compared to conventional NPH insulins. Insulin detemir is for treatment of both type 1 and type 2 diabetes. In phase 3 studies, it has consistently been shown that people using insulin detemir have a reduced risk of night-time hypoglycaemia and that they do not gain any weight after insulin initiation or intensification – a common effect with other insulins. Insulin detemir has been submitted for registration in the US, Europe and other countries and is currently in phase 3 trials in Japan.

**Norditropin® SimpleXx®: human growth hormone (NN1610)**
Human growth hormone is now awaiting EU approval of the new indication for growth disturbance in children born small for gestational age (SGA), who have failed to show catch-up growth (see page 15).
Therapy solutions

Novo Nordisk manufactures pharmaceutical products and services that make a significant difference to patients, the medical profession and society. With the broadest diabetes product portfolio in the industry, including the most advanced insulin delivery systems, Novo Nordisk is a world leader in diabetes care. The company also has a leading position within haemostasis management, growth hormone therapy and hormone replacement therapy.
DIABETES CARE

Special needs
Insulin users with poor eyesight or reduced dexterity can find the injection process difficult. InnoLet® is a prefilled insulin device whose shape resembles a kitchen timer with a large grip and injection button, making it easy to hold and inject. InnoLet® is the only prefilled insulin device designed especially for this group.

NovoPen® Junior is an injection device that helps children with diabetes get off to a good start in their insulin therapy. It features accurate, half-unit increments for fine dosing and a modern, colourful design.

NovoSeven®
NovoSeven® was developed as a niche product for rare types of bleeding disorders where people develop inhibitors (antibodies) either spontaneously (acquired haemophilia) or in reaction to conventional FVIII or FIX treatment (congenital haemophilia with inhibitors). Today, Novo Nordisk through a multifaceted development programme is trying to establish a position for NovoSeven® as the world’s first general haemostatic agent. It is currently under clinical investigation for use in a number of acute and surgical bleeding situations including both patients with or without coagulation disorders (see page 15).

HAEMOSTASIS MANAGEMENT

GROWTH HORMONE THERAPY

Norditropin® SimpleXx®
Novo Nordisk’s liquid recombinant human growth hormone product, Norditropin® SimpleXx® (called Norditropin® cartridge in the US), along with the convenient NordiPen™ delivery system, are used to treat a range of growth disorders in children and adults. It is now awaiting approval by the European Union for growth disturbance in children who are born small for gestational age (SGA).

HORMONE REPLACEMENT THERAPY

Activelle®
Activelle® was the first low-dose, continuous, combined period-free HRT to be introduced into the market for the treatment of oestrogen deficiency symptoms and the prevention of osteoporosis in postmenopausal women. Today it’s the fastest growing HRT product in Europe.

For more information on Novo Nordisk’s products and services, visit www.novonordisk.com.
Novo Nordisk’s investments in facilities have continued at an all-time high level and in 2002 a number of the production capacity expansion projects were completed or neared completion, such as the new state-of-the-art factory for NovoSeven® in Hillerød, Denmark.
Meeting the increasing demand for life-saving drugs

Leadership in drugs and delivery devices requires a continuous update and expansion of production capacity to keep pace with the sales growth of existing products and to meet future demand for entirely new drugs in the pipeline. This is why Novo Nordisk’s investment level is at an all-time high.
In 2002 Novo Nordisk completed in record time a new insulin plant and a second factory for producing NovoSeven®, the haemophilia drug. Novo Nordisk also expanded its production capacity for durable insulin delivery devices.

A new, 2.5 billion Danish kroner (approximately 340 million euros) Insulin Bulk Plant in Kalundborg, Denmark, will be Novo Nordisk’s primary supplier of insulin and insulin analogues. The 32,000 square-metre factory is expected to begin commercial production after the usual process of validation and regulatory approval is completed in early 2004.

INNOVATIVE CONSTRUCTION A project that illustrates Novo Nordisk’s commitment to innovation and quality is the 800 million kroner (approximately 110 million euros) NovoSeven® facility in Hillerød, Denmark. The 14,000 square-metre, state-of-the-art glass and steel plant shattered the perception of conventional deadlines by being completed in 18 months – from initial decision to a finished plant ready for validation and regulatory approval.

“This was a fast-track project that significantly increases our production capacity for NovoSeven®,” says Per Valstorp, senior vice president of Product Supply. “It was designed by Novo Nordisk Engineering (NNE) and external contractors in such a way that several activities were completed in parallel, rather than in sequence. Production modules were built simultaneously with the building construction. This reduced the construction time for the project almost by half.”

The modules, whether a fermentation plant, changing room or canteen, were manufactured by the subcontractors and delivered ready to use at the factory site. The first such units were installed in the basement just three months after the ground-breaking – and before anything was built above ground.

All materials and construction methods were in accordance with the latest environmental standards, including energy-saving technology and minimising waste wherever possible. The modules were also designed with the flexibility required for future expansion, and to anticipate any upgrading to new technology.

“Our role is to deliver new plants and factories reliably and quickly,” says Hans Ole Voigt, general manager of NNE. “My goal is that by 2004, we can build a factory in 12 months from the day the order is given to the day it is finished and ready for validation.”

DRIVEN BY DEMAND The deadline for the new facility was driven by an expected increased demand for NovoSeven®. Today it is a life-saving treatment for a rare type of haemophilia and other congenital bleeding disorders, but it is also being investigated in clinical trials to determine whether it can be used as a general haemostatic agent. This could include stopping acute bleeding episodes in people with no underlying clotting disorders, such as during surgery or in connection with accidents (see page 15).

Increasing demand is also driving a threefold expansion of production facilities for FlexPen® and InnoLet®, the two new pre-filled insulin injection devices, and for durable insulin devices such as NovoPen® and Innovo®. This reflects the global increase in type 2 diabetes, and the growing need for better and more convenient treatment solutions.

“Our investment programme links to Novo Nordisk’s Vision and Strategy,” says Per Valstorp. “The benefit for those who use our therapies is the security of supply of life-saving drugs, knowing that they’re getting the best and the newest in drugs and devices. This means better compliance, better outcomes and improved quality of life.”
Novo Nordisk’s growth in the US

Fifty miles south of New York City, down the old US Route 1 that connects the hub of American commerce, New York, with the seat of its government in Washington, lies the university town of Princeton, New Jersey. Welcome to the headquarters for Novo Nordisk in the US.

Novo Nordisk Pharmaceuticals, Inc (NNPI) is the head office for a growing sales force in a rapidly expanding market. “We don’t think of ourselves just as a sales affiliate. Our ambition is to eventually become an extension of the Novo Nordisk head office in Denmark,” says Martin Soeters, president of NNPI. “We’re investing in our sales force because there are significant business opportunities for Novo Nordisk in the US. The key drivers of growth are the insulin business and NovoSeven®.”

“‘We’re investing in our sales force because there are significant business opportunities for Novo Nordisk in the US. The key drivers of growth are the insulin business and NovoSeven®.’”

**DIABETES EPIDEMIC AND INSULIN ANALOGUES** According to the World Health Organization, there were approximately 18 million people with diabetes in 2000 in the US. This is expected to rise to 30 million by 2030.

“The diabetes numbers are off the charts in the US. So the top issue is education – raising awareness about the treatment options that are out there for people with diabetes,” says Susan Jackson, head of communications at NNPI.

Towards the end of 2002, Novo Nordisk had 28% of the US market for insulin. The year saw the arrival of innovative insulin analogues and delivery devices from Novo Nordisk, including NovoLog® Mix 70/30 (NovoMix® 30 in Europe), FlexPen® and InnoLet®. “These new products will drive our market share even further,” Martin Soeters predicts. “We’re now seeing a switch to insulin analogues, and, with the expected launch of insulin detemir, our long-acting insulin analogue, Novo Nordisk will be the first company with a full range of analogue products.”

(See page 10).

**DRIVING GROWTH** Approximately half of the worldwide use of NovoSeven® in 2002 was in the US, where a number of the clinical trials into new haemostatic applications of the drug are being conducted. NNPI hopes to drive growth by setting up its own NovoSeven® business unit, just as it did for the human growth hormone product, Norditropin®.

Furthermore, Novo Nordisk is driving growth through partnerships, such as Novo Nordisk’s insulin retailing agreements with Wal-Mart, the general merchandise chain, and Rite Aid, one of the leading drug stores in the US. NNPI is also seeking additional cooperations with managed care organisations. In 2001, the leading US health improvement company, AdvancePCS, announced that it had selected Novo Nordisk’s diabetes products for inclusion on its Preferred Drug List.

Today, Novo Nordisk employs approximately 1,400 people in the US. About 350 people work at the NNPI head office in Princeton, and another 320 are employed at Novo Nordisk’s insulin production facility in Clayton, North Carolina. The rest are out in the field.

<table>
<thead>
<tr>
<th>Novo Nordisk employees</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total full-time employees</td>
<td>13,752</td>
<td>16,141</td>
<td>18,005</td>
</tr>
<tr>
<td>Denmark</td>
<td>8,767</td>
<td>10,127</td>
<td>11,104</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>1,999</td>
<td>2,292</td>
<td>2,361</td>
</tr>
<tr>
<td>North America</td>
<td>999</td>
<td>1,404</td>
<td>1,481</td>
</tr>
<tr>
<td>Japan &amp; Oceania</td>
<td>771</td>
<td>787</td>
<td>811</td>
</tr>
<tr>
<td>International Operations</td>
<td>1,216</td>
<td>1,531</td>
<td>2,248</td>
</tr>
</tbody>
</table>

Visit Novo Nordisk in the US at www.novonordisk-us.com
Novo Nordisk has established a strong foothold in Latin America through the acquisition of Biobrás, a well-established company in the fast-growing Brazilian market for diabetes care.

Novo Nordisk acquired the majority of the voting shares in January 2002. In November, Novo Nordisk further acquired 55.4% of the total share capital, bringing its shareholding in Biobrás to 97.5% of the total capital. In December 2002, the remaining shares were redeemed and Biobrás became a wholly-owned subsidiary of Novo Nordisk. The approval of the acquisition by the final body of the Brazilian competition authorities is still pending but is anticipated during the first half of 2003.

As a low-dose HRT, Activelle® is in harmony with the health authorities’ recommendation of seeking the lowest effective dose for the treatment of postmenopausal symptoms. Since the introduction of Activelle® in 1998, it has developed into the strongest growing combined HRT product.

A one-year pilot study in the UK, called Women’s Health Intervention Secondary Prevention (WHISP), has strengthened the hypothesis that Activelle® is safe to give to postmenopausal women with acute coronary syndrome.

Novo Nordisk does not only offer products for the postmenopausal women: with Novofem®, Estrofem® 1mg and the local oestrogen Vagifem® the company offers a full range of unique, low-dose products.

A CHOICE FOR WOMEN
Lower doses in hormone replacement therapy

In the summer of 2002, news broke about the early termination of one part of a large US study in hormone replacement therapy (HRT), citing increases in the relative risk of breast cancer and cardiovascular events after prolonged use of the specific HRT product used in the study. However, for short-term use in women with menopausal symptoms, it is still believed that HRT is safe and effective.

The study, called the Women’s Health Initiative (WHI), in fact confirmed previously existing data with respect to breast cancer risk. Regarding cardiovascular disease, the study concluded that the conjugated equine oestrogen (CEE) and medroxy-progesterone acetate (MPA) combination used in the study was more risky than beneficial for long-term use.

So what about other combination products, which have lower dosages and are made from different compounds – like Novo Nordisk’s Activelle®. Activelle® is made from the natural oestrogen hormone 17b-estradiol produced in the body, and the progestin, norethisterone acetate (NETA). In contrast, the compound used in the WHI study is made from a substance extracted from the urine of pregnant mares (CEE), and the progestin MPA.

Helen Farrelly (who uses hormone replacement therapy), Ireland.

“When I was 48 years of age, I felt some very intense changes in my body. I especially remember the hot flushes. I went to my doctor twice before he advised me to take hormone replacement therapy. It was very important for me to get the right kind of treatment, and I have been taking the same product for two years now. I go to check-ups at my doctor two or three times a year. The plan was to take HRT for two years to start with. The two years are up soon and I have decided not to stop.”
Godofredo Aguilar from El Salvador.
Godofredo is blind because of diabetes.
The World Diabetes Foundation

Established in March 2002, the World Diabetes Foundation is dedicated to supporting the prevention and treatment of diabetes in the developing world. The Foundation will work with individuals, healthcare providers, non-governmental organisations and government organisations in an effort to bring about better awareness, care and relief to those impacted by diabetes.

For families in India, China, Brazil or Mozambique faced with grinding poverty, a child or adult who develops diabetes becomes a virtually insurmountable burden not only to that family but also to a society ill-equipped to handle the care of people with diabetes. In countries where major health problems and communicable diseases such as HIV/AIDS, tuberculosis and malaria often command the greater part of a limited national healthcare budget, people with diabetes are desperately in need of an advocate.

The World Diabetes Foundation is intended to serve as that advocate. Novo Nordisk established the World Diabetes Foundation in March 2002 with funding of approximately 500 million Danish kroner (approximately 67 million euros) over the next decade. In 2002 37 million Danish kroner was donated. While more affordable pricing of drugs will help make a difference to people with diabetes in the developing world, effective treatment will still be out of reach for the poorest people in these countries.

The foundation is aimed at improving diabetes care in the poorest countries through funding of education, capacity building, procurement and distribution of essential drugs.

THE DIABETES EPIDEMIC  Today about 177 million people around the world have diabetes. According to the World Health Organization (WHO), by 2030 that number will grow to more than 370 million. While diabetes will continue to be a major problem for the developed world, it is estimated that approximately 70% of all new cases will appear in the developing nations, especially in Asia. In many parts of the world, but mostly in the poorer parts, less than half of the people with diabetes are diagnosed today. Without timely diagnosis and adequate treatment, complications and morbidity from diabetes will rise dramatically.

A UNIQUE FOUNDATION  The World Diabetes Foundation is governed independently of Novo Nordisk by a five-member Board of Directors, comprised of individuals with expertise in the fields of diabetes and access to healthcare in developing countries. The members are Chairman of the Board Sir George Alberti, professor, and President of the IDF; Professor Ib Bygbjerg, Institute of Public Health, Department of International Health, The Panum Institute, Denmark; Ida Nicolaisen, senior research fellow, Nordic Institute of Asian Studies, University of Copenhagen; Vice Chairman of the Board Anil Kapur, vice president of International Operations and managing director, Novo Nordisk India Private Ltd, India, and Lars Rebien Sørensen, president and chief executive officer of Novo Nordisk A/S.

The World Diabetes Foundation was started as a part of Novo Nordisk’s LEAD initiative (Leadership in Education and Access to Diabetes care) to improve access to healthcare in the developing countries, based on the four priorities of WHO: development of national healthcare strategies, building of national healthcare capacity, best possible pricing and additional funding. The World Diabetes Foundation is the Novo Nordisk response to the need for additional funding, while separate programmes are addressing the other priorities.

The World Diabetes Foundation is unique in that it is the only foundation in the world dedicated to supporting the prevention and treatment of diabetes in the poorest countries.

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The World Diabetes Foundation is unique in that it is the only foundation in the world dedicated to supporting the prevention and treatment of diabetes in the poorest countries. According to Sir George Alberti, this is an absolute necessity. “There is far too little funding available for innovative and helpful programmes to improve patient care. Worldwide there is a lot of funding for laboratory research, but too little attention is paid to improving care in the developing world.”

Since its formation in March 2002 after Novo Nordisk’s Annual General Meeting, the World Diabetes Foundation has, by the end of 2002, received a total of 44 project proposals and
requests for information on how to apply for funding, of which 12 projects have been approved, representing 6.2 million US dollars (approximately 48.9 million Danish kroner). The projects will be carried out at a global, regional or national level and will take place in countries in Latin America, Africa, the Middle East and Asia. All of the projects meet the requirement of sustainability by including elements of education, training, awareness raising and capacity building. Among the projects are the establishment of a diabetes eye clinic in Tamil Nadu, India, the formation of a national diabetes plan in Cameroon, and educational programmes in the Sub-Sahara region aimed at educating staff in diabetes treatment. Education is key – for example, with effective foot care it is possible to reduce the amputation rate for people with diabetes from 60% to 5%.

“This is not just a question of giving handouts,” says Sir George Alberti. “We are looking very much at sustainability, at projects that have an educational focus, for instance, which we expect would have a long-term benefit for people with diabetes and the professionals who care for them. We will look at programmes aimed at the most disadvantaged people in the developing world. We are very keen that the programmes should take place on the ground. We shouldn’t just parachute people in from the rich countries and then leave again. There will be collaboration on our part, but our main intent is to help people in their home countries.”

**COLLABORATIVE WORKING** In order to achieve an even greater impact, the World Diabetes Foundation is keen on collaborating with other institutions towards the goal of improving diabetes care in the developing world. To that effect, it has joined forces with the Danish international development agency (Danida) to work together towards preventing diabetes and its long-term complications in a number of developing countries.

The agreement will be implemented through programmes that will strengthen the national healthcare systems in target countries, especially in the primary care sector. The two parties will aim to establish two projects in 2003.

“It is very important that the efforts of the World Diabetes Foundation support existing programmes and do not create parallel levels of bureaucracy, but rather work hand in hand with international agencies. This goes well in line with many of the programmes that emerged from the Johannesburg Summit advocating partnerships (see page 29). I think it’s a very important thing that we think in this way. A lot of the development aid in the past 30 years has been targeted at individual programmes where each NGO or development agency had its own pet project. We will be much more effective in the field if we unify our efforts and minimise bureaucracy,” says World Diabetes Foundation board member Ida Nicolaisen.

In another collaboration, the World Diabetes Foundation is funding jointly with the International Diabetes Federation jobs at the WHO in order to double the efforts towards diabetes at the WHO through education and awareness raising.

According to Leif Fenger Jensen, managing director of the World Diabetes Foundation secretariat in Copenhagen, “A major concern is whether the money is going to the right place. We have a strict contract with the applicants and specific milestones that must be met. We will only work with reputable organisations or individuals. Of course, there are some worthy projects which we will have to reject due to lack of funding and that is a dilemma. That is why we are very open to collaboration with other partners to achieve a multiplier effect.”

For more information visit www.worlddiabetesfoundation.org
Living the Triple Bottom Line in China

Part of Novo Nordisk’s commitment to battling diabetes in the developing world is taking a Triple Bottom Line approach: being socially responsible, environmentally sound and economically viable.

“You can’t improve the conditions for people with diabetes just by selling your product,” says Thorkil Kastberg Christensen, president of Novo Nordisk China. “You must have a vision, and a relentless urge to keep working at it. We are turning the tide against the diabetes epidemic in the long term.”

The diagnosis rate for type 2 diabetes in China is about 10–15%, compared with 50% in Europe. Novo Nordisk has introduced a number of programmes for educating doctors, nurses and other medical professionals, among them the courses offered by the Steno Diabetes Center in Denmark. The company has also established 70 patient education centres in the hospitals of 47 Chinese cities.

Enhancing public awareness about diabetes often includes projects involving Chinese health authorities. Novo Nordisk helped fund the development of the country’s first all-Chinese diabetes information website.

Nordisk China also promotes environmental best practices. The new plant in Tianjin includes energy-saving features in its design and construction, and it emits no pollutants into the air during production. All 300 employees of Novo Nordisk China – in Beijing, Tianjin and across the country – receive environmental training in the reuse or recycling of packaging materials, efficient use of office paper and proper destruction of product samples.

As for economic viability, the upward curve of the sales figures is but one side of the coin. Novo Nordisk’s social investments in terms of taxes, contributions to the health infrastructure and people development benefit the Chinese society as well. The whole idea behind the Triple Bottom Line is ensuring sustainable growth for the company and the community it is part of.

For more information on Novo Nordisk activities in China, take a look at Novo Nordisk’s Sustainability Report 2002.

The World Summit on Sustainable Development

The United Nations summit in Johannesburg, South Africa, in 2002 addressed some of the most pressing concerns of poverty and the environment, including improving health conditions in developing countries.

Anil Kapur, managing director of Novo Nordisk in India, gave a panel presentation about access to drugs and healthcare in the developing world, at the Lekgotla (‘gathering of chiefs’ in Sotho) Business Day.

Novo Nordisk also held a joint workshop with Deloitte Touche Tohmatsu and Cambridge University on the need to build new trust between business, government and NGOs in order to meet the challenges of sustainable development.

In addition, the World Diabetes Foundation, established by Novo Nordisk in March 2002, launched a partnership with the Royal Danish Ministry of Foreign Affairs, through its Danish international development agency (Danida) to help build healthcare capacity and improve access to diabetes care in developing countries (see page 28).

New Environmental Management System

Novo Nordisk in 2002 launched the first stage of its new Environmental Management System (EMS) with six certificates to the ISO 14001 standard. The remaining eight will follow in 2003. Once in place, the system will provide enlightened control of the most significant environmental impact of the company’s operations worldwide.

With EMS, Novo Nordisk’s environmental target-setting process has been changed from top-down to bottom-up, involving management and a vast number of employees. Nearly 4,000 people received training in environmental issues in 2002, and more education will build key employees’ competences.

In 2003, Novo Nordisk will launch an intranet-based database and dialogue forum, and each site will establish two auditors to ensure compliance with the system.

The EMS aims to provide employees at all levels of Novo Nordisk with the tools to understand the environmental impact of their activities, communicate ideas, objectives and targets, and to evaluate results. They have contributed countless ideas for improvements, and some were formulated into targets which have already contributed to Novo Nordisk’s energy, water and waste efficiency.

“The ISO 14001 system is an excellent structure that helps us to increase environmental awareness locally and to prioritise the current issues,” says Environmental Coordinator Bettina Pedersen, Diabetes Disposable Pens.

Achieving a balance between running an economically viable business and protecting the environment requires setting priorities. The EMS acknowledges this, and places the knowledge to maintain a sustainable company in the hands of every Novo Nordisk employee.

Read more about the EMS in Novo Nordisk’s Sustainability Report 2002.
“Novo Nordisk is committed to being socially responsible,” explains Vernon Jennings, vice president in Sustainable Development at Novo Nordisk. “We have decided to strengthen our emphasis on equal opportunities to secure compliance with the United Nations Universal Declaration of Human Rights.”

Conditions and challenges are different in the various parts of the world where Novo Nordisk operates. In 2002, through a process of consultations, all executives within the company with responsibility for business areas formulated action plans to address the specific issues of equal opportunities in their areas. The action plans address direct discrimination as well as informal barriers, such as work-life balance and the working language.

To ensure closer cross-functional cooperation and coordination of initiatives, an equal opportunities task force with members from the key corporate functions has been established at Novo Nordisk. The task force will drive the process forward and facilitate sharing of better practices to support the implementation of equal opportunities in the company.

Equal opportunities has a universal appeal but in practice, it works best when adapted to the society where it is applied.

The US Melting Pot  
Today the words equal opportunities apply to all distinctions including: ethnic origin, gender, religion, national origin and sexual orientation.

Novo Nordisk in the US is promoting an ‘inclusive culture’ among all employees to reap the benefits of diverse perspectives, and use it to help attract the best and the brightest. In October 2001, the employees in Princeton, New Jersey, created what they call a ‘centre of excellence in diversity’. Its main activities are:

- Creating an inclusive culture that values individual differences
- Attracting, retaining and developing diverse talent
- Integrating diversity initiatives with other programmes.

“If you do not include people you undermine their effectiveness and the value that they bring to the organisation. Providing a culture of inclusiveness can stimulate innovation and problem-solving. This is why we actively promote diversity,” says Ginger Gregory, leader of Human Resources in the US affiliate.

“Dealing with immigrants in Denmark is a challenge,” says Sune Skadegård Thorsen, a Danish lawyer and adviser on corporate social responsibility and human rights. “The use of demographic quotas in relation to ethnic origin is illegal for private enterprises in Denmark. Another challenge is that while Denmark has one of the highest employment rates for women, not many are in management.”

The action plans covering the Danish operations contain a long list of initiatives including improving the way jobs are announced, the use of mentors and awareness raising programmes. The company already runs education and work experience programmes targeted specifically at candidates with non-Danish ethnic backgrounds. For instance, Novo Nordisk participates in a partnership with Denmark’s Technical University involving 11 engineers with backgrounds other than Danish. The engineers follow an accredited Master of Science while working part-time for Novo Nordisk.

Monocultural Denmark – Until Now  
Denmark, where Novo Nordisk originates, is a Euro-Nordic society of some five million people who knew little cultural diversity until only recently, with the arrival of foreign guest workers in the 1960s. Today, the country is struggling to integrate a still very small but growing minority of immigrants, mainly from Muslim countries.

Investing in People  
Harnessing the power of diversity

People with different backgrounds and viewpoints create the innovative capacity crucial for Novo Nordisk’s continued leadership as a pharmaceutical company. This is achieved by recruiting the very best people worldwide, and then giving them the opportunity to develop and apply their skills.

“Dealing with immigrants in Denmark is a challenge,” says Sune Skadegård Thorsen, a Danish lawyer and adviser on corporate social responsibility and human rights. “The use of demographic quotas in relation to ethnic origin is illegal for private enterprises in Denmark. Another challenge is that while Denmark has one of the highest employment rates for women, not many are in management.”

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Equal opportunities has a universal appeal but in practice, it works best when adapted to the society where it is applied.
Global pharmaceutical sales through retail pharmacies in the world’s top 13 markets rose by an average of 8% in the first 10 months of 2002 (based on the previous 12 months’ cumulative sales) to $272 billion US dollars in constant exchange rates. This was fuelled by a 12% increase in sales in North America, according to IMS Health’s Drug Monitor. Sales growth in Europe and Japan was much slower, and in the key Latin American markets, turnover fell by almost 12%.

CHALLENGES IN THE US

A number of industry and stock market analysts agree that the biggest challenges in the industry are coming from the US, which accounts for over half of all pharmaceutical sales worldwide. Pressure to reduce healthcare costs is boosting the competition from generic drugs, especially as patents on a high number of major brands expire in the coming years. Some of the big pharmaceutical companies have seen 40–50% of short-term sales flee to generic alternatives when this happens. In fact, sales have dropped more than 75% for certain drugs due to generic competition in the US.

At the same time, the US Food & Drug Administration (FDA) has raised the hurdles – only 17 molecular entities were approved by the FDA in 2002 – and is currently discussing higher fees for regulatory approval of new drugs and drug production. It has recently set more stringent safety standards and increased its requirements for documentation. This has led to increased research and development costs and a longer time to market.

“..." according to a recent report by the investment bank, UBS Warburg.

PARALLEL IMPORTATION IN EUROPE

A major problem for the pharmaceutical industry in Europe is parallel importation. Independent traders take advantage of the multi-tiered pricing systems by buying premium, name-brand drugs in low-price countries typically in southern Europe, then reselling them at a profit in the higher-priced markets of northern Europe. Many national healthcare systems permit the practice in the name of cost-cutting and free trade, and some, like Germany, actually promote it by obliging pharmacists to sell a certain amount of parallel imports.

The practice, which is not allowed in the US or Japan, has grown rapidly over the past three years and is now estimated to account for 10–15% of total pharmaceutical sales in Europe. The lost revenues for pharmaceutical companies are substantial.

PRESSURE ON PRICES

There is considerable political momentum for cheaper drugs in most countries. In developing countries, access to healthcare is critical to achieving economic growth, and from many sides there is pressure on the pharmaceutical industry to assume social responsibility and make substantial price reductions. Also changes in age demographics in developed countries are increasing the pressure on public healthcare budgets. In major markets like Japan and Germany government mandated price reductions on pharmaceutical products have become an integrated part of the public response.

The bottom line for pharmaceutical companies is the need to maintain their earnings in the face of several challenges:

- Growing competition from generic products, especially as major products go off patent
- Declining productivity in research and development to replace off-patent products with new innovative products
- Tougher hurdles for regulatory approvals, especially in the US.

Overall Novo Nordisk does not have the high patent exposure that makes some of the biggest pharmaceutical companies vulnerable. Nevertheless, the company shares some of the pressures listed above with the rest of the industry. Novo Nordisk has chosen a strategy of being a focused company, with the aim to concentrate on a few growth niches, where leadership positions can be created or sustained. The short-term trade-off is that the company is likely to be more susceptible to individual project failures, however it believes that in the longer term it will generate a higher than industry average growth in business and thereby also in shareholder value generation.
Shareholder value

Novo Nordisk is committed to delivering long-term shareholder value. The commitment to creation of shareholder value is anchored in the Novo Nordisk Way of Management containing the company’s Vision and commitments to the Triple Bottom Line.

Novo Nordisk’s Vision sets the direction to secure growth of the business and deliver competitive results. Creating a sustainable high level of shareholder return is partly pursued through continued reinvestment in the core business areas to drive profit growth, but also through a continued increase in total cash returned to shareholders in the form of dividends and share repurchase programmes.

Over the recent past years, Novo Nordisk has taken active measures to support the creation of shareholder value:

● The company’s enzymes business was demerged in November 2000 into a separate listed company, Novozymes A/S. This enabled Novo Nordisk to continue as a focused healthcare company.
● Long-term financial targets were defined and communicated to the stock market in 2001.
● Payout ratio has been increased gradually over the years.
● Following DKK 6 billion in share buy-back schemes since 1998, the company in August 2001 cancelled 6% of its shares to gain the flexibility to make new schemes. Novo Nordisk announced a new DKK 2 billion buy-back scheme in August 2002.
● The Novo Nordisk share was split 2 to 1 in 1997 and 5 to 1 in both 1984 and 2001, in order to increase liquidity of shares.

Share-based incentives have been defined:

● An annual share option programme based on performance covers around 350 key Novo Nordisk employees.
● All members of Executive Management have been required to invest the equivalent of one year’s gross salary in Novo Nordisk shares. They have received four options for each share invested aligning management and shareholder reward structure.
● An employee share programme has been rolled out during 2001 and 2002, under which all employees have been given the opportunity to buy 100 shares at a favourable price.
● Novo Nordisk maintains an open communication and financial reporting policy, as transparency is believed to generate long-term value for all stakeholders.

SHARE INFORMATION

The turnover of Novo Nordisk’s B shares on the Copenhagen Stock Exchange amounted to DKK 66.5 billion in 2002. The share price ended the year at DKK 205, compared with a price at year-end 2001 of DKK 342. The market value of Novo Nordisk’s outstanding share capital was DKK 71 billion at the end of 2002. In 2002 the Novo Nordisk share was the most traded stock on the Copenhagen Stock Exchange.

During 2002, the price of Novo Nordisk’s B shares fell by 40%.

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<thead>
<tr>
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<tbody>
<tr>
<td>Net profit for the year (in DKK million)</td>
<td>2,016</td>
<td>2,001</td>
<td>3,087</td>
<td>3,865</td>
<td>4,095</td>
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<tr>
<td>Growth over previous year (in %)</td>
<td>13.8%</td>
<td>(0.7%)</td>
<td>54.3%</td>
<td>25.2%</td>
<td>6.0%</td>
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<tr>
<td>Dividend paid (in DKK)</td>
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<td>562</td>
<td>691</td>
<td>916</td>
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<tr>
<td>Payout ratio (in %)</td>
<td>23.3%</td>
<td>28.7%</td>
<td>29.7%</td>
<td>30.0%</td>
<td>30.4%</td>
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<tr>
<td>Shares repurchased (in DKK million)</td>
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<td>1,448</td>
<td>2,472</td>
<td>24</td>
<td>386</td>
<td></td>
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<tr>
<td>Total cash to shareholders (in DKK million)</td>
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<td>2,010</td>
<td>3,163</td>
<td>940</td>
<td>1,547</td>
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<tr>
<td>In % of net profit</td>
<td>119%</td>
<td>100%</td>
<td>102%</td>
<td>24%</td>
<td>38%</td>
<td></td>
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<tr>
<td>Novo Nordisk share price (in DKK)</td>
<td>153</td>
<td>178</td>
<td>285</td>
<td>342</td>
<td>205</td>
<td></td>
</tr>
</tbody>
</table>

(end of year)
This compares to a decline in the Dow Jones European Healthcare index of 32% and a decline in the Dow Jones US Healthcare index of 22%.

Novo Nordisk’s B shares are quoted on the stock exchanges in Copenhagen and London and on the New York Stock Exchange in the form of American Depositary Receipts (ADRs) with the ticker code ‘NVO’. The B shares are traded in units of DKK 2. The ratio of Novo Nordisk B shares to ADRs is 1:1 (one B share to one ADR). The B shares are issued to the bearer but may upon request be registered in the holder’s name in Novo Nordisk’s register of shareholders. Each holding of DKK 2 of the A share capital carries 10 votes. Each holding of DKK 2 of the B share capital carries 1 vote.

SHARE OWNERSHIP Novo Nordisk’s A shares – a total of 53,743,600 – are held by Novo A/S (based in Gladsaxe, Denmark), a private limited Danish company which is 100% owned by the Novo Nordisk Foundation (based in Gentofte, Denmark). In addition, Novo A/S holds 40,973,900 B shares. Holding 26.7% of the total share capital, Novo A/S controls 69.8% of the total number of votes. As Novo Nordisk B shares are in bearer form, no official record of all shareholders exists. Based on the available sources of information on the company’s shareholders, it is estimated that Novo Nordisk’s shares at the end of 2002 were distributed as shown in the table below. At that point in time 84.2% of the total share capital was included in Novo Nordisk’s register of shareholders.

Geographical distribution of shareholders

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>64%</td>
</tr>
<tr>
<td>North America</td>
<td>21%</td>
</tr>
<tr>
<td>UK</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

Breakdown of shareholders

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Novo A/S</td>
<td>27%</td>
</tr>
<tr>
<td>Novo Nordisk</td>
<td>3%</td>
</tr>
<tr>
<td>Danish ATP pension fund</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>63%</td>
</tr>
</tbody>
</table>

FORM 20-F Copies of the Form 20-F Report for 2001 filed in April 2002 with the US Securities and Exchange Commission can be obtained upon request from Novo Nordisk Pharmaceuticals, Inc. The Form 20-F Report for 2002 is expected to be filed before the end of April 2003.

PAYMENT OF DIVIDENDS Shareholders resident in Denmark will – unless they are tax exempt – receive their dividend in DKK with the statutory deduction of 28% Danish tax. B shareholders resident outside of Denmark will receive their dividend in DKK with the statutory deduction of 28% Danish tax. ADR holders will receive their dividend in USD with the statutory deduction of 28% Danish tax. If the holder is resident in the US or Canada the deduction might be reduced to 15%. Shareholders resident in countries outside of Denmark are eligible for a refund of dividend tax deducted in Denmark subject to the double taxation conventions in force between Denmark and the countries concerned. US and UK resident shareholders may apply to the Danish authorities for a refund of dividend tax in excess of 15%. Shareholders’ enquiries concerning dividend payments, transfer of share certificates, consolidation of shareholder accounts and tracing of lost shares should be addressed to Novo Nordisk’s transfer agents:

Outside North America: Danske Bank Holmens Kanal 2–12 1092 Copenhagen K Denmark Tel +45 3344 0000

In North America: Morgan Guaranty Trust Company of New York Morgan Service Center PO Box 842006 Boston, MA 02284-2006 USA Tel +1 781 575 4328 Fax +1 781 575 4082

INTERNET Novo Nordisk’s homepage for investors can be found at www.novonordisk.com. It includes historic and updated information about Novo Nordisk’s activities: press releases from 1995 and onwards, financial results, investor presentations, background information, recent annual reports and accounts, and environmental and social reports.

INVESTOR RELATIONS Shareholders, analysts, representatives from the financial community, brokers and other stakeholders are asked to communicate via Novo Nordisk’s Investor Relations service in questions concerning Novo Nordisk and the company’s business areas:

Outside North America: Novo Nordisk A/S Novo Allé 2880 Bagsværd Denmark

Peter Haahr Tel +45 4442 1207 Fax +45 4443 6633 E-mail pehr@novonordisk.com
FINANCIAL CALENDAR FOR 2003

Annual General Meeting  
25 March

Dividend
Ex-dividend  B shares  26 March
Record date  B shares  28 March
Payment  B shares  31 March
ADRs  7 April

Record date  ADRs  28 March
Payment  ADRs  7 April

Announcement of financial results
First three months  30 April
Half year  6 August
Nine months  29 October
Full year  5 February 2004

Shareholder magazine available
First three months  Mid-May
Half year  Mid-August
Nine months  Mid-November
Kurt Briner
Kurt Briner works as an independent consultant in the pharmaceutical and biotech industry and is a board member of CBios SA, EquityLife AG, Om Pharma, Progenics Pharmaceuticals Inc and a member of the Supervisory Board of Altana Pharma GmbH. In 1988 he was promoted president & CEO of Sanofi Pharma – a position he held until 1998. He has been chairman of the European Federation of Pharmaceutical Industries and Associations, Brussels (EFPIA).

Kurt Briner was elected to the Board of Novo Nordisk A/S in November 2000 and was re-elected in March 2002. Mr Briner’s term as a board member expires in March 2005. Mr Briner is a Swiss national, born on 18 July 1944.

Stig Stråbæk
Stig Stråbæk has been an employee-elected member of the Board of Directors of Novo Nordisk A/S and of the Board of Governors of the Novo Nordisk Foundation since 1998. Mr Stråbæk is presently working in Product Supply as an electrician.

Stig Stråbæk has been re-elected by the employees in March 2002 and his term as a board member expires in March 2005. Mr Stråbæk is a Danish national, born on 24 January 1964.

Mads Ølvisen
Mads Ølvisen is chairman of the Board of Novo Nordisk A/S. Former president and chief executive officer of Novo Nordisk, Mr Ølvisen became chairman of the Board in November 2000. Mr Ølvisen is also chairman of the Board of the Danish Royal Theatre (2000), and chairman of the Board of LEGO A/S (a member of the board since 1990, chairman since 1996) and a member of the Board of the Warads Foundation, Sweden. Further, he is the chairman of The Copenhagen Centre. Mr Ølvisen was made Knight of first degree of the Dannebrog in 1997 and holds the Italian Order of Merit (It.F.3). He is adjunct professor of corporate social responsibility at the Copenhagen Business School.

Mads Ølvisen was elected to the Board of Novo Nordisk A/S (initially in the former Novo Industri A/S) in 1981 and has been re-elected since for subsequent three-year periods. Mr Ølvisen’s term as a board member expires in March 2004. Mr Ølvisen is a Danish national, born on 9 March 1940.

Anne Marie Kverneland
Anne Marie Kverneland has been an employee-elected member of the Board of Directors of Novo Nordisk A/S since November 2000. Ms Kverneland works as a laboratory technician in Discovery.

Anne Marie Kverneland has been re-elected by the employees in March 2002 and her term as a board member expires in March 2005. Ms Kverneland is a Danish national, born on 24 July 1956.

Jørgen Wedel
Prior to his retirement in 2001, Jørgen Wedel was executive vice president of the Gillette Company. He was responsible for Commercial Operations, International, and was a member of Gillette’s Corporate Management Group.

Jørgen Wedel was elected to the Board of Novo Nordisk A/S in November 2000 and his term expires in November 2003. Mr Wedel is a Danish national, born on 10 August 1948.

Niels Jacobsen

Niels Jacobsen was elected to the Board of Novo Nordisk A/S in November 2000 and his term expires in November 2003. Mr Jacobsen is a Danish national, born on 31 August 1957.

Johnny Henriksen
Johnny Henriksen has been an employee-elected member of the Board of Directors of Novo Nordisk A/S since March 2002. He joined Novo Nordisk in January 1986 and currently works as an environmental advisor in Product Supply.

Johnny Henriksen’s term as a board member expires in March 2006. Mr Henriksen is a Danish national, born on 19 April 1950.

Ulf J Johansson
In 1990 Ulf Johansson founded and became chairman of Europetel AB, a GSM mobile telephone operator in Sweden, publicly listed since 1994. Since 1990 Mr Johansson has been a member of the Royal Swedish Academy of Engineering Sciences. He is chairman of the Boards of Directors of Europetel Vodafone AB (formerly Europetel Holdings AB), Frontec AB, Zodiak Venture AB, Spirea AB and Eurostep Group AB. He is also a board member of Novo A/S and Trimble Navigation Ltd and chairman of the University Board of the Royal Institute of Technology, Stockholm.

Ulf Johansson was elected to the Board of Novo Nordisk A/S in March 1998 and was re-elected in March 2001. Mr Johansson’s term as a board member expires in March 2004. Mr Johansson is a Swedish national, born on 21 August 1945.

Kurt Anker Nielsen
Kurt Anker Nielsen is vice chairman of the Board of Novo Nordisk A/S and CEO of Novo A/S. He serves as vice chairman of the Boards of Novo Nordisk A/S and Novozymes A/S and as a board member of DakoCytomation A/S and ZymoGenetics, Inc. Furthermore, Mr Nielsen serves as a board member of Coloplast A/S.

Kurt Anker Nielsen was elected to the Board of Novo Nordisk A/S in November 2000 and was re-elected in March 2002. Mr Nielsen’s term as a board member expires in March 2005. Mr Nielsen is a Danish national, born on 8 August 1945.
Jesper Brandgaard
Jesper Brandgaard is executive vice president and chief financial officer (CFO), Novo Nordisk A/S. He joined Novo Nordisk in 1989 as corporate vice president of Corporate Finance. Mr. Brandgaard was appointed CFO in November 2000. Jesper Brandgaard serves as chairman of the Boards of Novo Nordisk Engineering A/S and Novo Nordisk IT A/S. He is a Danish national, born on 12 October 1963. Jesper Brandgaard holds an MSc in Economics and Auditing (1990) as well as a Master of Business Administration (1995) both from the Copenhagen Business School.

Mads Krogsgaard Thomsen
Mads Krogsgaard Thomsen is executive vice president and chief science officer (CSO), Novo Nordisk A/S. He joined Novo Nordisk in 1991 as head of Pharmacology, Biopharmaceuticals Division. Mr. Thomsen was appointed CSO in November 2000. Mads Krogsgaard Thomsen sits on the editorial boards of three international journals and is a member of the Board of Directors of the Danish Technical University. He is a Danish national, born on 27 December 1960. Mads Krogsgaard Thomsen holds a Doctor of Veterinary Medicine degree from the Royal Veterinary and Agricultural University in Denmark in 1986, where he also obtained a PhD degree in 1989 and a DSc degree in 1991 and in 2000 became professor of pharmacology.

Kåre Schultz
Kåre Schultz is executive vice president and chief operating officer (COO), Novo Nordisk A/S. He joined Novo Nordisk in 1989 as an economist in Health Care, Economy & Planning. In November 2000 Mr. Schultz was appointed chief of staffs. In March 2002 he took over the responsibility of COO. Kåre Schultz is a Danish national, born on 21 May 1961. He holds an MSc (Economy) from the University of Copenhagen (1987).

Lars Rebien Sørensen
Lars Rebien Sørensen is president and chief executive officer (CEO) of Novo Nordisk A/S. He joined Novo Nordisk’s Enzymes Marketing in 1982. Over the years he has been stationed in several countries, including the Middle East and the US. Mr. Sørensen was appointed member of Corporate Management in May 1994, and was given the special responsibility in Corporate Management for Health Care in December 1994. He was appointed president and CEO in November 2000. Lars Rebien Sørensen is a member of the Board of Scandinavian Airlines System A/S and ZymoGenetics, Inc. He is a Danish national, born on 10 October 1954. Lars Rebien Sørensen has a Master's degree in forestry from The Royal Veterinary and Agricultural University in Denmark in 1981, and a BSc in International Economics from the Copenhagen Business School in 1983.

Lars Almblom Jørgensen
Lars Almblom Jørgensen is executive vice president and chief of staffs (COS), Novo Nordisk A/S. He joined Novo Nordisk in 1980 as area manager for North America. In November 2000 Mr. Jørgensen was appointed chief of staffs. In March 2002 he took over the responsibility of COS. Lars Almblom Jørgensen holds a Master of Science degree from the Royal Veterinary and Agricultural University in Denmark in 1976.

Lise Kingo
Lise Kingo is a member of the Board of Business for Social Responsibility in the US and a core faculty member of HRH Prince of Wales Businesses and the Environment Programme. She is a Danish national, born on 3 August 1961. Lise Kingo holds a BA in Religions and Ancient Greek Art (1986, University of Aarhus, Denmark), a BCom in Marketing Economics (1991, the Copenhagen Business School) and an MSc (Responsibility and Business Practice) from the University of Bath, United Kingdom (2000).

Senior Management Board
Mariann Strid Christensen
Klaus Ehrlich
Peter Bonne Eriksen
Torben Skriver Frandsen
Hans Glise
Jesper Høiland
Per Jansen
Lars Guldbæk Karlsen
Peter Kurtzhals
Roger Moore
Ole Ramsby
Witte Rijnberg
Martin Soeters
Per Valstorp
Hans Ole Voigt

Quality
Europe
Regulatory Affairs
Novo Nordisk IT
Development
International Marketing
Novo Nordisk
Servicepartner
Protein Delivery Systems
Discovery
Japan & Oceania
Legal Affairs
International Operations
North America
Product Supply
Novo Nordisk
Engineering

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Novo Nordisk produces three annual publications

- **Annual Review**: a summary of 2002’s financial results, activities and events, including the management report, feature and news articles on significant topics.
- **Annual Financial Report**: the full set of accounts and notes from the Novo Nordisk Group and its parent company Novo Nordisk A/S.
- **Sustainability Report**: accounts for our strategies, activities and targets regarding social, environmental, ethical and socio-economic issues affecting our future business performance.

All shareholders automatically receive the **Annual Review**. However, to reduce the environmental and financial costs of producing and distributing these publications, the **Annual Financial Report** and **Sustainability Report** are only sent to shareholders upon request. The reports are all available at www.novonordisk.com where paper copies can also be ordered.