

noVO
holdings
Investors in life science

2020

annual report

Novo Holdings A/S
Tuborg Havnevej 19
2900 Hellerup, Denmark
CVR 24257630

Content

Management review

4

Introducing
Novo Holdings

- 06** Letter from the Chairman and the CEO
- 08** Novo Holdings at a glance
- 10** Our business model
- 12** 2020 performance highlights

14

Our business

- 16** Purpose and ambition
- 18** People and organisation
- 20** Investment strategy
- 34** Financial performance 2020 and outlook for 2021
- 38** Business and financial risk

42

Governance

- 44** Corporate governance
- 45** Boards and Leadership Team
- 50** Responsible investments

Statements

52

Financial statements

- 54** Statement of comprehensive income
- 55** Balance sheet
- 56** Equity statement
- 57** Cash flow statement
- 59** Notes to the financial statement

82

Management's
statement and
Auditor's report

- 84** Management's statement
- 85** Independent Auditor's report



Novo Holdings has a substantial portfolio of industrial biotech companies providing sustainable solutions within areas including agriculture and food production.

Letter from the Chairman and the CEO

The year 2020 was marked by the significant challenges brought about by the coronavirus pandemic. Despite that, our organization demonstrated adaptability and resilience, and our teams delivered very satisfactory financial results.

Novo Holdings realized record Income and Investment Returns of DKK 29 billion in 2020, up from DKK 26 billion in 2019. This result is well balanced and based on a strong performance from both the Novo Group companies and from the Investment Portfolio, with the latter generating a very satisfactory return of 12% for the year, which is significantly ahead of benchmark. Novo Holdings closed the year with a record DKK 457 billion in total assets, up from DKK 411 billion in 2019, with the Investment Portfolio alone increasing to a record DKK 150 billion, up from DKK 127 billion in 2019.

Novo Holdings is a long-term investor with the Investment Portfolio comprising Life Science Investments (52% of the portfolio) and Capital Investments (48% of the portfolio). As at year-end 2020, the Life Science Investment Portfolio generated a 10-year average return of 17%, while the Capital Investments Portfolio generated a 10-year average return of 9%. The total Novo Holdings Investment Portfolio 10-year average return stands at 12%, and we are pleased to be delivering on our key objective of generating attractive long-term returns on the assets of the Novo Nordisk Foundation.

In addition to a very satisfactory financial performance, Novo Holdings attained important strategic milestones in 2020 as well as notable accomplishments with societal impact.

Financial highlights

Principal Investments deployed DKK 5 billion of capital, including the private investment into WCG and two sizeable public investments into a leading MedTech and a leading pharma services company, all US-based. In Europe, we added to our position in German-based Evotec.

Novo Ventures witnessed an unprecedented level of activity and invested a record DKK 3.7 billion, cementing its position as a leading global life science venture investor. Novo Ventures executed 79 investments in 2020 and among its exits were 9 IPOs.

Our newest team, Novo Growth, invested DKK 1.1 billion in four

companies, taking its total portfolio to 10 companies. In just two years, Novo Growth has emerged as a leading life science growth equity investor and has a portfolio of companies in sectors ranging from bioindustrials to diagnostics to gene therapy.

Novo Seeds invested DKK 582 million in 2020 including investments into eight new companies. A key highlight of the year was the NASDAQ IPO of Galecto at a valuation of around USD 400 million. Copenhagen-based Galecto was seeded by Novo Seeds in 2011 with an investment of DKK 2 million.

Our non-life science investment team, Novo Capital Investors, closed the year with DKK 73 billion of assets under management and generated a return of 8%, well ahead of benchmark. Key highlights of the year include investments by our new Real Assets team, including a commitment of more than DKK 1 billion in the Nordic real estate group NREP and a commitment of around DKK 1 billion in US-based infrastructure fund I Squared Capital.



Strategic highlights

2020 was an important year for the geographical expansion of our Life Science Investment teams. We expanded into Asia with the opening of our Singapore office, and we established a presence in the US for Principal Investments, with the recruitment of two senior partners.

On the asset class front, 2020 was a milestone year from a diversification perspective. Most of the asset class expansion took place in Novo Capital Investors, where we established a Real Assets team, a Technology Venture Capital team and a Credit team.

Further, we continued to grow the Novo Advisory Group, which assists us in our life science investment decisions. In 2020, we welcomed Britt Melby Jensen, Per Lofberg and Peder Holk Nielsen to the group.

Societal impact highlights

Novo Holdings’ deliberate life sciences focus places us in a very special position as a long-term investor with a positive societal impact.

2020 was a very special year for our efforts in tackling the anti-microbial resistance (AMR) crisis. Aside from our REPAIR Impact Fund representing accumulated investments of DKK 407 million into nine companies by the end of 2020, we worked closely with the IFPMA (International Federation of Pharmaceutical Manufacturers) on the formation of the USD 1 billion

Action Fund to invest in AMR projects. In addition to our work with the IFPMA, Novo Holdings invested USD 50 million on behalf of the Novo Nordisk Foundation, and Novo Nordisk separately invested 25 million into the fund. The Action Fund is the largest and most comprehensive commitment ever made to tackle the AMR crisis.

We continued our deliberate focus on active investments in the bioindustrial segment, to deliver sustainable solutions to the industry. Our bioindustrial investments in 2020 stand at DKK 337 million, with an exposure of total assets of DKK 1.3 billion by end 2020.

The Novo Holdings ethos is expressed by the Novo Holdings Way, and its cornerstones are Performance, Respect and Responsibility. Our teams lived up to this ethos in an exemplary manner in 2020 by delivering a very satisfactory performance under the extremely challenging circumstances created by the COVID-19 crisis. We would like to express our deep gratitude to all our colleagues for their commitment and resilience during this very challenging year.



Lars Rebieen Sørensen
Chairman of the Board



Kasim Kutay
Chief Executive Officer

Strategic objectives



Strong owner of Novo Nordisk and Novozymes

- Secure a set, minimum level of ownership
- Ensure a set liquidity reserve to provide financial support if ever required



Generate attractive returns

- Deliver long-term attractive returns
- Provide excess returns to set benchmarks



Promote better health, sustainability and welfare

- Invest in and build the Nordic biotech industry
- Make life science investments that improve people’s lives and support biosustainability
- Manage Impact Investments

Novo Holdings at a glance



109

Global employees



Portfolio companies

457 DKK
bn
(EUR 61 bn)

Total investment assets



*The offices in US, UK and Asia are separate entities that provide certain consultancy services to Novo Holdings A/S, mainly within the areas of identifying and analysing various investment opportunities among life sciences companies in the US, UK and Asia as well as certain follow-up activities related thereto, such as board memberships, financial control and reporting efforts.

9%

Total 5-year average return
on the Investment Portfolio

DKK
150
bn
(EUR 20 bn)



Investment Portfolio of DKK

DKK
10
bn
(EUR 1 bn)



Deployed into life sciences

17%

Return on Life Science Investments

8%

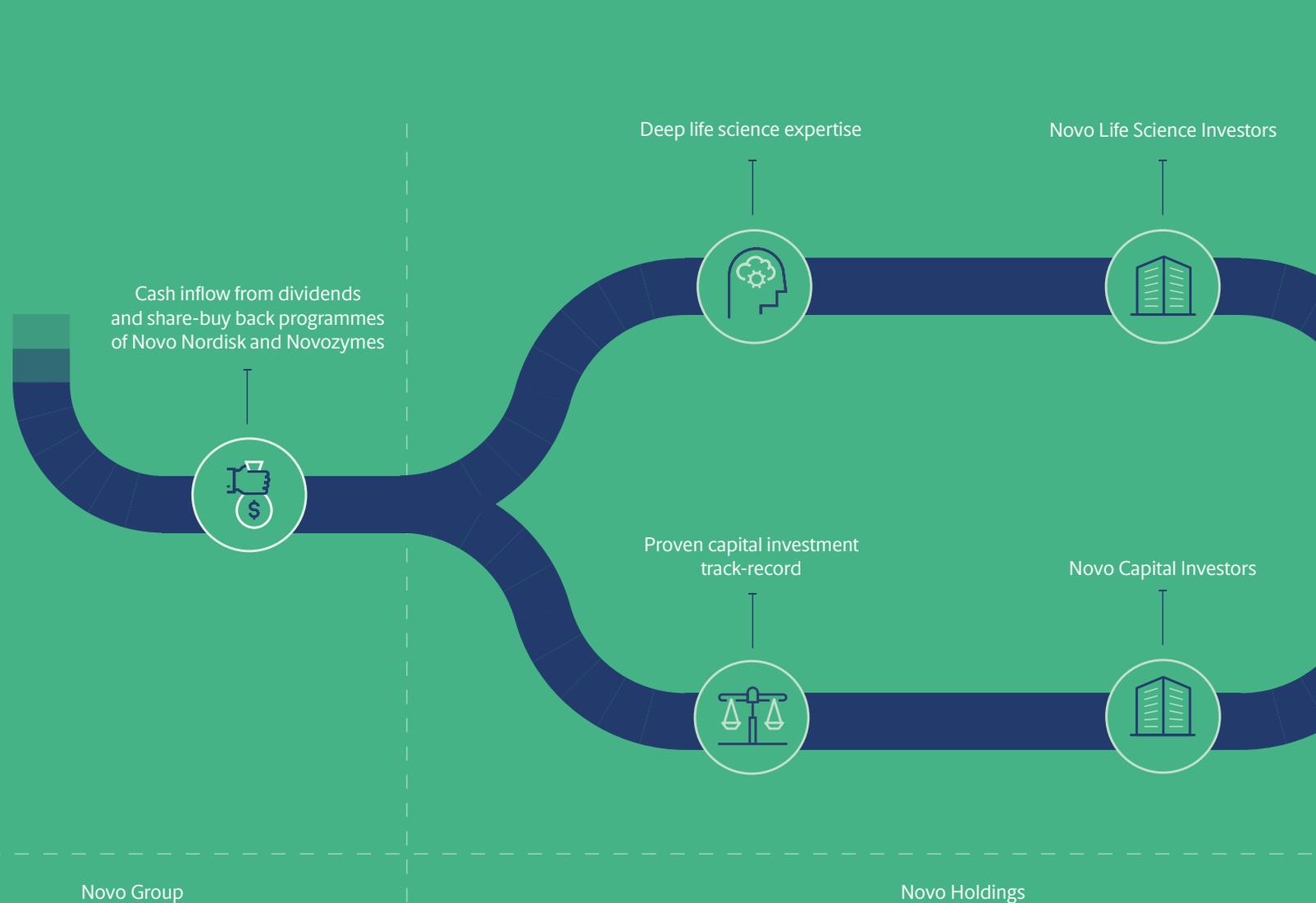
Return on Capital Investments

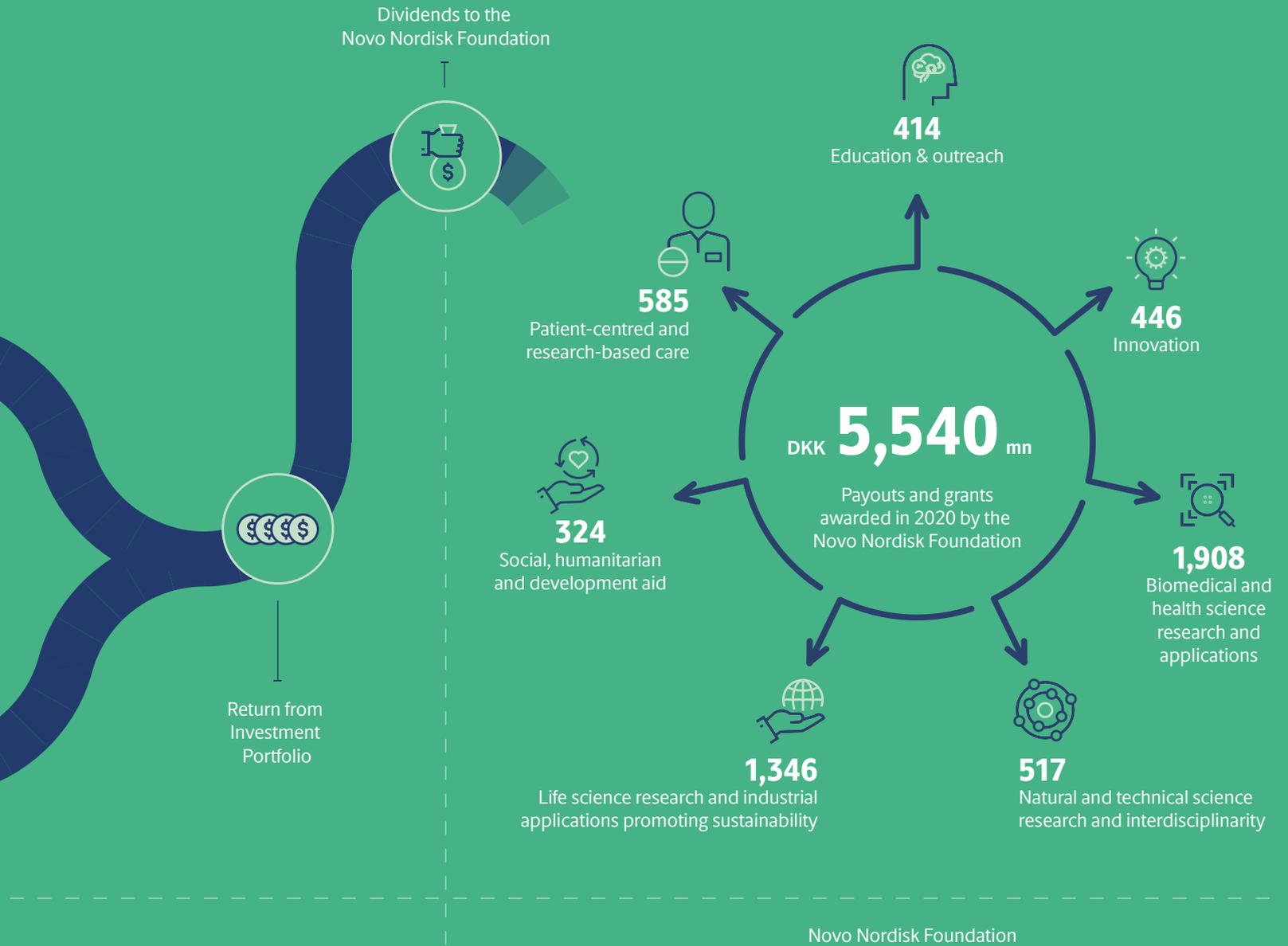
Total Income and Return
DKK 29 bn (EUR 4 bn)



Our business model

Novo Holdings is a holding and investment company, wholly owned by the Novo Nordisk Foundation. Our objective is to meet the Novo Nordisk Foundation's strategic and commercial goals, which requires us to make investments with a view to long-term returns.





2020 performance highlights

Allocation and returns by asset category, investment area and Novo Group

Assets	Allocation		Returns		
	DKKbn	Share of	2020	5Y Rolling	10Y Rolling
By asset category					
Diversified Growth Assets	126	84%	14.8%	10.0%	14.4%
Macroeconomic Risk Hedges	24	16%	-1.3%	3.0%	3.0%
Investment Portfolio by asset category	150	100%	12.2%	9.2%	12.3%
By investment area					
Life Science Investments	77	52%	17.2%	10.6%	17.0%
Capital Investments	73	48%	7.8%	7.7%	8.6%
Investment Portfolio by investment area	150	100%	12.2%	9.2%	12.3%
Novo Group					
Novo Nordisk A/S	281	92%	12.7%	3.9%	15.4%
Novozymes A/S	26	8%	8.7%	2.6%	9.8%
Novo Group	307	100%	12.4%	3.8%	14.8%

Allocation and returns of invested portfolio by asset class

Asset class	Allocation		Returns		
	DKKbn	Share of	2020	5Y Rolling	10Y Rolling
Asset category and asset class					
Diversified Growth Assets	126	84%	14.8%	10.0%	14.4%
Public Equity	71	47%	13.3%	8.8%	15.3%
Private Equity	29	19%	15.7%	13.9%	9.9%
Venture Capital	16	11%	35.5%	19.0%	31.0%
Credit	10	7%	1.3%	5.0%	7.3%
Macroeconomic Risk Hedges	24	16%	-1.3%	3.0%	3.0%
Real Estate & Real Assets	4	3%	-6.6%	12.0%	10.3%
Bonds & Cash	20	13%	0.3%	0.8%	1.4%
Investment Portfolio	150	100%	12.2%	9.2%	12.3%

Five-year summary

DKK billion	2020	2019	2018	2017	2016
Income statement					
Income from Novo Group companies	13	11	11	6	7
Return from Life Science Investments	11	7	2	11	-2
Return from Capital Investments	5	8	-1	3	3
Operating profit	29	26	11	20	8
Net profit for the year	25	23	12	19	7
Balance sheet					
Equity	131	114	97	86	67
Total assets	156	132	110	100	81
Total assets at market value*	457	411	331	358	275
Key ratios					
Equity ratio	84%	87%	88%	86%	83%
Number of full-time employees**	78	68	68	51	41

* Total investments at market value include Novo Group companies with A and B shares of the companies valued using the quoted B-price at closing 31 December of the respective year.

** Calculation based on the ATP-method

Returns

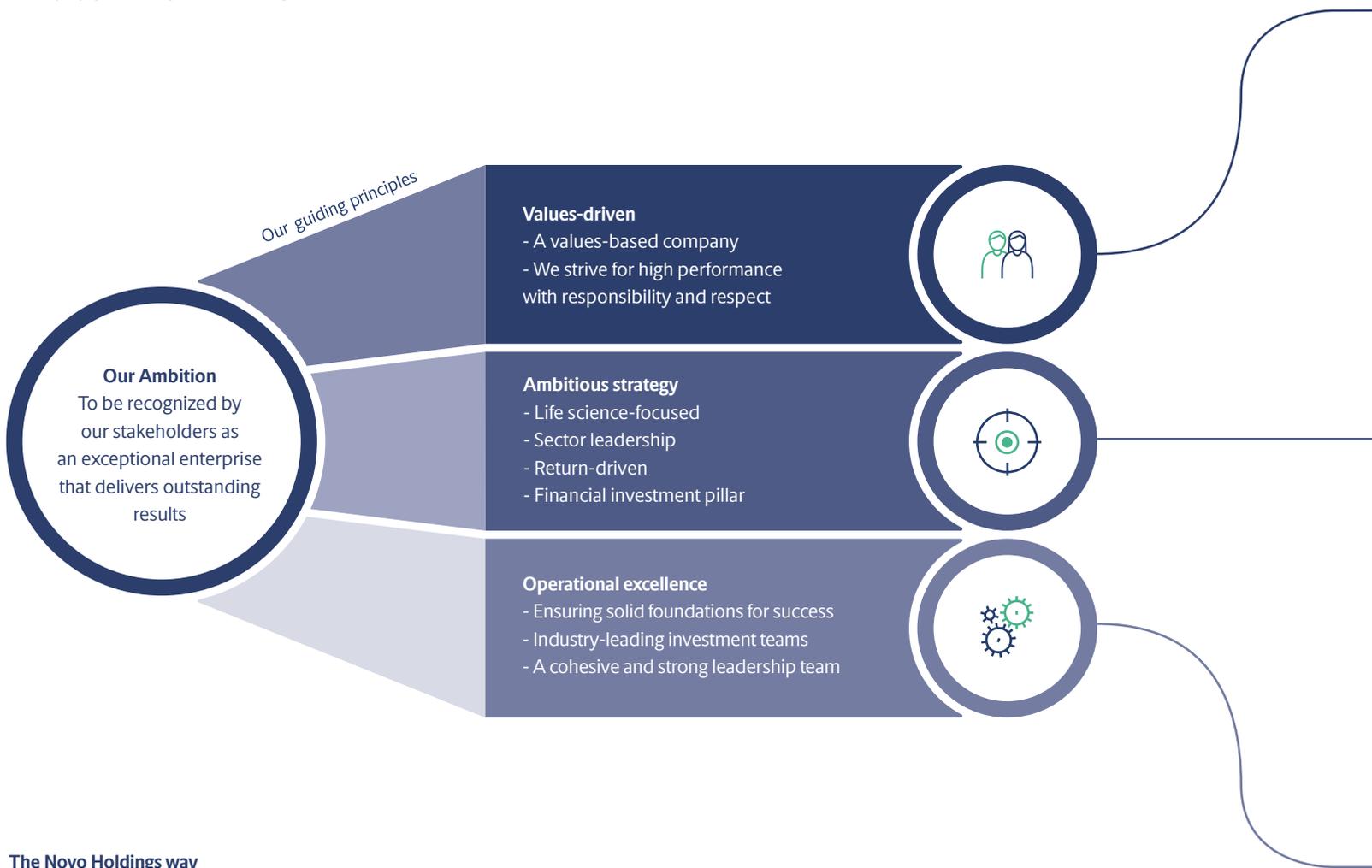
All returns are in DKK and reflect total returns, excluding internal costs. Return from Novo Group companies (Novo Nordisk and Novozymes) is measured as total returns with both A and B shares in the above table, valued using the quoted B share price at closing 31 December 2020. Returns on Life Science Investments are calculated on an Internal Rate of Return (IRR), based on the book value at the end of the measurement period and cash flows within the measurement period compared with the book value at the beginning of the measurement period. Capital Investments' returns and Investment Portfolio returns are based on Time Weighted Returns (TWR). Whereas asset category returns are based on TWR, the underlying returns by asset class reflects a mix of IRR and TWR, with Private Equity, Venture Capital and Real Estate & Real Assets being measured by IRR and the remaining asset classes based on TWR.



Our ambition is to be recognized by our stakeholders as an exceptional enterprise that delivers outstanding results.

Purpose and ambition

The purpose of Novo Holdings is to be a supportive owner of the Novo Group companies and to make a growing and positive impact on health, science and society by generating attractive long-term returns on the assets of the Novo Nordisk Foundation.



The Novo Holdings way



Performance

- We strive to deliver outstanding long-term results
- Vision, collaboration and diversity are key to our performance



Respect

- We conduct ourselves with integrity and transparency
- We build long-term relationships based on trust and respect



Responsibility

- Sustainability is integral to our business
- Learning is key to our organization



Values-driven

Novo Holdings is a values-driven company striving for 'High Performance with Respect and Responsibility', as anchored in the Novo Holdings Way. We frequently communicate and discuss the values in our company and integrate these into how we operate and conduct investment decisions. We have a dedicated framework for reviewing and discussing 'living our values' as well as integrating our values and ESG matters into our investment decisions.



Ambitious strategy

During 2020, we executed on a number of important strategic initiatives:

- *Establish Principal Investments in the US.* With the opening of offices for Novo Ventures in San Francisco in 2009 and in Boston in 2015, we took our first steps to establishing a presence in the US. In 2020, we further expanded our presence in the US with the recruitment of two Boston-based senior partners for the Principal Investments team.
- *Establish presence in Asia.* Geographical expansion into key life sciences markets is an important part of our strategy, and during the year we opened an office in Singapore and recruited the head of Novo Holdings Equity Asia.
- *Grow Growth Equity team.* During 2020, we added three investment professionals in San Francisco to the Growth Equity team.
- *Expand capabilities in Novo Capital Investors.* By way of diversification, we will increase exposure to the Real Assets segment, as well as within Private Equity and Venture Capital. In support of this, we recruited four investment professionals in 2020.
- *Increase exposure to Bioindustrials.* Over the past four years, we have successfully been investing in the bioindustrial sector, including investments in Lanzatech, Vestaron and bioMASON. We expect to increase our exposure to this field in the coming years across all our Life Science Investment teams.
- *Increase exposure to Digital Health and Artificial Intelligence.* Sourcing for Digital Health and AI opportunities has been part of our agenda over the last two years, with successful investments into companies like Tempus and MDLive.



Operational Excellence

Launched at the beginning of 2017, our Operational Excellence programme has progressed, with the specific aim of improving our key processes and systems.

Over the past few years we have developed our IT systems platform and applications, e.g. by implementing systems like SimCorp Dimension, PowerBI and iLevel, with a focus on ensuring that our investment processes are supported by leading IT systems. Further to this, we have initiated a project to upgrade our ERP system, which we expect to finalize during 2021.

During 2020, we established our Allocation and Risk Committee to provide additional oversight support for our Investment Portfolio, as we continue to expand our asset class and geographic footprint.

People and organisation

Attracting, developing and retaining high-performing talent is key

Our people constitute our single-most important asset and our ability to attract, develop and retain high performing talent is key to our business.

We aim to offer a special and attractive employer value proposition with a competitive compensation package and opportunities for continuous development and career advancement through our learning programme, the Novo Academy.

To develop, attract and retain ambitious employees, we aim to offer development opportunities supporting both professional and personal growth.

Through our learning programme – the Novo Academy – we strive to ensure that our employees are always at the forefront of their fields by offering them a broad range of targeted learning opportunities, e.g. business school programmes, board training and individual coaching. The development activities offered are continually expanded, based on the business needs and the development needs of our employees.

To support high performance, we strive for diversity

Novo Holdings Investment Group* employed 109 employees by the end of 2020, up from 85 employees by end 2019. Our employees represent 15 nationalities and comprise a variety of experience and educational backgrounds. During 2020, we welcomed 32 new employees to the organization. About 35% of our employees are female and 65% are male, with a 18% female/82% male gender split among management positions by the end of 2020**. Diversity is a key focus area for us, and we aim for continued progress on this front.

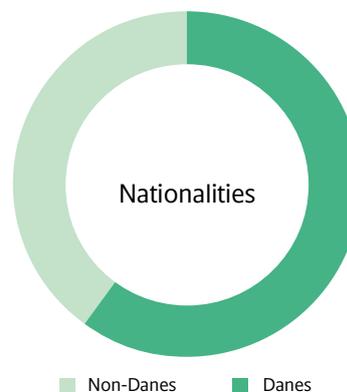
For compliance with the statutory requirements under the Danish

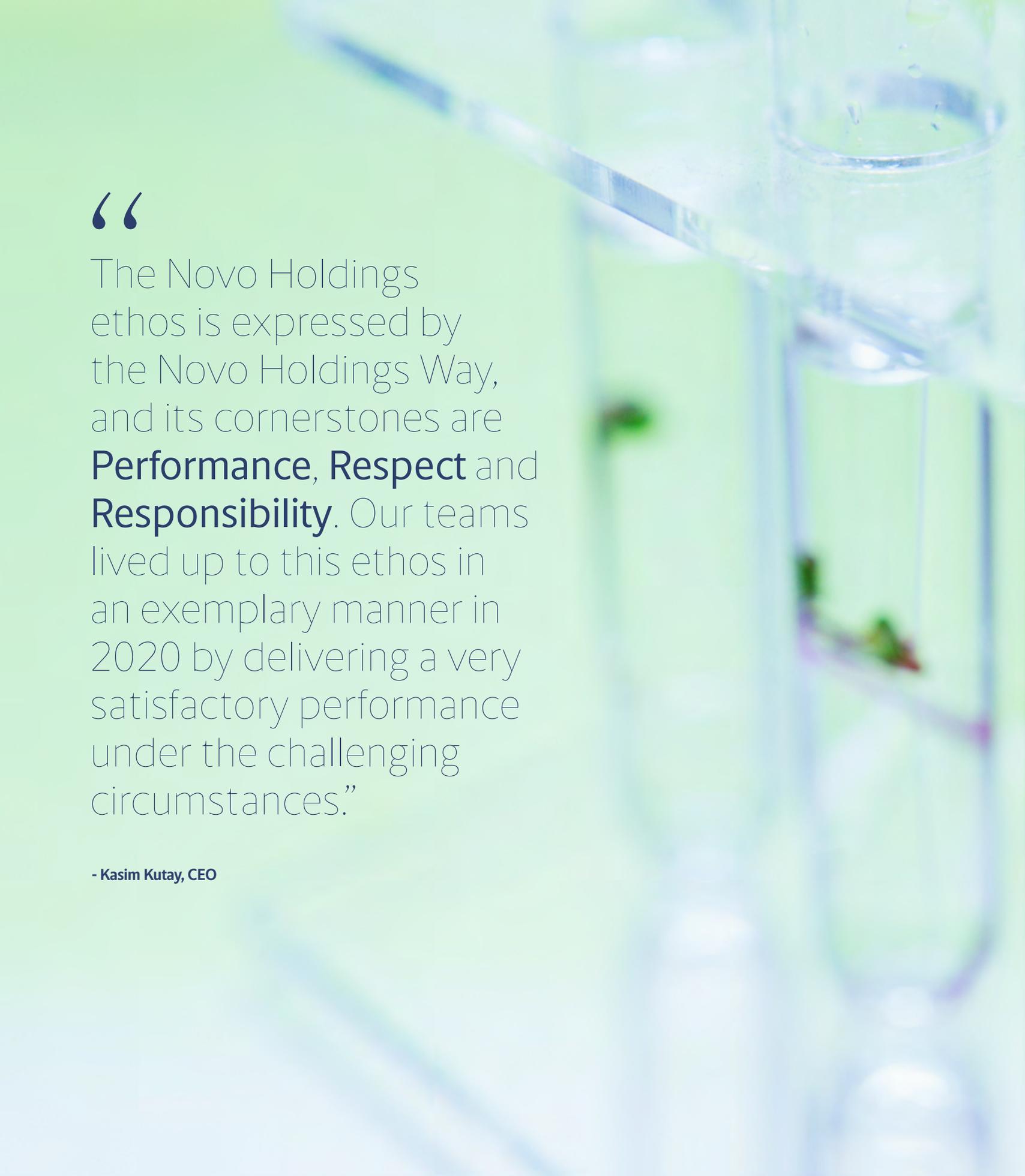
Financial Statements Act §99a and §99b, please refer to the Corporate Social Responsibility policies of the Novo Nordisk Foundation:

novonordiskfonden.dk/wp-content/uploads/appendix_a_2020.pdf

*The Novo Holdings Investment Group consists of Novo Holdings A/S as well as the separate entities Novo Holdings Equity (US) Inc, USA, Novo Ventures (US), Inc.; USA and Novo Asia Equity, Singapore, Asia providing certain consultancy services to Novo Holdings.

** The numbers reflect our level 1, which comprises the Partner level and above.





“

The Novo Holdings ethos is expressed by the Novo Holdings Way, and its cornerstones are **Performance, Respect** and **Responsibility**. Our teams lived up to this ethos in an exemplary manner in 2020 by delivering a very satisfactory performance under the challenging circumstances.”

- Kasim Kutay, CEO

Investment strategy

As mandated by the Novo Nordisk Foundation, it is the strategic objective of Novo Holdings to be a strong owner of Novo Nordisk and Novozymes, to generate attractive returns on the Novo Nordisk Foundation's investable capital and invest in and promote better health, sustainability and welfare.

We operationalize our asset allocation through a deliberate life science-focused investment strategy complemented by a broadly diversified global cross-industry financial portfolio. By end of 2020, 52% of the Investment Portfolio is allocated to life science investment areas and 48% allocated to the Capital Investments area, which is within our long-term strategic direction of deploying around 50-60% of the Investment Portfolio in the life sciences sector.

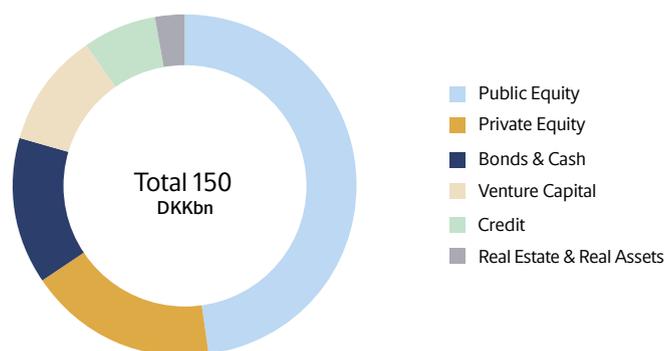
During 2020, complying with the risk tolerance set by the Novo Nordisk Foundation, balancing risk and returns with the projected grant payouts of the Foundation, we continued the implementation of our investment strategy towards 2023. The strategy entails increased diversification of our Investment Portfolio over the coming years, largely achieved by further diversification of our portfolio of financial assets into real assets, private equity (non-life science) and technology venture capital and by broadening our approach for investments within the life sciences sector, across asset classes as well as geographically.

By end of 2020, the total Investment Portfolio is valued at DKK 150 billion and is predominantly allocated towards equity, with public equity representing 47% and private equity representing 19% of the Investment Portfolio, respectively. Our bond and cash portfolio represents 13% of the Investment Portfolio, venture capital represents 11%, credits 7% and real assets 3%.

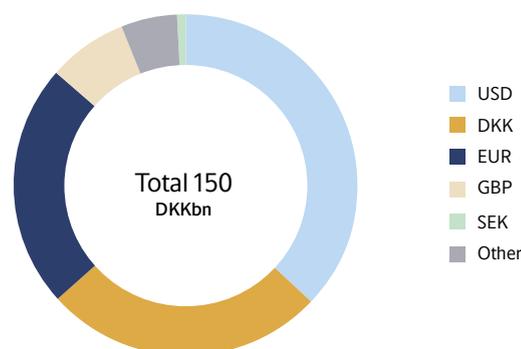
As a consequence of our strategic direction and the associated investments and divestments conducted throughout 2020, we have slightly lowered our exposure to equity, increased exposure to bonds and cash, while increased exposure to venture capital is largely a function of a very favourable market development, driven among other things by more companies in the portfolio going public. Combined, we have further diversified the Investment Portfolio during 2020, leading to a relatively lower risk profile when compared to the beginning of the year.

The geographical representation of the Investment Portfolio is largely unchanged compared to the beginning of the year, with around 37% of the portfolio exposed to US dollar, 26% to Danish kroner and 24% exposed to the Eurozone.

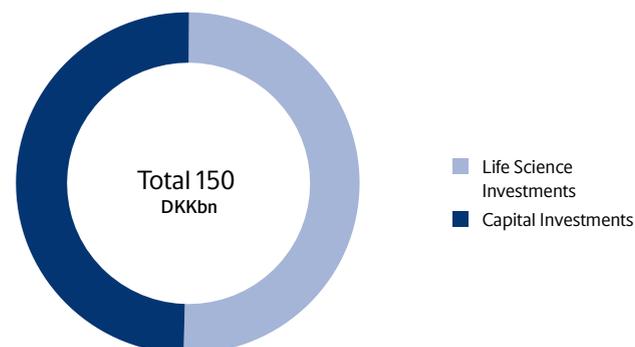
Investment Portfolio split by asset class, end 2020



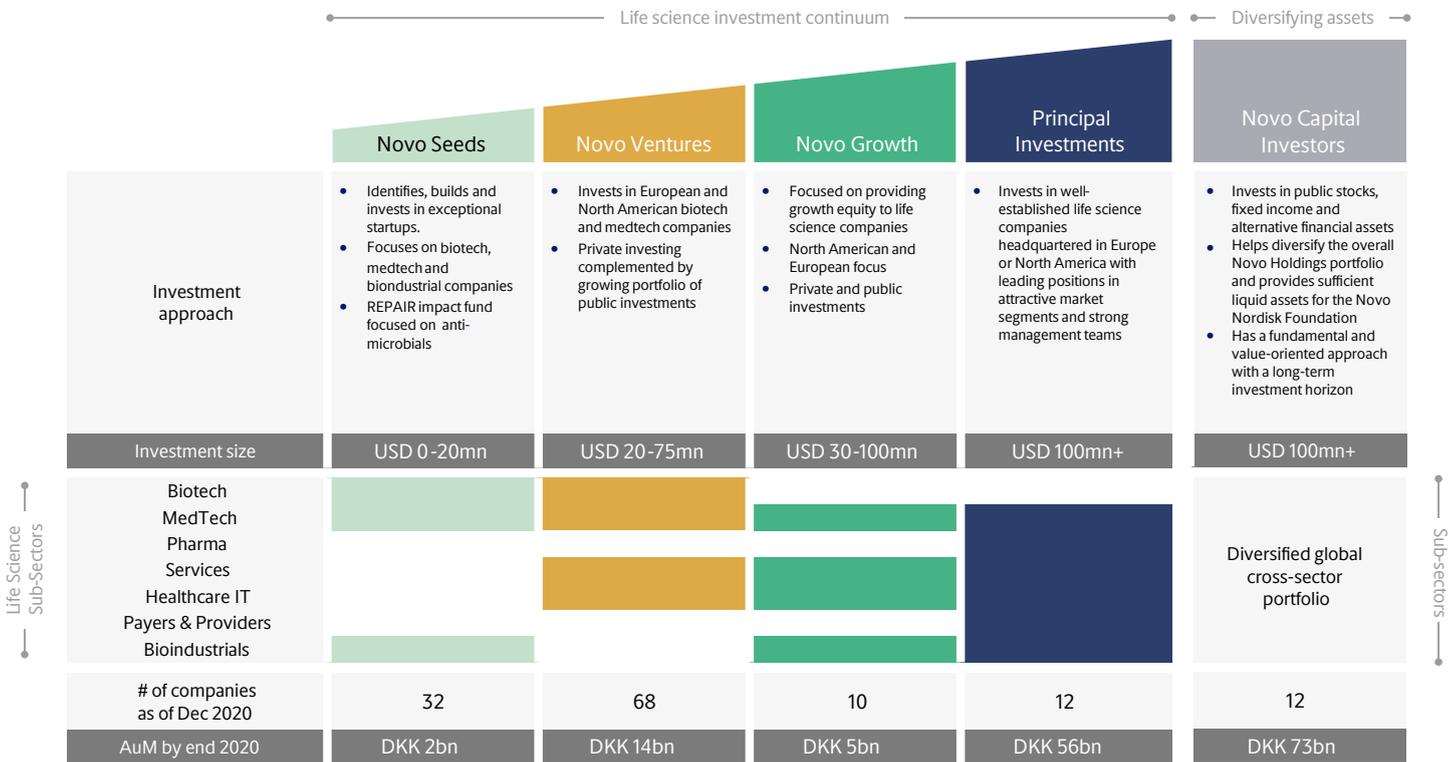
Investment Portfolio split by currency, end 2020



Investment Portfolio split by Life Science Investments and Capital Investments, end 2020



Capital deployment through five dedicated investment teams



Since the inception of Novo Holdings in 1999, we have focused on investing into the life sciences sector. Initially spearheaded by Novo Ventures, this focus and effort has developed further, adding Novo Seeds, Principal Investments as well as Novo Growth, which means that today we invest across the full continuum within the life sciences sector, from local early start-ups to global well-established corporates. During 2020, we also established a presence in Asia with representation in Singapore, complementing and further diversifying our Life Science Investment Portfolio outside of Europe and the US, primarily in the venture and growth space.

Our strategic focus on life sciences originates from the DNA of the Novo Group family, and after more than 20 years we continue to find exposure to the life sciences sector very attractive, as the life sciences sector is supported by a number of highly attractive underlying fundamentals. Within the sector, we are able to identify appealing opportunities across sub-sectors and geographics, also providing further diversification to the portfolio.

We complement our life sciences investment focus with our Novo Capital Investors team, providing global exposure outside the life sciences sector. In line with our Strategy 2023, we are in the process of expanding and further diversifying our efforts within Capital Investments, such that the Novo Capital Investors effort becomes more broadly based in terms of asset classes and relying on a higher degree of in-house resources and capabilities.

In support of this, we established dedicated resources focusing solely on private equity (non-life science), venture capital (non-life science), real assets and credits during 2020, as well as increasing our efforts for management of public equity in-house. Over the coming years, we intend to continue this development as part of our efforts and journey to develop a long-term sustainable investment area, building a global, diversified financial portfolio.

Principal Investments

Principal Investments was established in 2013 and invests in leading, well-established growth-oriented life science companies. Investments are made in publicly listed and privately owned companies with a mix of control, co-control and minority positions. Currently, Principal Investments has portfolio companies headquartered in Europe and in North America.

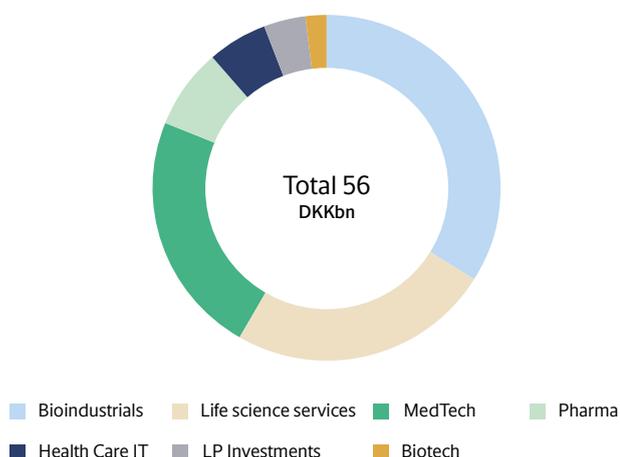
The Principal Investments team has to date solely operated out of our Copenhagen office, covering the European and North American markets from this location. However, in 2020 we hired in two senior partners for our US-based team, that will focus on the North American market. Over the coming years, we will continue to build up this Boston-based team. Additionally, the newly established, Singapore-based, Asia life sciences investment team will also support the Principal Investments team.

During 2020, due to COVID-19 there was generally less activity in the private markets compared to previous years. Consequently, Principal Investments was more focused on new investment opportunities in the public markets as well as on deploying additional capital in existing portfolio companies.

In terms of new investments, more than USD 200 million (DKK 1.4 billion) was invested into two leading US publicly listed life science companies.

In addition to these two public investments, we increased our ownership in Evotec (a publicly listed drug discovery and development company headquartered in Germany) by participating in a financing round to support future growth of the company, contributing EUR 50 million (DKK 372 million) out of the EUR 250 million (DKK 1,860 million) equity raise. Furthermore,

Principal Investment Portfolio by sub-sectors, end 2020



we invested additional capital in one of our US-headquartered portfolio companies, eResearch Technology Inc. in connection with the financing of the company's strategically important merger with Bioclinica. Closing of this transaction is expected to take place in Q2 2021.

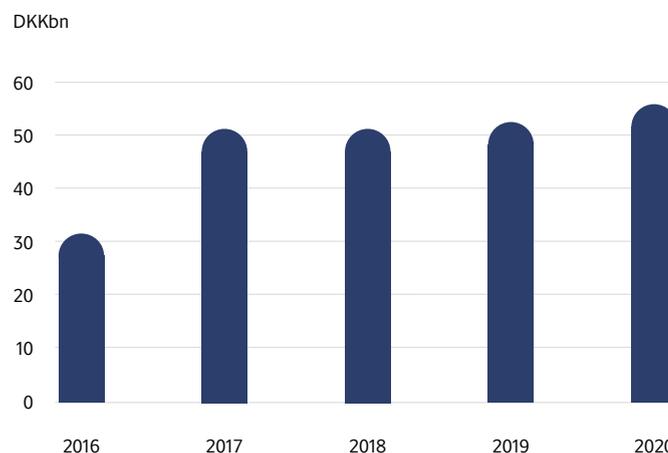
From a cashflow perspective, our significant minority investment into US-headquartered WCG, a world leading provider of clinical research services took place in 2020 although the transaction was announced end of 2019.

From an exit perspective, we sold our ownership stake in the Danish biotech company Symphogen to the French pharmaceutical company Servier Laboratories. Also, one of the public investments made earlier in the year was divested in Q4 as a result of very strong company performance.

Two of the divestments/sell-downs announced in the second half of 2019 closed, resulting in cash flow impact in 2020. This includes the divestment of our 41% shareholding in Danish-listed Veloxis, a specialty pharmaceutical company, which was fully acquired by the Japanese company Asahi Kasei. In addition, it includes the sale of 40% of our shareholding in eResearch Technology Inc. to the French private equity fund, Astorg.

At the end of 2020, there were 12 companies in the Principal Investments Portfolio, with 8 being headquartered in Europe and 4 headquartered in the US. Our sector exposure is spread across life sciences with a relatively large allocation to bioindustrials, given the size of our investment in Chr. Hansen. We furthermore have a strong presence in MedTech and Life Science Services. The Principal Investments Portfolio is valued at DKK 56 billion end of 2020.

Principal Investments Portfolio 2016–2020



Novo Growth

Novo Growth was established as a separate investment area in 2019, and targets highly innovative, scalable life science companies that have recently reached, or are close to, the commercial stage with strong long-term potential. With focus on companies that are more established than those targeted by Novo Ventures and growing faster than those typically targeted by Principal Investments, Novo Growth completes Novo Holdings' investment continuum.

The Novo Growth team has since establishment operated out of Denmark with presence in San Francisco. In 2020, we added four Investment Professionals to the team and the newly established Singapore-based, Asia life science team will also support the Novo Growth investment team on Asia based investment opportunities.

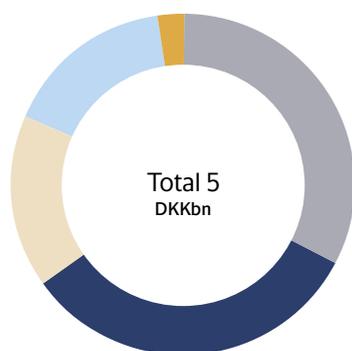
Growth equity as an asset class continues to experience very strong growth, and represents an investment area where Novo Holdings' deep focus on life sciences in combination with a flexible investment horizon and the ability to deploy significant amounts of capital naturally positions us as a differentiated investor. The team has a thematic approach, with focus on four investment verticals where we enjoy deep in-house industry expertise: clinical diagnostics, digital health, industrial biotechnology and biologics supply chain.

During 2020, the team completed four new direct investments and six follow-on investments, deploying DKK 0.8 billion. Notable investments include the acquisition of significant minority positions in Exscientia and Mission Bio, as well as further investments in Tempus and Vestaron.

At the end of 2020, the Novo Growth portfolio comprised minority positions in nine companies, seven of which are based in the United States and two are based in the United Kingdom. Our portfolio is well diversified and broadly balanced across the sub-sectors in which we invest.

Including our LP positions in external fund managers, the value of the Novo Growth portfolio reached DKK 5.1 billion at the end of 2020, compared to DKK 2.5 billion at the end of 2019, driven by both increases in the valuations of some of our existing investments as well as new investments during the year.

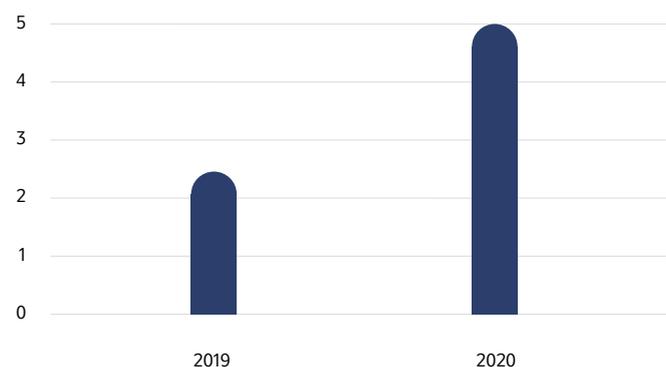
Novo Growth Investment Portfolio by sub-sectors, end 2020



■ LP Investments
 ■ Health Care IT
 ■ Life science services
 ■ Bioindustrials
 ■ Tools & Diagnostics

Novo Growth Investment Portfolio, 2019-2020

DKKbn



Joining the fight against COVID-19 while running a life-saving business

In early 2020, Oxford Biomedica, a Novo Holdings portfolio company, joined a consortium to develop, scale-up and manufacture a vaccine candidate for the coronavirus. Extra space at its bioprocessing facility was turned into new production lines in record time, enabling the company to produce tens of millions of doses of the Oxford-AstraZeneca vaccine. The vaccine has been approved by health authorities around the world.

Photo: Specialists at Oxford Biomedica oversee 50L and 200L production units. To accommodate the large volumes required by AstraZeneca, processing of the vaccine against COVID-19 was scaled up to 1,000L during 2020.



Oxford Biomedica in brief | Novo Holdings' investment

Oxford Biomedica is at the centre of the rapidly emerging gene and cell therapy sector by which life-changing and curative treatment has become a therapeutic reality. Leveraging its world-leading LentiVector® platform, the group benefits from a dual strategy, supporting its partners in the development and commercialization of their gene and cell therapy programmes while also pursuing the development of a proprietary product portfolio for later out-licensing.

In 2019, Novo Holdings invested GBP 53.5 million in Oxford Biomedica, corresponding to 10.1% of the share capital. In 2020, Novo Holdings participated in a follow-on investment of approx. GBP 4 million, bringing its total investment in Oxford Biomedica to GBP 57.5 million.

COVID-19 has wreaked havoc across the globe. Social distancing and lockdowns were the first line of defence. Hopes for a long-term solution, however, hinged on developing a safe and effective vaccine ever since WHO declared COVID-19 a Public Health Emergency of International Concern.

One of the leading vaccine candidates was developed in the UK by scientists at the Jenner Institute of the University of Oxford. A consortium led by the Jenner Institute was formed to rapidly develop, scale up and manufacture the vaccine candidate, which Oxford Biomedica, a gene and cell therapy company joined. The company was an obvious candidate, given its globally leading viral vector manufacturing capabilities as well as vicinity and close ties to the University of Oxford, from which it was spun out in 1995.

Shortly afterwards AstraZeneca, a pharmaceutical and biopharmaceutical company took a licence to the vaccine from the University and subsequently signed the first of two supply agreements with Oxford Biomedica.

Providing access to the vaccine

Making medication of critical importance is not new to Oxford Biomedica. As an example, the company makes lentiviral vectors for Kymriah, a medication for the treatment of childhood leukaemia. Thus, when joining the Consortium, Oxford Biomedica reassured its multiple partners, including pharma giants such as Novartis, BMS and Sanofi that this would not harm their relationships. In fact, the company reassured the market that it would not detract from signing new agreements in the lentiviral space. Proof of this came in July when it signed a 3-year supply agreement with Axovant expanding an existing agreement. In August, the company signed up a new partner, Beam Therapeutics, to collaborate on next generation CAR-T therapies.

As an established clinical and commercial manufacturer of lentiviral vectors, Oxford Biomedica was in a strong position to support. The vaccine candidate, however, is adenovirus-based, thus requiring a slightly different method of production and a substantial upscale of production facilities.

The fact that Oxford Biomedica had recently completed the construction of Oxbox, its brand-new bioprocessing facility, proved to be a fortunate coincidence. The original plan had been to bring the capacity online step by step to support the partner programmes, most of which are early stage, that Oxford Biomedica is developing. Working with the AstraZeneca meant that the company will work with the vaccine for at least 18 months before several of its partners will require production capacity.

In a unique position to help

In other words, Oxford Biomedica was in a unique position to help. Roughly 100 employees were brought on, an agreement with the United Kingdom's dedicated Vaccines Manufacturing Innovation Centre (VMIC) was struck to bring in new production equipment, processing was scaled up from 200L to 1,000L to accommodate the large volumes required by AstraZeneca, and

regulatory approval was secured. Oxford Biomedica had expected to bring one production unit – technically known as a GMP (good manufacturing practice) suite – online during 2020. By October, four units were up and running.

“We are delighted that we now have all four GMP suites in Oxbox operational, more than doubling our manufacturing capacity from 2019. I want to personally thank all of those at Oxford Biomedica who have worked tirelessly to bring these suites online so quickly to enable the manufacturing scale of the vaccine candidate,” said John Dawson, CEO, Oxford Biomedica.

At this point, Oxford Biomedica had one GMP suite dedicated to its cell and gene therapy work, while the three others are dedicated to the vaccine. These are running around the clock to produce batches of the vaccine against COVID-19, corresponding to doses in the tens of millions. In accordance with the agreement, Oxford Biomedica manufactures the vaccine in bulk. AstraZeneca oversees the separate fill and finish partnerships and, ultimately, manages the global distribution.

Through partnerships with manufacturers in several countries, such as the one with Oxford Biomedica, AstraZeneca announced in November that it was making rapid progress in manufacturing with a capacity of up to 3 billion doses of the vaccine in 2021 on a rolling basis, pending regulatory approval.

The Oxford-AstraZeneca vaccine was approved for use in the UK by the Medicines and Healthcare products Regulatory Agency (MHRA) on 30 December 2020. It was approved for use in Europe by the European Medicines Agency (EMA) on 29 January 2021. Health authorities around the world, including Mexico, India, and Argentina, have also approved the vaccine.

Key dates for Oxford Biomedica's COVID-19 activities

- 1. April 2020:* Oxford Biomedica joins a consortium led by the Jenner Institute, University of Oxford to rapidly develop, scale and manufacture a potential vaccine for COVID-19.
- 2. May 2020:* Oxford Biomedica signs initial 1-year clinical and commercial supply agreement with AstraZeneca at 200L scale.
- 3. June 2020:* Oxford Biomedica signs 5-year agreement with VMIC (Vaccines Manufacturing Innovation Centre) to enable the rapid manufacture of viral vector-based vaccines, providing equipment for two GMP suites in Oxbox to further scale up AstraZeneca or other viral vector vaccine candidates.
- 4. September 2020:* Oxford Biomedica signs 18-month supply agreement under a 3-year master services agreement with AstraZeneca, paying GBP 15 million capacity reservation fee and potential additional revenues in excess of GBP 35 million, scaling up to 1,000L production.
- 5. October 6, 2020:* Oxford Biomedica receives MHRA (UK's Medicines and Healthcare Products Regulatory Agency) approval for third vaccine manufacturing suite at its Oxbox production facility, with four suites in total now approved at the site.

Novo Ventures

Novo Ventures was established in 2000 and operates out of Denmark, with offices in San Francisco, Boston and London, investing into venture stage companies in the life sciences space. During 2020, Novo Ventures primarily invested in development stage biotechnology and commercial stage medical technology companies in the US and Europe. Today, Novo Ventures is among the largest and most active life-science venture capital efforts globally.

2020 was an unusually active year for the biotech industry, despite working conditions being impacted by the COVID-19 pandemic. During 2020, Novo Ventures invested into 66 companies, of which five were new investments in private companies and 13 were new investments in public companies. Overall, Novo Ventures deployed DKK 3.7 billion, which included follow-on investments of DKK 1.6 billion in 48 companies.

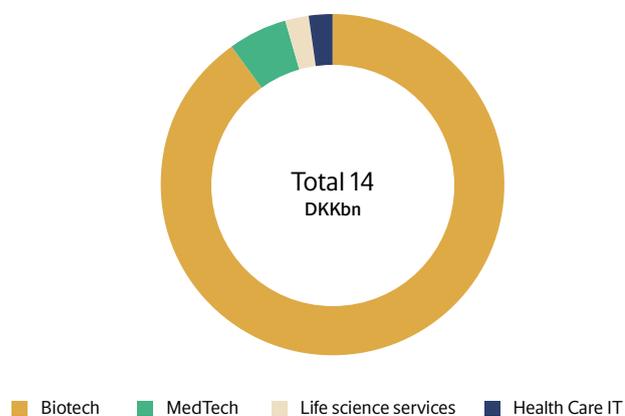
The year was characterized by an unprecedented number of life science IPOs. Novo Ventures participated in a total of 16 IPOs this year, including 9 companies that were already in the Novo Ventures private portfolio, and went public. At the end of 2020, these “private to public” investments accounted for 43% of the value of the Novo Ventures portfolio.

In 2020 Novo Ventures received DKK 2,3 billion in exit proceeds. The proceeds were primarily the result of selling shares in US based public stocks.

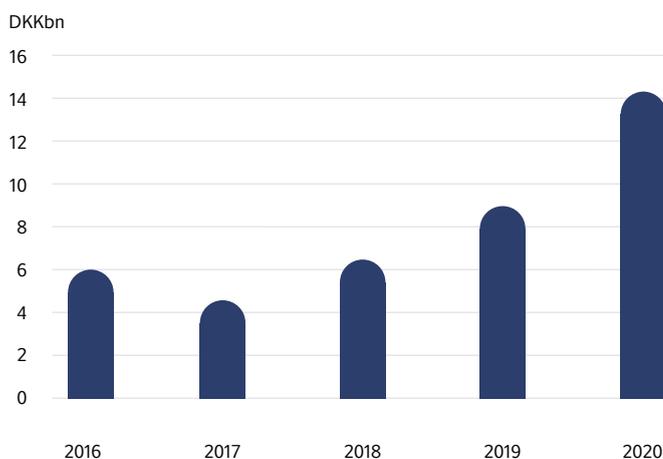
The Novo Ventures portfolio is diverse, covering both biotech, MedTech and a growing group of digital health companies. Within the biotech segment, the portfolio spans multiple indications and stages, with a focus on rare diseases, oncology, metabolic and infectious disease as therapeutic areas. Within MedTech, the focus is on novel, rapidly growing companies, often in their first years of commercialization.

By the end of 2020, the Novo Ventures Investment Portfolio included 68 companies, up from 65 at the end of 2019 and was valued at DKK 14 billion. The Investment Portfolio is split between 45% into private companies and 55% into public companies. On sub-sector level, 90% was by the end of the year allocated to biotech, on par with 2019, followed by MedTech, which amounts to 6% of the Novo Ventures Investment Portfolio. At the end of 2020, 90% of the portfolio value was in US based companies.

Novo Ventures Investment Portfolio by sub-sectors, end 2020



Novo Ventures Investment Portfolio 2016–2020



Novo Seeds

Established in 2007, Novo Seeds operates out of Denmark with the mission to build Nordic life sciences companies based on breakthrough innovations. We collaborate with outstanding researchers, academic institutions, entrepreneurs and leaders in the biotech and pharma industry and provide capital, network and know-how to transform promising life-science discoveries into successful biotech startups. We aim to develop strong and competitive companies that we finance all the way to a commercial exit. In addition, Novo Seeds operates the REPAIR Impact fund aimed at investing in novel antibiotics.

In 2020, Novo Seeds built five new portfolio companies, including Rappta Therapeutics, which develops first-in-class anti-cancer molecules that reactivate a key tumor suppressor, protein phosphatase 2A (PP2A), Hemab A/S, which develops novel treatment for the rare bleeding disorder Glanzman’s disease, and Chromologics (sustainable and red food colouring), the first bioindustrial spin-out from the BioInnovation institute.

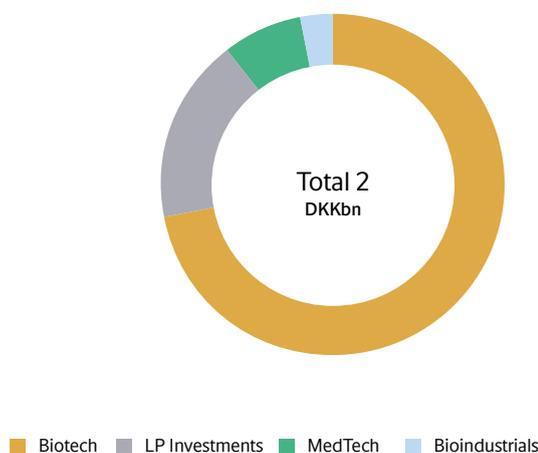
Several portfolio companies concluded major financing rounds including the EUR 45 million (DKK 335 million) Minervax series B, the Corwave EUR 35 million (DKK 260 million) series B, the Reapplix EUR 23 million (DKK 171 million) series C and the Galecto’s USD 64 million (DKK 476 million) Series D. In total, Novo Seeds invested close to DKK 450 million in the portfolio.

The key contributor to the Novo Seeds Investment Portfolio end of 2020 is Galecto Biotech, which completed an IPO on NASDAQ in the US. Following Orphazyme, Galecto is the second Novo Seeds incubated company developed from a scientific publication to a clinical stage biotech and subsequently listing on NASDAQ. Novo Seeds incubated Galecto in collaboration with CEO Hans Schambye, who led the first series A round and remained the largest investor up to the Series D.

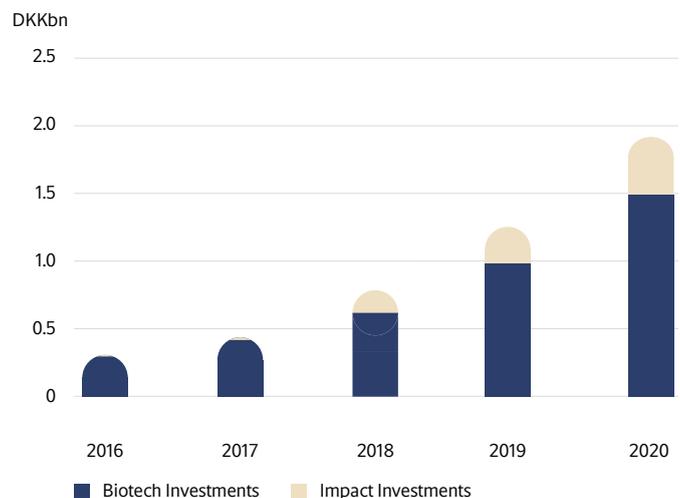
The REPAIR Impact fund committed USD 50 million (DKK 303 million) on behalf of the Novo Nordisk Foundation alongside 20+ participants from the global pharmaceutical industry to the USD 1 billion AMR Action Fund, which aims to bring 2-4 new antibiotics to patients by 2030. During 2020, the REPAIR impact fund divested its holdings in Entasis and Polyphor.

By the end of 2020, the Novo Seeds biotech portfolio consists of 32 companies, of which 20 are Nordic-based. The portfolio largely consists of private investments valued at DKK 1,917 million by the end of 2020. The portfolio is predominantly exposed to the biotech and MedTech sub-segments of the life sciences industry. The REPAIR portfolio consists of 6 companies, both private and public and valued at DKK 272 million by the end of 2020.

Novo Seeds Investment Portfolio by sub-sectors, end 2020



Novo Seeds Investment Portfolio 2016–2020





The neglected healthcare epidemic

Novo Holdings launched the REPAIR Impact Fund in 2018, aiming to address one of the greatest, yet most neglected, healthcare problems of our time: antimicrobial resistance (AMR).

At least 700,000 people die every year due to drug-resistant infections. This number is projected to reach 10 million by 2050. Routine surgery such as joint replacements, caesarean sections and chemotherapy all require anti-infective drugs, and these procedures are at risk. Hence, AMR represents an urgent unmet medical need.

In 2017, building on its grant-giving activities within the area, the Novo Nordisk Foundation decided to make funds available to address the crisis in a different way. Novo Holdings suggested a different approach, leading to the launch of the USD 165 million REPAIR Impact Fund in early 2018. “In our view, the root cause of the AMR crisis is commercial, and we therefore chose to deploy a commercial investment solution,” says Kasim Kutay, CEO, Novo Holdings.

Innovative early science

The REPAIR Impact Fund set out with an ambition to invest in 20 projects over 3–5 years that eventually would yield at least one new therapy reaching the market. It identified a specific early-stage funding gap, from lead optimization up to Phase 1 proof-of-concept data, in which the lack of clinical evidence made it difficult to attract capital.

Today, nine investments have been made in such early programmes, but the crisis remains. Bacteria inevitably develop resistance to anti-infective drugs, making a steady stream of new products to the market critical. However, the business model for developing anti-infective drugs is broken, and new products cannot recoup their development expenses. Consequently, most big pharmaceutical companies have stopped developing anti-infective drugs, and many small companies that engaged in the practice have gone bankrupt. The REPAIR Impact Fund has invested in projects that would otherwise have a hard time finding investors.

“The early science is innovative, and that’s what matters right now. We can help these programmes progress efficiently towards helping patients,” says Aleks Engel, Partner at Novo Seeds and Director of the REPAIR Impact Fund, adding:

“Our investment horizon is long term; we have the capability to support the development of promising therapeutic options and a successful investment track record in anti-infective companies.”

An impact fund has earmarked funding, which it invests with explicit goals for impact in a specific area. AMR is recognized as a critical global problem for human health, with challenging financial fundamentals. Hence, the REPAIR Impact Fund invests for both human health impact and for financial return over a longer-term horizon than other areas of biotech investments in Novo Holdings’ portfolio.

Towards a brighter future

The REPAIR Impact Fund invests in projects representing new classes or modalities of anti-infective drugs that can treat drug-resistant infections. It finds projects through periodic calls for investments proposals.

So far, two of the programmes in which the REPAIR Impact Fund has invested (Minervax’s strep B vaccine and Spero Therapeutics’ Mycobacterium therapeutic) have successfully completed Phase 1 clinical trials, showing efficacy and safety in humans. Although the operations and results of the REPAIR Impact Fund have gone well thus far, the market has deteriorated even further since the launch just 3 years ago.

“We expected that, when our companies produced promising data, other investors would support the programmes into later-stage clinical development, but late-stage funding is also drying up. The gap we saw in the early pipeline is really across the board now,” says Aleks Engel. Given this difficult financial environment, the REPAIR Impact Fund announced in early 2020 that it will keep certain capital in reserve to potentially support funding for its portfolio companies’ Phase 2 clinical trials.

Further responding to the situation, the REPAIR Impact Fund has joined the Working to Fight AMR coalition, an organization that seeks to combat the AMR crisis by advocating for policy change to find a better reimbursement model for novel anti-infective drugs. Further, Novo Holdings manages the Novo Nordisk Foundation’s USD 50 million investment in the AMR Action Fund, a USD 1 billion fund backed by the pharmaceutical industry and other foundations, which was launched in 2020. The Fund is structured and modelled on the REPAIR Impact Fund and targets later-stage development of anti-infective drugs.

“Through our own efforts and our collaboration, we have an opportunity to significantly better prepare for the AMR epidemic,” says Kasim Kutay.

The REPAIR Impact Fund’s company portfolio | Novo Holdings’ investment

The REPAIR Impact Fund invests in start-ups, early-stage companies and corporate spin-outs. The philosophy is to support ambitious programmes addressing AMR through a broad range of therapeutic modalities. By the end of 2020, the REPAIR Impact Fund had invested USD 66 million in the following nine companies:

Curza (USA), Entasis Therapeutics (USA), IBT Vaccines (USA), Minervax (Denmark), Mutabilis (France), Polyphor (Switzerland), Procarta Biosystems (USA), Revagenix (USA) and Spero Therapeutics (USA). REPAIR is an acronym: Replenishing and Enabling the Pipeline for Anti-Infective Resistance.

Novo Capital Investors

Novo Capital Investors manages Novo Holding’s non-life science investments and invests in public equities, credits, bonds, real assets, private equity and venture capital. Approx. 43% of the portfolio is managed by external partners, whereas approx. 57% is managed internally. In addition to generating attractive returns, Novo Capital Investors helps the Novo Nordisk Foundation diversify its asset base and ensure that the Novo Nordisk Foundation has access to liquidity, since the majority of Novo Capital Investors’ portfolio can be converted to cash within a short timeframe.

Novo Capital Investors was established in 2005. For many years, the team primarily invested through external managers (in public equities, credits and private equity) while managing a liquid bond portfolio internally. From 2015 and onwards, the team began making selected direct investments and established a real estate platform by acquiring a significant stake in the real estate investment firm DADES. Until 2018, direct equity and credit investments had mostly been pursued opportunistically, but have since then been formalized and are now a permanent part of the strategy, each following a closely defined investment strategy, focusing on high quality assets. In 2019, it was decided that Novo Capital Investors should increase its allocation to real assets, private equity and venture capital over the coming years. In 2020, four new investment professionals joined the Novo Capital Investors team as part of the effort to increase the capabilities within these new focus areas as well as the direct investment efforts in public equities and credits.

As of year-end 2020, Novo Capital Investors managed a total portfolio of DKK 73 billion (48% of the total Novo Holdings Investment Portfolio), up from DKK 62 billion end of 2019 driven by returns generated by

capital investments over the year as well as inflow of capital from Novo Nordisk and Novozymes.

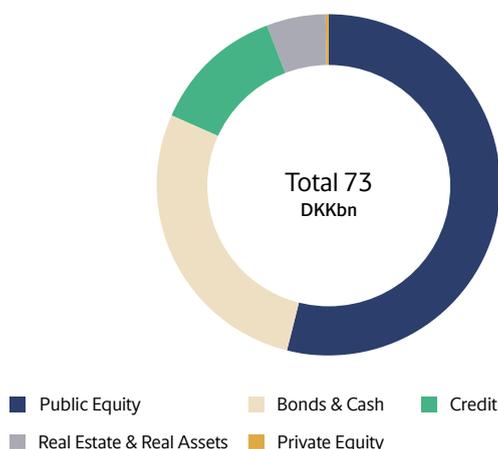
2020 was a good year for Novo Capital Investors in terms of portfolio returns and attaining strategic goals. During the financially distressed capital markets in the early months of the year, the team added significant capital to existing well-known portfolio companies and external managers at favorable prices. Later, during the spring and summer of 2020, Novo Capital Investors finalized a strategic partnership with NREP, an innovative leading real estate asset management firm in the Nordics. As part of the partnership, Novo Holdings became a significant minority shareholder in NREP (i.e. the asset management company) and also made significant commitments to funds managed by NREP.

During the second half of 2020, Novo Capital Investors made a series of fund commitments to the new focus areas as well as new direct equity and credit investments. In 2020, Novo Capital Investors also established a few new partnerships with external managers of public equities and credits.

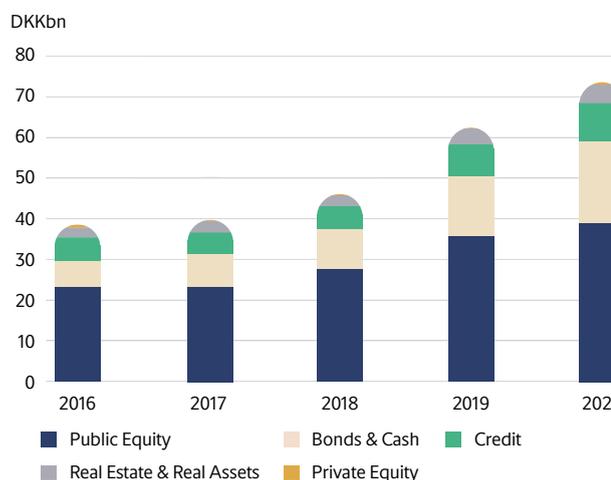
In 2020, the Novo Capital Investors portfolio generated a return of 8% and a profit of DKK 5 billion, this should be compared to an asset-class-weighted benchmark return of 3%.

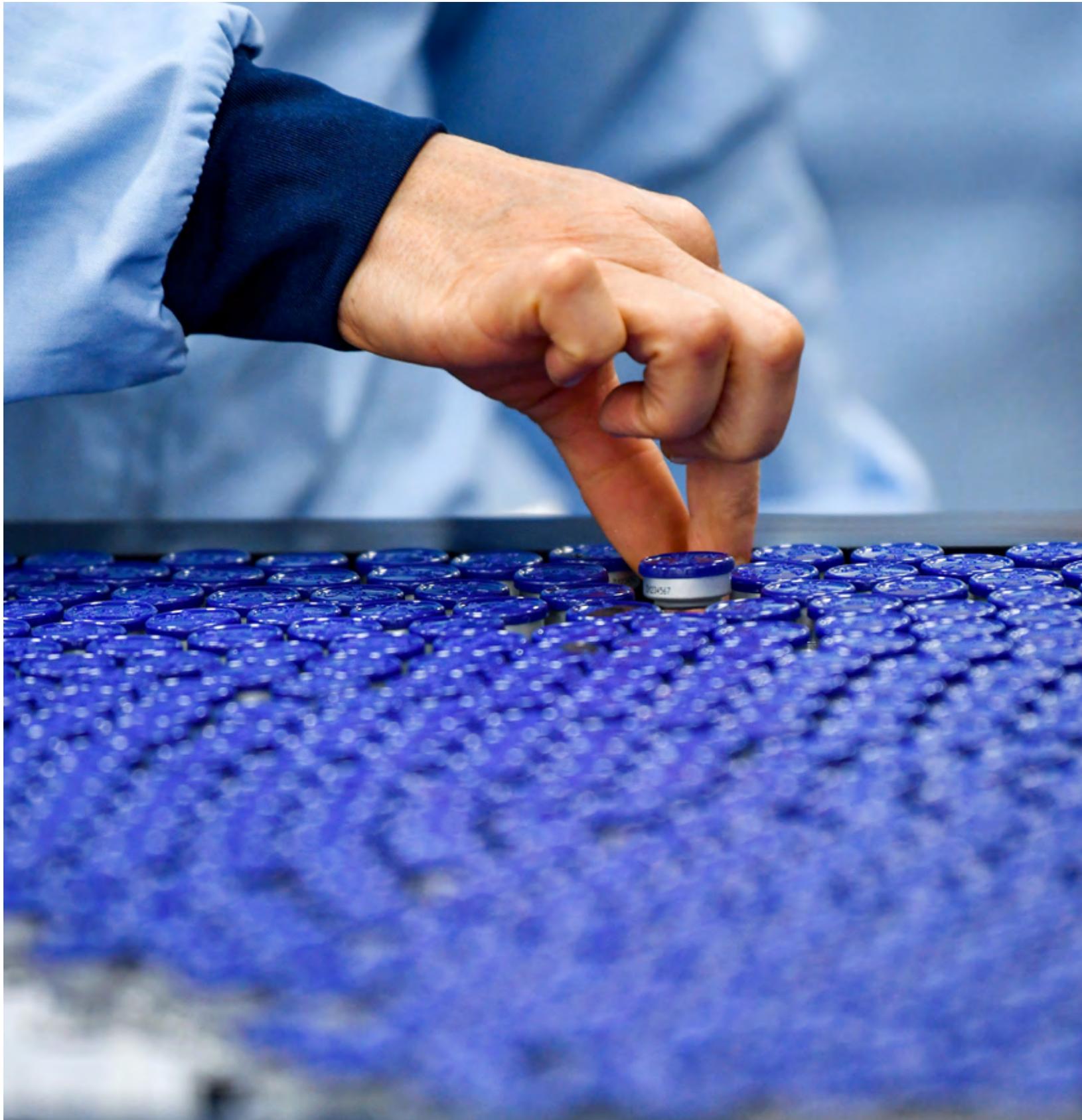
As of year-end 2020, Novo Capital Investors portfolio was comprised as follows: 32% externally managed equities, 21% internally managed equities, 9% externally managed credits, 3% internally managed credits, 28% bonds and cash, 6% real assets, 1% private equity and venture.

Capital Investment Portfolio by asset class, end 2020



Capital Investment Portfolio 2016–2020





The Novo Capital Investors' portfolio can be converted to cash within a short timeframe, enabling the Novo Nordisk Foundation to act swiftly when emergency funding is needed for efforts like the fight against COVID-19 or humanitarian disaster aid.

NREP investment underlines Novo Holdings' ambitions within real estate

While Novo Holdings is known as a world-leading life science investor, an important part of the investment strategy is focused on non-life science assets to ensure diversification in the portfolio. The 2020 investment in NREP, a leading Nordic real estate developer and investor, emphasizes Novo Holdings' ambitions and illustrates its approach.



Photo: One of NREP's newest projects is the development of Copenhagen's Tunnelfabrikken, built in 1993 as a production facility to cast the tunnel elements for the Øresund tunnel, into an urban ecosystem of culture, business and youth housing.

“Like us, Novo Holdings believes that the best businesses are those that solve problems, and their desire to make a positive contribution to society has been decisive for us, now that we welcome an external, minority shareholder to our family,” Mikkel Bülow-Lehnsby, chairman and co-founder of NREP, said when the agreement with Novo Holdings was signed in May. The investment is one of the largest by Novo Holdings in 2020 and was – perhaps surprising to some – not in a healthcare company or in bioindustrials. Instead, Novo Capital Investors took a major step into the real estate sector by investing more than DKK 1 billion in NREP, a leading Nordic real estate developer and investor.

“We are working on an investment strategy towards 2023, in which real estate and infrastructure will constitute a larger share of our investments, further diversifying our Investment Portfolio,” says Morten Beck Jørgensen, Managing Partner at Novo Capital Investors, adding:

“NREP represented an opportunity for us to get off to a good start. We have worked closely with NREP and are convinced of the long-term sustainability of the company’s concepts, financially as well as socially and environmentally. We also believe that there is a good cultural and values-based match between NREP and Novo Holdings in terms of business conduct and long-term thinking.”

Innovative developer

The investment comprises a 25% stake in the company as well as a EUR 125 million commitment to a new real estate fund that NREP was about to launch. This EUR 1.9 billion fund targets real estate segments across the Nordic countries. Initial investments include care homes, primarily in Sweden, and innovative sustainable residential investments, such as developing 108 net-zero-energy apartments outside Stockholm. Novo Holdings made its first NREP investment in another of its real estate funds in 2018.

Founded in 2005, NREP has developed several innovative real estate products within co-living, student housing, care homes and modern logistics, while producing impressive growth numbers. With the investment from Novo Holdings, NREP will develop new customer-centred, sustainable real estate concepts, aiming to improve the built environment and become an international frontrunner. NREP is already involved in 16% of all residential developments in Greater Copenhagen and is a leading developer in Helsinki. “NREP has been very successful, but in my mind and looking very long term, it is still early days. I believe that NREP can grow to become a top global player within real estate, and I am confident that the company will become a significant player in Europe within the coming 10 years,” Morten Beck Jørgensen says.

Largest product category

He points to the fact that real estate is the world’s largest product category,

easily exceeding the combined value of listed companies as well as private equity. Hence, the market is enormous, and combined with NREP’s approach, taking a customer-centred approach to tenants, the opportunities are abundant.

“When you start seeing your tenant as a customer, it changes the game. You start thinking about customer needs and how you can improve the customer experience. I have not heard of anyone else doing this in real estate. With these principles and the foundation that NREP has built, I am very optimistic about the investment case, looking 20 years ahead,” says Morten Beck Jørgensen.

Pitching in on the journey

Morten Beck Jørgensen has joined the Board of Directors as the first member from outside the partner group, illustrating NREP’s ambition to engage more external members in the board as well as Novo Capital Investors move to becoming a more engaged investor when relevant.

“NREP knows everything there is to know about real estate, and they are on the cutting edge in the use of technology to promote innovation and sustainability. However, we can pitch in with everything around it,” he says and points to supporting the growth and continued internationalization as relevant areas.

The Novo Capital Investors team is key to Novo Holdings’ investment strategy, ensuring diversification in the portfolio by investing in non-life science assets. The investments made through Novo Capital Investors have largely been public and liquid. Recently, however, to diversify even further, the investment strategy has broadened to include direct investments and real assets: real estate and infrastructure.

NREP in brief | Novo Holdings’ investment

Based in the Nordic countries, NREP is an integrated real estate product innovator, developer, investor and operator that seeks to make real estate better. The company takes a multistakeholder approach and leverages its multidisciplinary team to develop real estate and real estate-anchored businesses that create long-term value for tenants, investors and the wider communities in which it invests. Since its inception in 2005, NREP has built market-leading operating platforms in modern logistics, self-storage, community retail, student housing and middle-income residential. The firm currently has a real estate portfolio of EUR 5,5 billion and employs more than 280 professionals across its main offices in Copenhagen, Stockholm, Helsinki and Oslo.

Novo Holdings’ total investment in NREP’s real estate funds amounts to EUR 375 million in addition to an undisclosed investment in the company, which made Novo Holdings a 25% minority shareholder.

Financial performance 2020 and outlook for 2021

On the back of a very positive development of the capital market during 2019, finishing the year with high valuations across asset classes, we entered 2020 with a relatively conservative allocation of capital in a historical perspective, which we benefited from especially in the first half of the year.

In many ways, the financial year 2020 became extraordinary and particularly volatile, with the COVID-19 outbreak at the beginning of the year and the second wave of the virus as well as the US election and BREXIT taking centre stage during the second half. The global economy developed negatively as a result of COVID-19, balanced by unprecedented economic support by governments around the globe.

Against these developments, we are very satisfied to deliver a return of 12% on the Investment Portfolio during 2020, corresponding to returns of DKK 16 billion. As long-term investors, we are also very satisfied with our 5- and 10-year trailing returns, representing 9% and 12%, respectively.

Towards the end of the decline in the stock market during the month of March, we decided to re-balance our portfolio, and over the year benefited from deliberately increasing our exposure to liquid stocks in our direct public equity Investment Portfolio. Further to this, our single largest public equity exposure, Chr. Hansen, developed very favourably, combined with a generally satisfying performance of our external equity portfolio managers. Thus, our portfolio of public equity returned 13% during 2020. This can be compared to the global stock market, where MSCI World DKK and MSCI World Health Care, both in DKK, increased by 6% and 4%, respectively, during 2020.

Our private equity portfolio performed well. However, there was variation among the companies. For example, Sonion – a provider of components to the hearing aid industry – was like the rest of the hearing aid industry negatively impacted by COVID-19, while SYNLAB – a provider of blood-samples – benefited from increased activity related to the crisis. Combined, the private equity portfolio delivered a return of 16% in 2020.

Our venture capital exposure also developed favourably with a return of 36%, in particular driven by our healthcare portfolio, which among other things participated in 16 IPOs during the year, leading to significant uplift

in the value of these positions, such that performance for the year was realized ahead of the MSCI World Health Care DKK.

The relatively low interest environment provided us with challenges in terms of identifying attractive returns on our bond portfolio. Despite this, we deliberately, as a measure of balancing our equity and venture exposure, allocated sizeable capital to this asset class. The bond portfolio provided a return of 0% during 2020, with comparable portfolios providing a negative return of -1%.

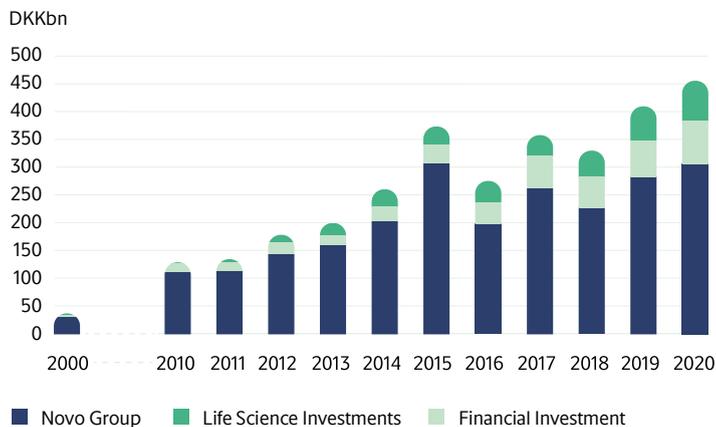
During 2020, our exposure to the credit asset class increased slightly and provided a return of 1%, largely in line with comparable portfolios. As we are in the process of significantly increasing our exposure towards real assets, our currently relatively modest exposure delivered a negative return of -7%, largely in line with the MSCI Europe Real Estate, both impacted negatively by the COVID-19 crisis.

In addition to a return from the Investment Portfolio of DKK 16 billion, we received record high income from the Novo Group companies of DKK 13 billion, derived from dividends and from participation in the share buy-back programmes of the companies, such that the total income and return during the year amounted to a record high DKK 29 billion.

As announced in January 2014, Novo Holdings has informed Novo Nordisk that it intends to consider its participation in the Novo Nordisk share repurchase programme on a case-by-case basis. In 2020, we participated in the share buy-back programme of Novo Nordisk and Novozymes, and through this recorded an income of DKK 6.4 billion in addition to dividend income of DKK 6.2 billion, together representing the recorded income of DKK 13 billion.

By the end of 2020, our Investment Portfolio and total investment assets are recorded at DKK 150 billion and DKK 457 billion, respectively, with both representing the highest value for Novo Holdings since the inception of the company in 1999.

Total investment assets



Development in costs and operating profit

As per our strategic direction and associated operating model, we continued to expand our organization over the course of 2020, as we recruited and welcomed a total of 26 new colleagues, bringing the number of total employees for the Group to 109 by the end of the year. Operating a people business, this development was a key driver in the development of our total costs, recorded at DKK 510 million in 2020, representing an 11% growth compared to 2019 and 0.4% of the Investment Portfolio by the end of 2020.

While the COVID-19 crisis dampened the investment activity, in particular during the first half of the year, we did experience a relatively high level of activity and associated investment costs. Activities were seen across the life science investment areas, with costs stemming from deal activity related to private and public equity, adding to the cost growth over 2019. On the other hand, also due to the COVID-19 crisis, we experienced less travel activities and events during the year, with costs at a lower level than in 2019. Income from the Novo Group companies and returns on our Investment Portfolio amounted to DKK 29.1 billion during 2020, and less costs of DKK 510 million, operating profit was realized at DKK 28.6 billion, ahead of the record year 2019, and above expectations for 2020 as we entered the year.

Outlook for 2021

We continue to develop the business according to our strategic direction, essentially providing increased diversification geographically and across asset classes of the Investment Portfolio. Life science remains our focus, and we expect to increase exposure to companies that develop products and services which may benefit people's lives as well as contribute to sustainable consumption and production.

For 2021, Novo Holdings has informed Novo Nordisk that it plans to participate in its share buy-back programme. Novo Holdings currently intends to maintain its ownership of around 28% of Novo Nordisk share capital. Furthermore, Novo Holdings plans to participate in the share repurchase programme of Novozymes.

As we continue to develop the company by building in-house long-term sustainable competences, among other things by increasing our presence in the US and Asia, and as we foresee increased deal-related activity, we expect our operating costs for 2021 to grow to a larger extent than observed in 2020. Returns from the Investment Portfolio depends to a large extent on the development in the capital markets, and Novo Holdings expects to deliver returns on par and combined with the expected income from the Novo Group companies as described above, our expectations are to deliver positive income and return as well as operating profit in 2021.



Photo: People traveling in train wearing protective masks, Copenhagen, Denmark

Some of what's going on in the Novo Holdings Investment Portfolio in the fight against COVID-19



Novo Nordisk Foundation has awarded a total of DKK 420 million in grants for COVID-19 related initiatives, including up to DKK 250 million towards the establishment of nationwide test facilities.



Envirotainer has opened up its logistics network and more than doubled the number of available one-way lease options to help deliver medicines to the people that depend upon them.



Novo Nordisk has deployed scientists to work in laboratories adapted to boost Denmark's COVID-19 testing capacity. It also donated essential equipment, including masks and gloves, and provided 20 tonnes of alcohol to replenish stocks of hand sanitiser in hospitals.



ERT has launched a cardiac safety solution that helps biopharmaceutical researchers continue important clinical trials during current global 'stay home' mandates.



Novozymes has set up a large-scale production of alcohol to be used for sanitization in Denmark and have also donated different types of needed equipment to hospitals in both Denmark and the North America.



MD Live has increased its active provider network by over 40% and will continue to add board-certified physicians to meet the projected demand for ongoing high levels of virtual care use.



WCG will give priority to the institutional review board (IRB) review of potentially life-saving COVID-19 vaccines and medications.



Synlab is leveraging its diagnostics capabilities to support the fight against COVID-19, continuing to expand its testing capacity for COVID-19 in order to meet the growing demand.



Oxford Biomedica has joined a consortium led by the Jenner Institute, Oxford University, to rapidly develop, scale up and manufacture a potential vaccine for COVID-19.



Tempus is working with federal and state governments as well as many hospitals to gather and structure as much COVID-19 data as possible.

Business and financial risk

As a global, leading life science investor represented in Denmark, US and Singapore, complemented by a broad-based financial portfolio allocated across multiple asset classes, including public and private equity, venture capital and real assets, risks present themselves in many shapes and forms. They range from operational business risks associated with how we operate the company, over financial risks associated with the composition of the portfolio of assets under management, to more longer-term strategic risks associated with our deliberate asset allocation strategy.

Risk management is an integral part of how we operate our business on a daily basis. From an operational risk perspective, we have a deliberate focus on risk perspectives during due diligence and investment decisions as well as through our asset management, and we provide ambitious standards for how we apply and manage our financial, legal and IT support. Further, we continuously monitor our financial risks based on external standardized systems, applying SimCorp Dimension through PowerBI, to ensure that various pre-defined risk tolerance levels are adhered to and that these develop in line with the strategic direction set.

Deliberately managing such risks in a systematic way is key in order for us to create and protect the values of Novo Holdings in the short, medium and long term. To monitor and manage these risks, we apply a defined process for identifying, monitoring, mitigating and reporting risks. Risks are identified, assessed and sought mitigated through a dedicated process, led by Finance, with support from investment areas as well as business support specialists. During 2020, we further strengthened our internal governance related to risk management, as we established a dedicated Risk Management and Allocation Committee. The committee meets on a quarterly basis to discuss key strategic risks as well as potential adjustments to the asset allocation towards our set strategic direction. Furthermore, in case of a capital market downturn, it is the responsibility of the committee to discuss the situation and provide an assessment of how to manage the portfolio under the given circumstances.

A consolidated overview of risks is presented to the Board for approval once yearly as an integral part of the annual strategy review, applying scenario and risk-thinking exercises as part of our annual strategic planning process. Among other things, these include analyses of market dynamics as well as socioeconomic and political developments that present risks or opportunities for our business. We complement the annual consolidated risk overview to the Board with quarterly updates on financial risks as well as ad hoc reporting to the on operational risks.

By end of 2020, the six key business and financial risks identified and how the potentially can impact are:

Risk	Potential impact		
	Value of Investment Portfolio	Monetary loss	Reputational
 Global recession	√		
 Capital market downturn	√		
 Life sciences sector downturn	√		
 Financial fraud and IT security breaches		√	√
 Legal risks		√	√
 Global expansion		√	√

Further insights to identified key risks and how we mitigate these are presented on the following pages.

What is the risk?	What is the impact?	What actions are taken?
<p> Global recession</p> <p>The unprecedented level of monetary easing that has taken place as a result of the Covid crisis should allow for a recovery in 2021. However, we always 'stress test' our Investment Portfolio to take into account a global recession scenario.</p>	<p>A global recession would have significant negative impact on the value of the Investment Portfolio. Our relatively large exposure towards the life sciences sector would be expected to provide for some resilience during periods of recession, as based on historical experience. Furthermore, with the benefit of income from the Novo Group companies, we would expect to be able to conduct our business within our set risk tolerances reaching Investment Portfolio valuation parity, compared to start of recession, within a five-year period.</p>	<p>In the event of a global recession, we have established pre-defined risk tolerance levels to manage towards and combined with relative high liquidity reserves, we foresee that in such a scenario the Novo Nordisk Foundation can continue its grant-giving strategy uninterrupted. Further, we have established a pre-defined agenda for how to manage our diversified Investment Portfolio, including approaches to rebalance the Investment Portfolio and to identify potential investment opportunities</p>
<p> Capital market downturn</p> <p>A capital markets downturn is often referred to as a contraction of the equity market, from peak to trough, of more than 20%. The most recent experience of such downturn was in the first quarter of 2020, as the coronavirus crisis led to a capital market downturn of more than 30%. The Investment Portfolio, valued at DKK 150 million by end 2020, is exposed to the development of the capital markets with about 70% of capital being directly allocated to publicly listed entities.</p>	<p>A capital market downturn, as experienced during the coronavirus crisis in March 2020, has a direct negative impact to the value of the Investment Portfolio and the expected returns of Novo Holdings.</p>	<p>The continued diversification of the Investment Portfolio, e.g. by increasing the exposure to asset classes of macroeconomic risk hedges as well as private equity and venture capital, provides for some protection in case of a capital market downturn. From a risk management perspective, we have developed a pre-defined agenda for how to manage through a capital market downturn and combined with relative high liquidity reserves, we foresee that in such a scenario the Novo Nordisk Foundation can continue its grant-giving strategy uninterrupted.</p>

What is the risk?	What is the impact?	What actions are taken?
 <p>Life sciences sector downturn</p> <p>As a leading life sciences-focused investor, about 50-60% of our Investment Portfolio is allocated to the life sciences sector and, in addition, our ownership of the Novo Group companies is also exposure to the life sciences sector (to learn more about these risks, please refer to the Annual Reports of Novo Nordisk and Novozymes).</p>	<p>The impact of a general life sciences downturn would have a substantial negative impact on the value of the Investment Portfolio, given our sizeable exposure to the sector. We find a scenario of a general sectorial downturn less likely, given broad variations of sub-sectors and companies in the sector. A general downturn would also be expected to provide for investment opportunity, applying the deep-sector experience and individual company insights of Novo Holdings. As we assess the impact of such life science sector downturn for Novo Holdings, we note that with the relatively high liquidity reserves, we foresee that in such a scenario the Novo Nordisk Foundation can continue its grant-giving strategy uninterrupted.</p>	<p>As part of our life sciences focus strategy, we deliberately apply diversification into different sub-sectors and companies as a means to seek different types of life science exposure. Further, as a way of diversifying, we invest across the life science continuum and in different geographies and, as part of our investment philosophy, we deliberately invest into innovative companies. Importantly, as this scenario encompasses the broad life sciences sector, we envision that companies delivering and developing innovative products and services could be less than at highest risk in case of a life science sector downturn. In case of a life science sector downturn, we have established a pre-defined agenda for how to manage our diversified Investment Portfolio, including approaches to rebalance the Investment Portfolio and to identify potential investment opportunities.</p>

 Financial fraud and IT security breaches		
<p>As a fund manager, we rely on strong financial and IT processes as a foundation for efficient investment processes and asset management. Further, it is essential that these processes are robust and provide protection for potential external or internal fraud and cyber attacks, as a means to avoid loss of capital or data and to avoid disruption of our business.</p>	<p>Aside from the potential monetary loss caused by fraud or loss of data and business disruption in case of cyber attacks, such events will damage the reputation of Novo Holdings as a professional and reliable business partner.</p>	<p>We continue strengthening our financial controls by building and documenting key processes and by employing dedicated resources to manage these. This includes automated payment processes as well as deploying callbacks to prevent fraudulent activities in our investment processes. Further, we continuously strengthen our IT security with a deliberate focus on IT behavior as well as infrastructure. In support of this, we conduct annual reviews and audits of our financial controls and our IT security efforts.</p>

What is the risk?	What is the impact?	What actions are taken?
 Legal risks		
<p>Our investment and operational activities give rise to numerous potential legal risks, including – but not limited to – claims resulting from breach of contract, general litigation risk, board liability, breach of local law or regulations, fraud and criminal liability, to mention some.</p>	<p>We invest across many different jurisdictions through a broad set of asset classes, and in all instances this entails legal risks which, if not understood and managed, can lead to capital loss for Novo Holdings. Further, occurrence of legal risks could impact the reputation of Novo Holdings as a reliable, trusted and professional business partner.</p>	<p>We have implemented dedicated operating procedures to ensure Novo Holdings adheres to regulatory and legal requirements for all key processes, supported among other things by involvement of internal finance, legal and tax resources throughout the investment processes. Further, we have established a dedicated insurance programme, including dedicated insurance of property damage, public liability insurance, directors and officer's liability insurance, employee practice liability and workers compensation, among other things.</p>
 Global expansion		
<p>Geographical expansion, especially into the US and Asia, is an important part of our strategy of enhancing our position as a leading global life science investor. Several risks need to be managed in this context, including complexity related to tax and banking in the new business environment, recruitment and retention risks, as well as compliance risks, to mention some.</p>	<p>As we aim to expand our geographical presence, the impact of not conducting ourselves in line with all appropriate procedures can lead to monetary loss for Novo Holdings, as well as impact to the reputation of Novo Holdings as a reliable, trusted and professional business partner. Further, our ability to attract and retain key employees can be at risk.</p>	<p>As we expand our geographical footprint, we consider carefully the regulatory environment to ensure compliance and to ensure a robust foundation for operation. As we do this, we build on experiences from establishing our presence in the US and we leverage the knowledge from our network. In addition to this, we welcome new key employees through a dedicated on-boarding programme, often including a period at our headquarters in Denmark, as a way of becoming familiar with our processes and culture.</p>



We aim to make responsible investments and have a strong preference for companies and assets that strive to improve sustainability and the health and well-being for people.

Corporate governance

Corporate governance codes and practices

Compliance	Governance structure			Assurance
Danish and foreign laws and regulations	The Novo Nordisk Foundation			Audit of Annual Report
	Board of Directors			
Corporate governance standards	Chairmanship	Nomination Committee	Remuneration Committee	
	Executive Management			
	Leadership Team			
Novo Holdings Way	Organisation			

Shareholder

Novo Holdings is a holding and investment company wholly owned by the Novo Nordisk Foundation and established in 1999 with the purpose of managing the funds of the Novo Nordisk Foundation.

Chairmanship

The Chairmanship consists of the Chairman and the Vice Chairman, both of whom are elected directly by the shareholder at the general meetings. At the Annual General Meeting in 2020, Lars Rebien Sørensen was re-elected as Chairman and Steen Riisgaard was reelected as Vice Chairman. The Chairmanship assists the Board of Directors in the planning of Board meetings, employment of Executive Management and other assignments as decided by the Board.

During 2020, the Chairmanship particularly discussed the strategic direction of Novo Holdings, aspects in the field of responsible investments, organisational development, including succession of key positions in addition to financial management and risks.

Nomination Committee

The Nomination Committee is a Board Committee mandated by Novo Holdings' Board to oversee the composition of the Boards of Directors in the key companies in Novo Holdings' Investment Portfolio, and to review and endorse Board succession candidates for Board members nominated by Novo Holdings to serve on these Boards.

The Nomination Committee is appointed by Novo Holdings' Board and consists of Chairman Lars Rebien Sørensen and Vice Chairman Steen Riisgaard

During 2020, the Nomination Committee focused particularly on the desired competences to be represented on the Boards of key companies within the Novo Holdings Investment Portfolio and reviewed and discussed the long-term succession planning related to these.

Remuneration Committee

The Remuneration Committee is a Board Committee mandated by the Novo Holdings' Board and assists the Board with oversight of the remuneration policy as well as the actual remuneration of Board members, Board committees, Executive Management and Leadership Team.

The Remuneration Committee is appointed by the Board and consists of Chairman Lars Rebien Sørensen, Vice Chairman Steen Riisgaard and Board member Viviane Monges.

In 2020, the Remuneration Committee focused particularly on reviewing structure and levels of our remuneration framework, adjustments to base salary, the short-term bonus programmes and the long-term incentive programmes.

Assurance

The Annual Report is audited by an independent audit firm elected at the Annual General Meeting. As a part of their audit they evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management. Furthermore they obtain an understanding of the internal controls relevant to the audit.

Boards and Leadership Team

Board of Directors

The Board of Directors oversees and guides Novo Holdings in realizing its mission to be a supportive owner of the Novo Group companies and to make a growing and positive impact on health, science and society by generating attractive long-term returns on the assets of the Novo Nordisk Foundation.

The Board of Directors sets the strategic direction, decides on key priorities, including organizational development and budget allocation, approves specific

investment proposals and is responsible for the overall risk management of Novo Holdings. During 2020, the Board of Directors met five times with a participation rate of 100%, up from 95% in 2019. Elected once annually at the Annual General Meeting, the Board of Directors is comprised of seven members, including the Chairman and the Vice Chairman, and represents a broad range of relevant industry, investment and life science capabilities.



**Lars Rebien
Sørensen,
Chairman**

Year joined
Board: 2017

Background

Lars Rebien Sørensen has over 34 years of general management experience in the pharmaceutical industry. He joined the Novozymes A/S (then Novo Nordisk A/S, Enzymes Division) Marketing team in 1982. Over the years he held various global positions across the Middle East and the United States. In 1994, he was appointed a member of the corporate management team and assumed responsibility for the Novozymes A/S Healthcare Business. In November 2000, he became President and CEO of Novo Nordisk A/S, a position he held until December 2016. In 2007, Lars Rebien Sørensen became an adjunct professor at the University of Copenhagen's School of Life Sciences and in 2018 Lars Rebien Sørensen also became adjunct professor at Center for Corporate Governance at CBS.

Board positions

- Chairman Novo Nordisk Foundation, Denmark
- Chairman, Advisory Board, Axcel Management A/S, Denmark
- Board Member, Thermo Fischer Scientific Inc., United States
- Board Member, Jungbunzlauer Suisse AG, Switzerland
- Board Member, Essity AB, Sweden

Education

MSc in Forestry from the Copenhagen Royal Veterinary and Agricultural University and a BSc in International Economics from Copenhagen Business School.



**Steen Riisgaard,
Vice Chairman**

Year joined
Board: 2013

Steen Riisgaard has over 34 years of experience in industrial biotechnology. He joined the Novozymes A/S (then Novo Nordisk A/S, Enzymes Division) Research Development team in 1979. In 1982, he moved to Tokyo to start up a new Enzymes Research & Development unit in the Novo Nordisk subsidiary, Novo Industry Japan Ltd. He returned to Denmark in 1985 and held a number of different positions in the company until 1989 when he was promoted to Corporate Executive Vice President of the Enzymes Business. In 2000, Steen Riisgaard became the President and CEO of Novozymes A/S, from the demerger from Novo Nordisk A/S, and served in that position until April 2013.

- Chairman, COWI Holding A/S, Denmark
- Chairman, New Xellia Group A/S, Denmark
- Vice Chairman, Villum Foundation, Denmark
- Board Member, Novo Nordisk Foundation, Denmark
- Board Member, Aarhus University, Denmark
- Board Member, Corbion N.V., Netherlands

Education

MSc in Microbiology from the University of Copenhagen. He is a Research Fellow at Statens Serum Institute (SSI).



Jean-Luc Butel,
Board member

Year joined
Board: 2017

Education

BA in International Affairs from George Washington University and an MBA in International Management from Thunderbird's School of Global Management.

Background

Jean-Luc Butel has over 33 years of international business development experience across the healthcare industry. He joined Johnson & Johnson Medical in 1984. In 1991, he joined Becton Dickinson & Company as President Japan and then became President Worldwide Consumer Healthcare. From 1999 to 2003, Jean-Luc Butel was President of Johnson & Johnson Independence Technology (IT). He joined Medtronic in 2003, where he served as Senior Vice President and was later appointed Executive Vice President and President, International. In 2012, Jean-Luc Butel joined Baxter International Inc. as the Corporate Vice President and President, International. From 2015 to 2017, he was a Senior Advisor for McKinsey & Company's Healthcare Systems & Services.

Board positions

- Advisor, Novo Advisory Group (NAG), Denmark
- Board Member and Investment Committee Member, SGInnovate, Singapore
- Board Member, Audit Committee Member, Chair Compensation and Leadership Development Committee, Varian Medical Systems Inc., California – USA
- Board Member, Nominating Committee Member, Takeda Pharmaceutical Co. Ltd, Japan
- Board Member, A*ccelerate Technologies PTE LTD, Singapore
- Board Member, Jana Care, USA



Francis Cuss,
Board member

Year joined
Board: 2017

Education

BA in Natural Sciences, MB, BChir and MA from Cambridge University. He is a Fellow of the Royal College of Physicians and of the Faculty of Pharmaceutical Medicine

Francis Cuss has over 33 years of clinical experience across the pharmaceutical industry. In 1986 he started at GlaxoSmithKline plc (then Glaxo Inc.) USA and UK, as a Director in Pulmonary Clinical Research. From 1989, he worked at the Schering-Plough Research Institute. There he held several positions in Discovery and Development, eventually becoming Senior Vice President of Early Clinical Research & Experimental Medicine. Francis Cuss joined Bristol-Myers Squibb Research & Development department in 2003, first working as Senior Vice President of Discovery and later as Senior Vice President for all of Research and Early Development. In 2010, he joined the company's senior management team. In 2013, he was appointed Executive Vice President, Chief Scientific Officer and Head of Research & Development at Bristol-Myers Squibb Company, retiring in 2017.

- Chair and Board Member, Board of Trustees, Montclair State University, New Jersey, USA
- Board Member, Rubius Therapeutics, USA
- Board Member, Glympse Bio, USA
- Member of the Advisory Committee to the Director of the National Institute of Health (NIH) in the United States.



Viviane Monges,
Board member

Year joined
Board: 2018

Education

MBA, Ecole Supérieure de Commerce de Paris

Viviane Monges has 30 years of financial management experience predominantly in the pharmaceutical industry. She joined Wyeth Pharmaceuticals Inc. in 1997 and held several leadership roles, including CFO for the Europe Region unit and CFO of the Global Pharma Business unit. From 2006 to 2010, Viviane was with Novartis A/G as Europe CFO and then as Global Division CFO of the OTC Division. In 2010, she joined Galderma S.A., a multinational dermatology company, as Group CFO, which was later acquired by Nestlé S.A. Then from 2015 and onwards, she served as CFO of the Nestlé Business Excellence Division.

- Non-Executive Director and Audit Committee Member, Union Chimique Belge Biopharmaceutical Company S.A. (UCB), Belgium
- Non-Executive Director, Audit Committee Member and Compensation Committee Member, Idorsia Pharmaceuticals Ltd., Switzerland
- Non-Executive Director and Audit Committee Member, DBV Technologies, France
- Non-Executive Director and Chair of Audit Committee, Voluntis, France



Jeppe Christiansen,
Board member

Year joined
Board: 2009

Education

MSc in Economics from the University of Copenhagen.

Background

Jeppe Christiansen has over 33 years of experience in fund and investment management across the financial industry. From 1986 to 1988, Jeppe Christiansen worked as an economist in Sparekassen SDS. He joined LD Pensions in 1988 where he became Head of Fund Management and later transitioned to Executive Vice President, responsible for investments. From 1998 to 2004, Jeppe Christiansen joined Danske Bank as a Director. There he was responsible for international equity investments and corporate clients. From 1998 to 2004, Jeppe was Executive Director in Danske Bank with responsibility for group equity business and corporate international banking. From 2004 and until 1 April 2009, Jeppe was CEO of Lønmodtagernes Dyrtidsfond (LD). In 2005, Jeppe established Maj Invest and has been CEO of the Maj Invest group since the establishment. In 2016, Jeppe was appointed Adjunct Professor of Finance at Copenhagen Business School in Denmark.

Board positions

- Chair of the Board, Haldor Topsøe A/S, Denmark
- Chair of the Board, Emlika Holding ApS, Denmark
- Chair of the Board, JEKC Holding ApS, Denmark
- Vice Chair of the Board and Chair of the Remuneration Committee, Novo Nordisk A/S, Denmark
- Board Member of KIRKBI A/S, Denmark
- Board Member, Pluto Naturfonden, Denmark
- Board Member, Randers Regnskov, Denmark
- Board Member, Det Kgl. Vajsenhus, Denmark
- Board Member, BellaBeat Inc., USA



Carsten Stendevad,
Board member

Year joined
Board: 2020

Education

BSc and MSc in Economics from the University of Copenhagen and a Master in Public Policy from the Kennedy School of Government, Harvard University.

Over the past 20 years, Carsten Stendevad has held leadership positions at various global financial institutions. Carsten started his career in the Central Bank of Denmark; worked as a management consultant with McKinsey & Company in New York and Copenhagen; spent a decade with Citigroup in New York and Mumbai rising to become a Managing Director and Global Head of Citi's global corporate finance advisory group. In 2013, Carsten was appointed CEO of ATP, Denmark's largest pension and social security provider. Currently, Carsten is a Senior Executive at Bridgewater, where he is responsible for a number of strategic priorities including the firm's business in China and the firm's sustainable investing practice. He also advises some of the largest investors in the world including pension funds, sovereign wealth funds, and endowments.

- Board Advisor to the Investment Strategies Committee of GIC, Singapore's sovereign wealth fund
- Board Member, Denmark's Recapitalization Fund

Executive Management and Leadership Team

Executive management consist of CEO and CFO whereas the Leadership Team of Novo Holdings is composed of the CEO, CFO, the Managing Partners of the Investment Areas as well as the head of People & Organisation.

The Leadership Team provides leadership across the organization in support of the overall direction set by the Board of Directors. Executive Management is responsible for the daily management of Novo Holdings' operations and provides recommendations to the Board of Directors with respect to investments, strategic direction, organizational development and financial planning.



Kasim Kutay, CEO

- With Novo Holdings since 2016
- 25 years of investment banking experience focused on healthcare, with 7 years at Moelis & Company and 18 years at Morgan Stanley



Petrina Knowles Gjelstrup, SVP, People and Organisation

- With Novo Holdings since 2019
- Petrina comes from an HR SVP role in Danske Bank and has 17 years of experience in HR in international companies such as A.P.Møller-Mærsk, Carlsberg, TDC and Danske Bank



Peter Haahr, CFO

- With Novo Holdings since 2016
- Before this, Peter spent 16 years at Novo Nordisk in various leadership positions and, before this, 5 years as an equity analyst at various financial institutions



Morten Beck Jørgensen, Managing Partner, Novo Capital Investors

- With Novo Holdings since 2005
- Before this, Morten spent 4 years at Novo Nordisk in Corporate Treasury and 4 years as an analyst in Nordea Markets



Christoffer Søderberg, Managing Partner, Principal Investments

- With Novo Holdings since 2016
- Background in consulting (BCG) focusing on private equity clients and investment banking (Carnegie). Also spent a handful of years in the industry working with strategy, M&A and as CFO



Søren Møller, Managing Partner, Novo Seeds

- With Novo Holdings since 2011
- Before this, Søren was Global Manager of Bioinformatics and Genomics at Novozymes, CSO and VP of R&D at Exiqon and a research scientist at Novo Nordisk



Scott A. Beardsley, Managing Partner, Novo Ventures

- With Novo Holdings since 2009
- 20 years of investment banking experience including 14 years focused on life sciences with JP Morgan, Piper Jaffray and Montgomery Securities

Novo Advisory Group

The purpose of the Novo Advisory Group is to support the assessment of life science investment opportunities and review the Novo Holdings portfolio. The portfolio review includes analyzing the performance and strategic

options for each company as well as providing general advice on each company's business plans and M&A opportunities.



Per Wold-Olsen, Chairman

- Chairman and Board Member, GN Store Nord, Denmark
- Board Member, Gilead Sciences and Medicines for Malaria Venture



Jean-Luc Belingard

- Vice-President, Institut Mérieux
- Board Member, bioMérieux, Conseil National de l'Industrie, Transgene, Pierre Fabre, LabCorp



Richard Ridinger

- Former CEO of Lonza
- Board Member, Brenntag Group, Evolva Group, Firmenich, WCG, Zentiva, SHL Medical



Tjerk de Ruiter

- Former CEO of Corbion
- Board Member, EuropaBio,



Dr. David Martyr

- Former CEO, Tecan
- Board Member Sebia



Bill Burns

- Advisor to BioMedPartners
- Board Member, Institute of Cancer Research, Mesoblast, Molecular Partners, Vestergaards Advisory Boards, Healthcare Royalty Partners, Epidarex, BioMed Partners, Swiss Entrepreneur Fund



Britt Meelby Jensen

- CEO, Atos Medical
- Board Member, AMBU, Hempel Foundation



Nancy Lurker

- CEO of EyePoint Pharmaceuticals
- Board Member, Aquestive Therapeutics, Cancer Treatment Centers of America



Walter Wenninger

- Advisor
- Board Member, Noxxon Pharma, ARENA Biotech



Per Löfberg

- Former EVP of CVS Health
- Board Member, Trustee of Our Sisters' School



Jean-Luc Butel

- President, K8 Global Pte. Ltd., Professional Board and Committees Member
- Board Member, SGIInnovate, Varian Medical Systems Inc., Takeda Pharmaceutical Co. Ltd, Jana Care., A*ccelerate Technologies PTE LTD



Peder Holk Nielsen

- Former President and CEO of Novozymes A/S
- Previous member of the Board of International Chamber of Commerce (G20)
- Board Member LEO Pharma, Trustees at USCIB

Responsible investments

In Novo Holdings, we aim to generate attractive sustainable long-term returns by investing in companies and assets that are innovators and leaders within their fields. This covers value-based leadership, continuous improvements on financial, environmental and social performance, favouring companies with products and services that make a significant difference in improving the way people live and work.

We believe our deliberate life sciences focus is conducive to generating attractive long-term returns, while also providing us, as long-term investors, with a unique position and opportunity to engage, lead and support positive societal impact in the life sciences sector.

Impact of investment activities on society

Ultimately, all financial returns generated by Novo Holdings are solely for the purpose of subsequent grant-giving by the Novo Nordisk Foundation in support of scientific, humanitarian and social purposes. In 2020, the Novo Nordisk Foundation granted DKK 5.5 billion for projects that advance these purposes.

Recognized as a leading life science investor, we have a unique opportunity to drive a positive societal impact and we have a strong preference for investing into companies and assets that strive to improve the health and well-being for people, and for developing the world towards more sustainable consumption and production. This is reflected in our dedicated global life science-focused investment strategy, with the majority of our assets allocated towards the healthcare and bioindustrial sectors.

During the year we invested DKK 10 billion into 115 life sciences companies and including our ownership of Novo Nordisk and Novozymes, measured at the value of the B-shares by 31 December 2020, life science investments accounted for more than 84% of our total assets, totalling DKK 384 billion by end of the year.

We complement our traditional life science investments with dedicated commitment of funds for impact investments, foregoing traditional return requirements in favour of investments that focus on driving positive societal impact. This is exemplified by our efforts within the field of antimicrobial resistance, where we have committed to spend more than DKK 1 billion to advance research and development in search of novel antibiotics in the effort to combat microbial resistance.

As part of our mission, we also want to build and develop life sciences companies in the Nordics, managed by Novo Seeds. The portfolio of Novo Seeds investments increased to DKK 1.9 billion in 2020, up from DKK 1.3 billion in 2019. Further, as one measure for innovation the companies in our portfolio filed more than 8,000 patents and 928 journal articles during 2020.

Towards the end of 2020, we became signatory to the Danish Tax Code of Conduct, developed by leading Danish mutual funds, addressing tax compliance, responsible tax planning, restricted jurisdictions and increased transparency, among other things. In 2020, the Novo Group – through joint taxation – paid corporate tax of DKK 6 billion.

Responsible Investments in practice

In Novo Holdings we are committed to evaluating all new and existing investments from the Responsible Investment perspective. We believe that integrating environmental, social and governance (ESG) perspectives into our investment process is key to evaluating the long-term value creation, as well as to mitigating risks, of the potential investments of existing companies and mandates in our Investment Portfolio.

This is founded in our Responsible Investment Policy, which applies to all investments conducted across Novo Holdings, including direct investments, external portfolio managers and external funds managing investments on behalf of Novo Holdings, across the full investment lifecycle, including screening and due diligence, asset management and exit.

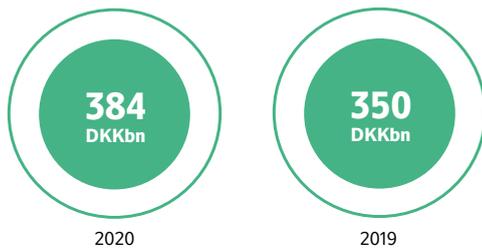
In support of this, customized responsible investment processes have been established for each of our investment areas, inspired among other things by the United Nations Principles for Responsible Investments (UNPRI), to which Novo Holdings became a signatory in 2020.



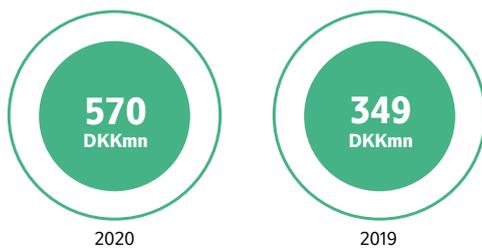
These include pre-defined and dedicated questionnaires facilitating a specific ESG assessment of potential investments. These assessments are mandatory elements of investment mandates presented for approval by the Managing Director, the investment committees, Executive Management and/or the Board.

Once an investment is made, we aim to engage through AGMs and, when relevant, enter into dialogue with management to encourage companies to consider ESG-related perspectives. In companies or assets where we have board representation, we strive to bring the topic of ESG to the table at least once yearly. During 2020, the topic of ESG was discussed in 62% of the companies in which we have a board seat.

Capital deployed in life sciences sector



Capital deployed for Impact Investments trailing 5 years



Patents filed by life sciences companies



Companies focused at producing sustainable climate products

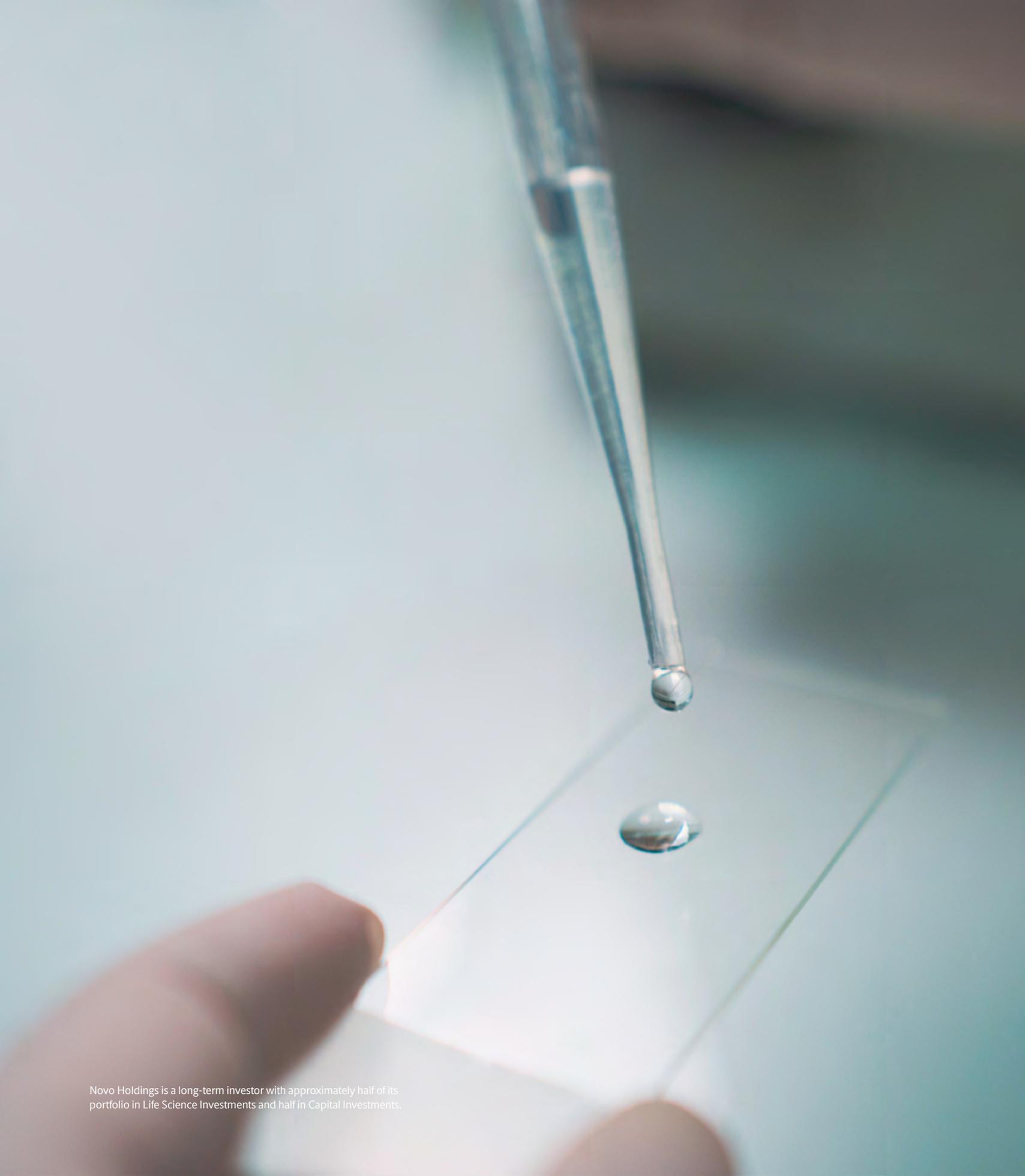


For further information on societal impact, please also refer to the Corporate Social Responsibility policies of the Novo Nordisk Foundation, where the statutory requirements under the Danish Financial Statement Acts §99a and §99b are listed, novonordiskfonden.dk/wp-content/uploads/appendix_a_2020.pdf

“

We believe that integrating responsible investment perspective into our investment processes is key to evaluating long-term value creation as well as to mitigate risks. Further, through our investments we always look to promote a progressive agenda.”

- Kasim Kutay, CEO



Novo Holdings is a long-term investor with approximately half of its portfolio in Life Science Investments and half in Capital Investments.

Statement of comprehensive income

Year-end 31 December				
DKK million	Note	2020	2019	
Income from Novo Group companies	2.1	12,585	11,256	
Return from Life Science Investments	2.2	11,166	6,425	
Return from Capital Investments	2.2	5,309	8,351	
Costs	2.3, 2.4	-510	-459	
Operating profit		28,550	25,573	
Novo Nordisk Foundation's share of return of joint Investment Portfolio		-3,107	-2,472	
Profit before tax		25,443	23,101	
Income tax expense	2.5	0	0	
Net profit for the year		25,443	23,101	
Other comprehensive income		0	0	
Total comprehensive income		25,443	23,101	

Balance sheet

Year-end 31 December

DKK million	Note	2020	2019
Assets			
Novo Group companies	3.2	3,393	3,465
Life Science Investments	4.1, 4.2	77,554	65,114
Capital Investments	4.1, 4.2	73,576	61,774
Property		450	456
Intangible Fixed Assets		2	0
Total non-current assets		154,975	130,809
Investments pending settlement		102	220
Tax receivables		98	42
Other receivables		70	32
Cash at bank		336	518
Total current assets		606	812
Total assets		155,581	131,621
Equity and liabilities			
Share capital		500	500
Retained earnings		130,834	113,391
Total equity		131,334	113,891
Real estate debt		248	248
Joint Investment Portfolio Novo Nordisk Foundation		22,841	16,652
Trade payables		60	145
Investments pending settlement		899	0
Capital Investments liabilities	4.1, 4.2	5	520
Other liabilities		115	63
Other provisions	5.2	79	102
Total current liabilities		24,247	17,730
Total liabilities		24,247	17,730
Total equity and liabilities		155,581	131,621

Equity statement

Year-end 31 December

DKK million	Share capital	Retained earnings	Total
2019			
Equity at the beginning of the year	500	96,090	96,590
Net profit for the year	-	23,101	23,101
Dividends paid	-	-5,800	-5,800
Equity at the end of the year	500	113,391	113,891
2020			
Equity at the beginning of the year	500	113,391	113,891
Net profit for the year	-	25,443	25,443
Dividends paid	-	-8,000	-8,000
Equity at the end of the year	500	130,834	131,334

Cash flow statement

1 January to 31 December

DKK million	2020	2019
Dividends received Novo Group companies	6,156	5,959
Proceeds from sale of shares in Novo Group companies	6,501	5,369
Divestments of Life Science Investments	9,049	4,985
Investments in Life Science Investments	-10,340	-5,746
Dividends received Life Science Investments	15	451
Interest received Life Science Investments	-	2
Divestments of Capital Investments	23,818	19,127
Investments in Capital Investments	-30,322	-27,275
Dividends received Capital Investments	181	228
Interest received Capital Investments	377	265
Financial items	-82	16
Investments in property	-4	-6
Operating expenses paid	-605	-360
Paid corporation tax	-18	408
Net cash used in operating activities	4,726	3,423
Cash flows from financing activities		
Dividends paid to Novo Nordisk Foundation	-8,000	-5,800
Contribution from the Novo Nordisk Foundation to the joint Investment Portfolio	8,000	5,800
Repayments to the Novo Nordisk Foundation from the joint Investment Portfolio	-4,908	-3,844
Repayment of real estate debt	0	-1
Net cash from financing activities	-4,908	-3,845
Net cash flow	-182	-422
Cash and cash equivalents at the beginning of the year	518	940
Cash and cash equivalents at the end of the year	336	518



Sustainability is integral to our business and we invest in companies that apply biotechnology to drive the green transition forward.

Notes to the financial statement

60 1. Basis of preparation

- 60 1.1 General accounting policies
- 60 1.2 Significant accounting estimates and judgements
- 61 1.3 Changes in accounting policies and disclosures
- 61 1.4 New standards and interpretations not yet implemented

62 2. Results for the year

- 62 2.1 Income from Novo Group companies
- 62 2.2 Return from Investments Portfolio
- 63 2.3 Employee costs
- 64 2.4 Costs per area
- 64 2.5 Income tax

65 3. Capital structure

- 65 3.1 Share capital
- 65 3.2 Investments in Novo Group companies

66 4. Investment Portfolio

- 66 4.1 Life Science Investments and Capital Investments
- 72 4.2 Financial instruments and financial risk management

77 5. Remuneration

- 77 5.1 Remuneration to the Board of Directors
- 77 5.2 Long-term incentive programme

78 6. Other disclosures

- 78 6.1 Contractual obligations
- 78 6.2 Events after the balance sheet date
- 78 6.3 Financial definitions
- 78 6.4 Related parties
- 80 6.5 Group companies

1. Basis of preparation

1.1 General accounting policies

Basis of preparation

The financial statements included in this Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act for reporting class C enterprises (Large).

The financial statements are presented in DKK million unless otherwise stated.

Principal accounting policies

Novo Holdings' accounting policies are described in each of the individual notes to the financial statements. Accounting policies listed in the table below are regarded as the principal policies applied by the Management.

Note	Area
3.2	Investments in Novo Group companies
4.1	Life Science Investments and Capital Investments

Applying materiality

The financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the financial statements or in the notes. There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.

Translation of foreign currencies

The financial statements are presented in Danish kroner (DKK), which is the company's functional currency and presentation currency.

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses on completion of these transactions and on the translation of monetary assets and liabilities in foreign currencies to the exchange rates

prevailing on the balance sheet date are recognized in the statement of comprehensive income.

Exchange rate differences arising on the translation of non-monetary items, such as other Capital Investments at fair value recognized in the statement of comprehensive income, are recognized as part of the gain or loss on fair value adjustments.

1.2 Significant accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that can have a significant effect on the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the reported carrying amounts of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates may be necessary if there are changes in the circumstances on which the estimate was based, or more detailed information becomes available. Such changes are recognized in the period in which the estimate is revised.

The application of the company's accounting policies may require Management to make judgements that can have a significant effect on the amounts recognized in the financial statement. Management's judgement is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

The significant accounting estimates and judgements can potentially significantly impact the consolidated financial statement.

Novo Holdings believes the following to be the significant accounting

estimates and related judgements used in the preparation of its financial statement:

Note	Significant accounting estimates and judgements
4.1	Fair value measurement and valuation of unquoted investments

Please refer to the specific note for further information on the key accounting estimates and judgements as well as assumptions applied.

Financial assets and liabilities

Financial assets and liabilities measured at fair value can be categorized using the fair value measurement hierarchy.

Depending on purpose, Investments are classified into the following categories:

- Financial assets at fair value through the income statement
- Financial assets at amortised cost
- Financial assets at fair value through OCI

Management determines the classification of its financial assets on initial recognition and re-evaluates this at the end of every reporting period to the extent that such a classification is required.

Recognition and measurement

Purchases and sales of financial assets are recognized on the settlement date. These are initially recognized at fair value.

Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Financial assets are removed from the balance sheet when the rights to receive cash flows have expired or have been transferred, and Novo Holdings has transferred substantially all the risks and rewards of ownership.

Financial assets 'at fair value through the income statement'

Financial assets at fair value through the income statement consist of investments and forward exchange contracts. Equity investments are

included in investments assets.

Net gains and losses arising from changes in the fair value of financial assets are recognized in the income statement as income from investments.

The fair values of quoted investments are based on current bid prices at the end of the reporting period. Financial assets for which no active market exists are carried at fair value based on a valuation methodology.

Financial assets 'at amortised cost'

Financial assets at amortised cost are cash at bank and non-derivative financial assets solely with payments of principal and interest.

If collection is expected within one year (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognized initially at fair value. Subsequently, they are measured at amortised cost using the effective interest method, less allowance for doubtful receivables.

Financial liabilities 'at amortised cost'

Financial liabilities at amortised cost consist of bank overdrafts, trade payables and other liabilities.

1.3 Changes in accounting policies and disclosures

No changes have been made to the principal accounting policies, and the policies have been applied consistently to all the years presented.

1.4 New standards and interpretations not yet implemented

The company has adopted all new and amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 January 2020. The application of new and amended accounting standards has not had material impact on the Financial Statements in 2020 and no future periods from the adoption of these new IFRS's are anticipated.

It is the management's assessment that the above-mentioned changes in accounting standards and interpretations will not have any significant impact on the financial statements upon adoption of these standards.

2. Results for the year

This section provides information related to the company's operating profit and tax to help the reader get a deeper understanding of the company's performance in 2020.

2.1 Income from Novo Group companies

DKK million	2020	2019
Dividends received from Novo Nordisk A/S	5,766	5,580
Dividends received from Novozymes A/S	390	379
Gain from sale of shares in Novo Nordisk A/S	5,906	4,836
Gain from sale of shares in Novozymes A/S	523	461
Total result for the year	12,585	11,256

§

Accounting policy

Dividends and realized gains are included in 'Income from Novo Group companies' in the statement of comprehensive income.

2.2 Return from Investments Portfolio

Accounting policy

Realized and unrealized gains and losses on fair value adjustments are recognized in the statement of comprehensive income in the financial year in which they arise. Realized gains and losses on sale of financial assets are calculated on the basis of the original purchase price. Purchase and sale of investments are recognized on the trade date.

§

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income within 'Return from Life Science Investments' / 'Return from Capital Investments' when the right to receive payments is established.

DKK million	2020			2019		
	Life Science Investments	Capital Investments	Total	Life Science Investments	Capital Investments	Total
Realized gain and return for the year, net	5,512	1,159	6,671	833	4,296	5,129
Appreciation to fair value, net	5,654	4,150	9,804	5,592	4,055	9,647
Total investment result for the year	11,166	5,309	16,475	6,425	8,351	14,776

2.3 Employee costs

DKK million	2020	2019
Wages, salaries and short-term incentives	157	96
Long-term incentives	53	31
Pensions-defined contribution plans	18	20
Other employee costs	17	20
Total employee costs	245	167
<i>Allocation of employee costs by category:</i>		
Life Science Investments	141	78
Capital Investments	22	17
Administration & Management	82	72
Total employee costs	245	167
<i>Hereof remuneration to Executive Management:</i>		
Salaries and short-term incentives	19	17
Long-term incentives	14	4
Pension	1	1
Total remuneration to Executive Management	34	22
Average number of full-time employees (no.)	78	68

§

Accounting policy

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are recognized in the year in which the employees render the associated services. Where the company provides long-term employee benefits, the costs are accrued to match the rendering of the services.

Since 2017, long-term incentive programmes (LTIP) has been agreed for all employees subject to meeting of certain targets. The LTIP is a capped programme measured against specific and pre-defined hurdles. In 2018, a LTIP was introduced which, subject to meeting certain targets in 2017, 2018, 2019 and 2020, might be paid in 2021.

2.4 Costs per area

DKK million	2020	2019
Costs regarding Life Science Investments	346	309
Costs regarding Capital Investments	23	14
Administration & Management	141	136
Total costs for the year	510	459

Total costs consist of employee costs of DKK 245 million (2019: DKK 167 million) and external costs of DKK 265 million (2019: DKK 292 million). For more information in relation to employee costs, please refer to note 2.3

Total costs excluding mark-up to Novo Holdings operating entities Novo Ventures (US), Inc., Novo Holdings Equity (US), Inc. and Novo Holdings Equity Asia Pte Ltd. are DKK 504 million (2019: DKK 452 million)

2.5 Income tax

DKK million	2020	2019
Computation of effective tax rate		
Statutory tax rate	22.0%	22.0%
Non-taxable income less non-deductible expenses	-16.8%	-16.1%
Deduction in accordance with the transparency rule	-5.2%	-5.9%
Effective tax rate	0.0%	0.0%

When assessing Danish corporation tax, the company and all Danish subsidiaries are taxed jointly.

Novo Holdings A/S is acting as the administrative company of the joint taxation. The Danish group companies are jointly liable for corporation tax on the consolidated taxable income.

The income tax paid for the Danish tax group in the current year was DKK 6,023 million (DKK 8,878 million in 2019). There have been some adjustments to prior years which predominantly arise from tax payments regarding tax disputes and reversal of the associated tax liability. The adjustments to prior years have resulted in tax received of DKK 123 million (DKK 1,544 million in 2019).

Accounting policy

Corporation taxes in the statement of comprehensive income include tax payable for the year.

Tax payable/receivable includes tax payable computed based on the expected taxable income for the year and any adjustment for tax payable for previous years.

Novo Holdings is covered by the tax rules concerning compulsory joint taxation, because of which the company is jointly taxed with its Danish subsidiaries. Corporation tax is allocated between profit-making and loss-making Danish companies in ratio to their taxable income. Provision is made for tax using the full allocation method. Novo Holdings applies the tax transparency rules and distributes its taxable income to the Novo Nordisk Foundation.

3. Capital structure

3.1 Share capital

Share capital	No.	Nominal value DKK million
A share capital (shares of DKK 1)	115,400,000	115
B share capital (shares of DKK 1)	384,600,000	385
Total share capital as of 31 December	500,000,000	500

Any share amount of DKK 1 of the A share capital carries 10 votes, while any share amount of DKK 1 of the B share capital carries 1 vote.

There have been no changes in the share capital during the last 5 years.

Proposed distribution of profit	2020	2019
Proposed dividend	6,000	8,000
Retained earnings	19,443	15,101
	25,443	23,101

Paid dividend per share equals DKK 16.00 (2019: DKK 11.60)

3.2 Investments in Novo Group companies

DKK million	2020	2019
Costs at the beginning of the year	3,465	3,537
Disposals during the year	-72	-72
Carrying amount at the end of the year	3,393	3,465

The Novo Group companies are valued at historical costs.

§

Accounting policy

Dividends are recognized as a liability in the period in which they are declared at the Annual General Meeting.

§

Accounting policy

Investments in the category 'Novo Group companies' are defined as being the directly owned shares in Novo Nordisk A/S and Novozymes A/S. Investments in Novo Group companies are included in the financial statements at cost. If cost exceeds the recoverable amount, the carrying amount is written down to recoverable amount.

4. Investment Portfolio

4.1 Life Science Investments and Capital Investments

§

Accounting policy

Life Science Investments are defined as direct or indirect investments in financial assets that are primarily related to either healthcare or bioindustrial segments and which do not meet the definition of investments in Novo Group companies. Investments that do not meet the definition of any of the above two categories are defined as Capital Investments.

Subsidiaries, associates and other financial assets that fall into the category of either Life Science or Capital Investments are recognized in accordance with IFRS9 at fair value through profit or loss. Investments are initially recognized at fair value and subsequently adjusted to fair value.

!

Significant accounting estimates and judgements

Life Science Investments and Capital Investments are valued at fair value, if this can be set with a sufficient degree of reliability. By nature, uncertainties exist regarding fair value assessment of investments not based on observable market data. Consequently, preparation of the financial statements requires the application of certain estimates and judgements.

The material area of estimation or judgment for each of the applied valuation approaches is set out below:

Valuation approach	Valuation methodology	Estimation and assumptions	Value DKK million
Income-based approaches	Discounted cash flows	Cash flows and discount rates	12,516
Market-based approaches	Trading multiples	Selection of comparable companies, trading multiples, sales and profit forecast	12,747
Value trigger approach	Relative adjustments based on pre-defined value triggers	Relative adjustment to previous valuation	1,483
Financing round approach	Price at recent financing round	N/A	4,356
LP approach	Adjusted reported NAV	Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant)	8,971
Cost approach	Cost at recent transaction	N/A	3,427
Total			43,500

Management reviews and assesses the value of the individual investments on an ongoing basis with specific and planned reviews of the total Investment Portfolio on a quarterly basis.

The discount rates used ranges from 4% to 30% whereas the EV/EBITDA multiples are in the range from 10x to 22x. These ranges should be seen as a result of our diversified investment portfolio.

§

Accounting policy

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Novo Holdings has implemented fair value guidelines and procedures, which ensure a consistent fair value measurement of each individual investment over time. Moreover, the fair value guidelines provide a framework for reasonable, consistent and transparent selection of valuation methodologies for valuing the investments. The selection criteria are in line with the value hierarchy in IFRS 13.

DKK million	2020			2019		
	Life Science Investments	Capital Investments	Total	Life Science Investments	Capital Investments	Total
Cost at the beginning of the year	42,440	48,734	91,174	41,254	37,590	78,844
Additions during the year, net	6,786	8,167	14,953	1,186	11,144	12,330
Cost at the end of the year	49,226	56,901	106,127	42,440	48,734	91,174
Value adjustments at the beginning of the year	22,674	12,520	35,194	17,082	8,465	25,547
Appreciation to fair value, net	5,654	4,150	9,804	5,592	4,055	9,647
Value adjustments at the end of the year	28,328	16,670	44,998	22,674	12,520	35,194
Fair value at the end of the year	77,554	73,571	151,125	65,114	61,254	126,368
Hereof investment assets	77,554	73,576	151,130	65,114	61,774	126,888
Hereof investments with negative value		-5	-5	-	-520	-520

Fair value estimation*Hierarchy of fair value inputs*

Investments measured at fair value are classified according to a fair value hierarchy depending on the inputs used in the valuation method. The fair value hierarchy distinguishes between observable and unobservable inputs, which are classified at one of the following levels:

- Level 1 – Unadjusted quoted market prices for identical assets in an active market.
- Level 2 - Inputs, other than quoted market prices included within Level 1, which are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). Quoted prices for similar assets are level 2 inputs.
- Level 3 – Inputs for the asset that are not based on observable market data.

Securities traded on active markets are classified at level 1. Securities traded on inactive markets are generally classified at level 2. Securities in private unlisted operating companies are generally classified at level 3.

Investments in private investment companies are classified at level 2 or level 3, depending on the nature of their Investment Portfolios, their ability to liquidate their underlying investments and any other restrictions on the disposition of the investments. If the investment can be redeemed at the reported net asset value on the measurement date or in the near future, the investment is classified at level 2. Otherwise, the investment is classified at level 3.

Policy for determining when transfers between levels are deemed to have occurred

Transfers to level 3 occurs when quoted market prices (level 1) or other observable inputs (level 2) are no longer available. Transfers out of level 3 occurs if quoted market prices (level 1) or other observable inputs (level 2) become available (e.g. when a private company goes public through an IPO, equity investments in the company transfers from level 3 to level 1 as the shares can be valued using the quoted market price (level 1).

Valuation methods and input

The general principle applied in the selection of valuation approach maximizes the use of observable inputs and minimizes the use of unobservable inputs.

If a security trades in an active market, the closing price is applied. An active market is defined as one in which transactions for the security occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Should a security not trade in an active market, it is initially booked and held at cost in the first twelve months succeeding the investment, unless any material events occur within this timeframe. Beyond the twelve months window, the valuation methodology follows the following hierarchy:

When independent broker quotes representing contemporaneous trades exist, these will be applied in estimating the fair value of the security.

If a portfolio company has carried out any financing rounds within the last twelve months and the pricing in the financing round is likely to represent a fair value, the fair value estimate is based on the price obtained in the financing round.

If neither independent broker quotes nor pricing from financing rounds

are available, the fair value will be based on application of a modelling approach, which again follows a strict hierarchy:

1. If the company runs an established business with an identifiable stream of continuing earnings or cash flows that are considered to be maintainable, and it is possible to identify comparable companies in terms of risk attributes and earnings growth prospects, the fair value shall be based on application of the market approach (i.e. relevant multiples based on a set of comparable companies);
2. If no comparable companies in terms of risk attributes and earnings growth prospects can be identified, the fair value shall be based on application of an income approach (i.e. a discounted cash flow model);
3. If the company does not run an established business with an identifiable stream of continuing earnings or cash flows that are considered to be maintainable, the fair value shall be based on a value trigger approach, by which the fair value changes based on the occurrence of value triggering events.

Fair value measurement by hierarchy

DKK million	31 December 2020			Total
	Level 1	Level 2	Level 3	
Life Science Investments				
Public Equity	31,728	0	0	31,728
Private Equity	0	0	28,576	28,576
Venture Capital	7,964	0	7,974	15,938
Credit	0	0	1,312	1,312
Total Life Science Investments	39,692	0	37,862	77,554
Capital Investments				
Public Equity	33,790	4,818	0	38,608
Private Equity	0	0	429	429
Venture Capital	0	0	93	93
Credit	3,098	5,372	622	9,092
Real Estate & Real Assets	0	0	4,494	4,494
Bonds	15,252	5,603	0	20,855
Total Capital Investments	52,140	15,793	5,638	73,571
Total investments	91,832	15,793	43,500	151,125

Change in value in 2020 not based on observable market data (level 3):

Asset class	At the beginning of the year	Additions during the year	Disposals during the year	Change in hierarchy due to investments that completed an IPO during the year	Gains through profit or loss*	Total
Public Equity	0					0
Private Equity	22,750	5,378	-3,101	0	3,978	29,005
Venture Capital	7,237	2,744	-580	-1,779	445	8,067
Credit	1,985	260	-144	0	-167	1,934
Real Estate & Real Assets	3,804	1,027	0	0	-337	4,494
Total Investments at fair value	35,776	9,409	-3,825	-1,779	3,919	43,500

*Of this amount, DKK 2,023 million relates to unrealized gains and losses on investments held at year-end 2020, compared to DKK DKK 3,886 million year-end 2019.

DKK million	31 December 2019			
	Level 1	Level 2	Level 3	Total
Life Science Investments				
Public Equity	30,787	0	0	30,787
Private Equity	0	0	22,677	22,677
Venture Capital	2,906	0	7,237	10,143
Credit	0	0	1,507	1,507
Total Life Science Investments	33,693	0	31,421	65,114
Capital Investments				
Public Equity	30,508	5,041	0	35,549
Private Equity	0	0	73	73
Credit	2,514	4,636	478	7,628
Real Estate & Real Assets	0	0	3,804	3,804
Bonds	11,846	2,354	0	14,200
Total Capital Investments	44,868	12,031	4,355	61,254
Total investments	78,561	12,031	35,776	126,368

Change in value in 2019 not based on observable market data (level 3):

Asset class	At the beginning of the year	Additions during the year	Disposals during the year	Change in hierarchy due to investments that completed an IPO during the year	Gains through profit or loss*	Total
Private Equity	18,725	2,683	-313	-112	1,774	22,757
Venture Capital	5,069	2,312	-562	-562	980	7,237
Credit	1,852	190	-119	0	55	1,978
Real Estate & Real Assets	2,689	103	0	0	1,011	3,804
Total investments at fair value	28,335	5,289	-994	-674	3,820	35,776

The following table details the applied valuation methods for determination of fair value for each asset class:

Asset class	Valuation methodology used	Unobservable input used	Sensitivity in fair value in case of changes in unobservable input
Public Equity	<ul style="list-style-type: none"> Closing prices according to exchange markets Estimated market price based on observable input* 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Data not accessible
Private Equity (direct)	<ul style="list-style-type: none"> Discounted cash flows Trading multiples Cost at recent transaction 	<ul style="list-style-type: none"> Cash flows and discount rates Trading multiples Cost at recent transaction 	<ul style="list-style-type: none"> If trading multiples decreased by 10%, the fair value would decrease by DKK 1,762 million If the WACC increased by 0.25pp, the fair value would decrease by DKK 534 million
Private Equity (LP)	<ul style="list-style-type: none"> Adjusted reported NAV 	<ul style="list-style-type: none"> Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant) 	<ul style="list-style-type: none"> Data not accessible
Venture Capital (Public)	<ul style="list-style-type: none"> Closing prices according to exchange markets 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Data not accessible
Venture Capital (Private – direct)	<ul style="list-style-type: none"> Discounted cash flows Trading multiples Relative adjustment based on pre-defined value triggers Cost at recent transaction Financing round 	<ul style="list-style-type: none"> Cash flows and discount rates Trading multiples Value trigger assumptions Cost at recent transaction Price at financing round 	<ul style="list-style-type: none"> If trading multiples decreased by 10%, the fair value would decrease by DKK 40 million If the WACC increased by 0.25pp, the fair value would decrease by DKK 1 million
Venture Capital (Private - LP)	<ul style="list-style-type: none"> Adjusted reported NAV 	<ul style="list-style-type: none"> Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant) 	<ul style="list-style-type: none"> Data not accessible
Credit	<ul style="list-style-type: none"> Closing prices according to exchange markets Estimated market price based on observable input 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Data not accessible
Credit (Private - LP)	<ul style="list-style-type: none"> Adjusted reported NAV 	<ul style="list-style-type: none"> Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant) 	<ul style="list-style-type: none"> Data not accessible
Real Estate & Real Assets (Private – Direct)	<ul style="list-style-type: none"> Discounted cash flows Cost at recent 	<ul style="list-style-type: none"> Cash flows and discount rates Price at financing round 	<ul style="list-style-type: none"> If the WACC increased by 0.25pp, the fair value would decrease by DKK 779 million
Real Estate & Real Assets (Private – LP)	<ul style="list-style-type: none"> Adjusted reported NAV 	<ul style="list-style-type: none"> Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant) 	<ul style="list-style-type: none"> Data not accessible
Bonds	<ul style="list-style-type: none"> Closing prices according to exchange markets Estimated market price based on observable input 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Data not accessible

* The fair value of certain total return swaps and bonds included as collateral under Public Equity is estimated based on observable input.

4.2 Financial instruments and financial risk management

Financial instruments

The company contracts derivatives to hedge financial assets based on individual considerations. The table below shows the derivatives contracted to hedge currency exposure on investments which give rise to value adjustments in the statement of comprehensive income:

DKK million	31 December 2020		31 December 2019	
	Contract amount	Market value	Contract amount	Market value
USD	-3,878	165	-4,420	40
EUR	761	-1	1,097	-
GBP	-127	-1	-159	1
SEK	-65	-2	-64	-1
CHF	-222	1	-216	-1
Total	-3,531	162	-3,762	39

Our policy regarding currency hedging is described in the following section on financial risk management.

Financial risk management

In the ordinary course of its activities, Novo Holdings actively manages a variety of financial risks including currency risk, credit risk, interest rate risk, price risk and liquidity risk. Novo Holdings identifies, measures and monitors risk through various control mechanisms as detailed in the following sections, including maximum approved counterparty exposure and diversifying exposures and activities across a variety of instruments, markets and counterparties. The financial risk is continually monitored by the Allocation & Risk Management Committee to ensure that appropriate steps are taken if the portfolio allocation deviates from the defined long-term risk targets.

Type	Financial risk level	Basis for financial risk level assessment
Currency risk	Medium	Relatively high unhedged allocation towards USD
Credit risk	Low	Low allocation to high yield bonds
Interest rate risk	Low	High allocation to short-term bonds
Price risk	High	High allocation to diversified growth assets
Liquidity risk	Low	High allocation to liquid assets

Currency risk

Currency risk is the risk of financial loss from change in currency rates. Currency risk arises as Novo Holdings invests in financial assets in other currencies than DKK. Most of the expenses are denominated in DKK.

Risk management policies and procedures

The financial assets in the Investment Portfolio are primarily exposed to USD, EUR and GBP. Novo Holdings policy is not to hedge equity-based assets, but to hedge bond-based and liquid assets based on individual considerations.

Hedging of currency exposure is carried out through currency derivatives, which generally have a maturity period that would not exceed six months.

The currency exposure is monitored on a monthly basis by Allocation & Risk Management Committee and reported to the Novo Nordisk Foundation on a quarterly basis.

The following table details the exposure to currency risk:

	Value 31 December 2020		Value 31 December 2019	
	Local currency, million	DKK million	Local currency, million	DKK million
Traded investment assets				
USD	\$ 9,458	57,258	\$ 7,195	47,986
EUR	€ 4,660	34,672	€ 3,350	25,028
GBP	£ 1,299	10,713	£ 1,194	10,446
Other	N/A	9,272	N/A	8,825
FX derivatives				
USD	-\$ 641	-3,878	-\$ 663	-4,420
EUR	€ 102	761	€ 147	1,097
GBP	-£ 15	-127	-£ 18	-159
Other	N/A	-288	N/A	-280
Cash in foreign currency				
USD	\$ 35	211	\$ 32	210
EUR	€ 3	23	€ 5	38
GBP	£ 1	9	£ 1	8
Other	N/A	0	N/A	0

The following table details the sensitivity to currency fluctuations:

	31 December 2020		31 December 2019	
	Unhedged exposure Local currency million	Impact on gain/loss for 2020 (DKK million)	Unhedged exposure Local currency million	Impact on gain/loss for 2019 (DKK million)
10% USD appreciation	\$ 8,852	5,359	\$ 6,564	4,378
10% GBP appreciation	£ 1,285	1,060	£ 1,177	1,030

The unhedged exposure relative to the total exposure in USD is 93% in 2020 (91% in 2019). The exposure and sensitivities in the table above includes non-monetary items. Based on monetary items alone, the impact on gain/loss in 2020 from a 10% USD appreciation and a 10% GBP appreciation would be DKK 393 million (2019: DKK 542 million) and DKK 29 million (2019: 41 million), respectively. A depreciation in currencies would have an equal but opposite impact.

Credit risk

Credit risk occurs in relation to bonds and other contractual obligations and is the risk of financial loss from failure of a counterparty to meet the contractual obligations.

Risk management policies and procedures

The company's policy is to limit the risk of financial loss from counterparty default by having most of the interest-bearing investments in Danish government bonds and domestic mortgage credit bonds with low credit risk and a minor share in high yield debt with lower credit rating. Credit ratings are

considered and monitored by the investment teams to evaluate the risk of loss from default. Investments are made across a variety of issuers to reduce the concentration of credit risk. Based on individual consideration of each asset, it is decided whether the credit risk should be hedged through derivatives.

The debt investments with high credit risk are mainly classified within Venture Capital (convertible bonds) and Credit (corporate debt in developed market). The following table illustrates the exposure of the Investment Portfolio to credit risk:

DKK million	2020	2019	Credit risk assessment
Public Equity*	6,095	7,389	Low risk
Venture Capital	218	269	High risk
Credit	10,404	9,135	Medium/High risk
Bonds	20,855	14,200	Low risk
Total	37,572	30,993	

*The credit risk assessment for public equity is based on the bonds included as collateral for total return swaps.

Interest rate risk

Interest rate exposure arises in relation to interest-bearing investments and is the risk of financial loss from a change in interest rates.

Risk management policies and procedures

Novo Holdings policy is to allocate the majority of the interest-bearing asset exposure to Danish government bonds and domestic mortgage credit bonds, and a minority to high yield debt. The interest rate risk is not hedged through derivatives, but the duration of the portfolio is adjusted to a desired exposure.

The following table details the market value and the duration of the interest-bearing investments. The future payments from the floating rate interest bearing assets will fluctuate with the short-term market interest rates. However, the fair value will not fluctuate significantly with changes in market interest rates.

An increase of one percentage point in the interest rate would, other things being equal, result in a decrease in the interest bearing investments of DKK 484 million (2019: DKK 390 million).

DKK million	2020		2019	
	Fair value	Duration (years)	Fair value	Duration (years)
Floating	9,872	0.2	6,772	0.2
Fixed	18,746	1.5	16,709	1.6
Mix	8,954	2.0	7,512	1.7
Total	37,572	1.3	30,993	1.3

Price risk

Price risk is the risk that the value of the Investment Portfolio will fluctuate due to changes in the market price, caused by factors specific to the individual investment, the sector in which the investment operates or factors generally affecting all similar investments traded in the market.

Risk management policies and procedures

Novo Holdings invests both directly and indirectly through positions in mutual funds and private equity funds. The price risk is generally not hedged through derivatives. To minimise the price risk while still achieving an attractive return, the Investment Portfolio is allocated according to a predefined set of risk tolerance levels with the following specific risk measures:

1. Sustaining the contribution to society: The risk of not maintaining the real purchasing power of the Investment Portfolio (net of grant payouts) over the coming 10 years, excluding the effect from the cash inflow from Novo Nordisk and Novozymes.

2. Sustaining the portfolio value: The risk that the Investment Portfolio will lose 25% or more in value over the coming 5 years, including the effect from grant payouts and excluding cash inflow from Novo Nordisk and Novozymes.
3. Limiting the exposure to single investments: No single investment can represent more than a certain amount (%) of the Investment Portfolio.

The defined risk measures and portfolio allocation are monitored on a monthly basis by the Allocation & Risk Management Committee and reported to the Boards of Novo Holdings and of the Novo Nordisk Foundation on a quarterly basis. In addition to the measures above, the Committee uses simulated portfolio returns in historical stress scenarios to evaluate the current and forward-looking price risk.

The value exposed to price risk is the value of the Investment Portfolio, which is detailed in the following table.

DKK million	31 December 2020				31 December 2019			
	Capital Investments	Life Science Investments	Total Investments	%	Capital Investments	Life Science Investments	Total Investments	%
Public Equity	38,608	31,728	70,336	47%	35,549	30,787	66,336	53%
Private Equity	429	28,576	29,005	19%	73	22,677	22,750	18%
Venture Capital	93	15,938	16,031	11%	-	10,143	10,143	8%
Credit	9,092	1,312	10,404	7%	7,628	1,507	9,135	7%
Real Estate & Real Assets	4,494	0	4,494	3%	3,804	-	3,804	3%
Bonds	20,855	0	20,855	14%	14,200	-	14,200	11%
Total	73,571	77,554	151,125	100%	61,254	65,114	126,368	100%

A decrease of 10 percent in the average price would, other things being equal, result in a decrease in the portfolio value DKK 15,112 million (2019: DKK 12,637 million). An increase in the average price of 10% would have an equal but opposite impact.

Liquidity risk

Liquidity risk is the risk of not being able to raise enough cash to meet the financial obligations when they fall due. Novo Holdings' amount of financial obligations is minimal compared to the amount of liquid financial assets, and the direct liquidity risk is therefore immaterial. However, Novo Holdings has material indirect financial obligations towards the Novo Nordisk Foundation's grant-giving obligations. The main financial obligation is to ensure the Novo Nordisk Foundation's substantial commitments to charity, investment activities and commitment to providing a stable basis for the commercial and research activities of the companies in the Novo Group.

Risk management policies and procedures

The liquidity risk is monitored on a monthly basis by the Allocation & Risk Management Committee and reported to the Boards of Novo Holdings and the Novo Nordisk Foundation on a quarterly basis. The Investment Portfolio is allocated to ensure that the Novo Nordisk Foundation at any time can liquidate assets, without incurring losses from forced disposals, for a value corresponding to i) actual committed as well as expected 5-year grant payout obligations plus, ii) an additional buffer. The current liquidity reserve is assessed by grouping all investments into different liquidity categories with a weight from 0% to 100%. The categorization is based on daily trading volumes, which are used to estimate the time needed to divest the investments without impacting the trading prices negatively.

In addition to the liquidity reserve, the expected cash inflow (i.e. dividends and share buybacks) from Novo Nordisk and Novozymes also supports that the Novo Nordisk Foundation can meet current and future grant payout obligations. The strategic allocation of the Investment Portfolio provides for the ability to manage a liquidity shortfall, including the unlikely event that the cash inflow from Novo Nordisk and Novozymes were discontinued.

To further ensure that the Novo Nordisk Foundation will have enough liquidity to meet its financial obligations, the target amount of bonds in the Investment Portfolio is set to exceed the current grant payout obligations. Finally, the company also monitors its short-term liquidity, which is measured by the amount of highly-liquid, short-term bond investments with high credit rating in the Investment Portfolio.

5. Remuneration

5.1 Remuneration to the Board of Directors

DKK thousands	2020				2019			
	Board fee	Committee work	Travel and other allowance	Total	Board fee	Committee work	Travel and other allowance	Total
Lars Rebien Sørensen	1,725	-	-	1,725	1,725	-	75	1,800
Steen Riisgaard	1,150	-	-	1,150	1,150	-	75	1,225
Jean-Luc Butel	575	500	-	1,075	575	500	447	1,522
Viviane Monges	575	144	208	927	575	72	366	1,013
Jeppe Christiansen	575	-	-	575	575	-	75	650
Francis Cuss	575	-	-	575	575	-	447	1,022
Carsten Stendevad	431	-	-	431	-	-	-	-
	5,606	644	208	6,458	5,175	572	1,485	7,232

Committee work consists of Novo Advisory Group.

5.2 Long-term incentive programme

In 2017, a Long Term Incentive Programme (the LTIP) was introduced for all employees in Novo Holdings, under which certain targets must be met within a 3-year period. In the following years, additional Long Term Incentive Programmes were introduced, setting performance targets for a 4 year period. Based on the investment returns for 2020, we have made provision for these incentive schemes.

Further to this, provisions were made in 2019 to cover an older incentive scheme applying to certain employees and middle managers within Life Science Investment activities. This old incentive scheme was phased out in 2019 and last payment was made in March 2020.

DKK million	2020	2019
Other provisions		
Provision for incentive fees at the beginning of the year	102	154
Paid during the year	-75	-13
Appreciation during the year, net	52	-39
Provision for incentive fees at the end of the year	79	102

6. Other disclosures

6.1 Contractual obligations

At year-end, Novo Holdings was contractually obligated to make callable follow-on investments or capital contributions of the total outstanding amount:

DKK million	2020	2019
Life Science Investments	6,020	3,699
Capital Investments	6,098	2,427
Total contractual obligations	12,118	6,126

6.2 Events after the balance sheet date

There have been no events after the balance sheet date which would have a significant impact on the assessment of Novo Holdings financial position as of December 31, 2020.

6.3 Financial definitions

Equity ratio

Total equity at year-end as a percentage of total assets at year-end.

6.4 Related parties

Related party transactions

The Novo Nordisk Foundation, Novo Ventures 1 A/S, Novo Ventures (US) Inc., Novo Holdings Equity, Inc. (US), the Sonion Group, the Xellia Group, the Novo Nordisk Group, the Novozymes Group, the NNIT Group, associated companies and the Boards and Executive Managements of the Novo Nordisk Foundation and Novo Holdings are considered to be related parties. All agreements have been negotiated on market-based terms, and the majority of the agreements are valid for one year.

Other than the above-mentioned intercompany transactions and normal remuneration to management disclosed in Note 2.3 "Employee costs", no transactions have been concluded with the board of directors, executive management or other related parties.

Ownership

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. Novo Holdings is a wholly-owned subsidiary of the Novo Nordisk Foundation and is consolidated into the group financial statements of the Novo Nordisk Foundation.

The consolidated financial statements of the Novo Nordisk Foundation can be ordered at:

Novo Nordisk Foundation
Tuborg Havnevej 19
DK-2900 Hellerup
Municipality of Gentofte, Denmark

DKK million	2020	2019
Novo Nordisk Foundation		
Sale of services	109	66
Purchase of services	12	11
The Novo Nordisk Foundation's share of Joint Investment Portfolio	22,841	16,652
The Novo Nordisk Foundation's share of result from joint Investment Portfolio	3,107	2,472
Dividend payment to the Novo Nordisk Foundation	8,000	5,800
Novo Nordisk A/S		
Participation in share buy-back programme (sale of shares)	5,963	4,894
Purchase of services	4	3
Novozymes A/S		
Participation in share buy-back programme (sale of shares)	537	475
NNIT A/S		
Purchase of services	22	24
Novo Ventures 1 A/S		
Loan	758	896
Novo Ventures (US), Inc.		
Purchase of services	97	136
Novo Holdings Equity, Inc.		
Purchase of services	20	8
Novo Holdings Equity Asia Pte. Ltd, Singapore		
Purchase of services	2	0
Other subsidiaries and associates		
Loans to other subsidiaries	1,313	1,369
Loans to associates	105	299
Contingent liabilities regarding commitments to associates	586	586

6.5 Group companies

Listed by investment category and secondarily degree of control.

Novo Group

Listed by investment category and secondarily degree of control.

Novo Group

Subsidiaries

Ownership/voting rights*

Novo Nordisk A/S, Denmark	28.1%/76.5%
Novozymes A/S, Denmark	25.5%/72.4%

Life Science Investments

Subsidiaries

BiOrigin ApS, Denmark	100%	Novo Holdings Equity Asia Pte. Ltd, Singapore***	100%
ENV HoldCo A/S	100%	Novo Accelerator, Inc., USA	100%
ERT HoldCo A/S, Denmark	100%	Novo Invest 1 A/S, Denmark	100%
HyperBio Therapeutics Aps, Denmark	100%	Novo Ventures (US), Inc., USA***	100%
Novo DP2 Inc., USA	100%	Novo Ventures 1 A/S, Denmark	100%
Novo Holdings Equity (US) Inc, USA***	100%	Sonion HoldCo A/S, Denmark	100%
Novo Invest 2 A/S	100%	Xellia HoldCo A/S, Denmark	100%
Novo Invest 2A A/S	100%		

Associates

Acesion Pharma ApS, Denmark	41%	Heparegenix GmbH, Germany	23%
Allievex Corporation, USA	49%	Hoba Therapeutics ApS, Denmark	49%
AMRA Medical, Sweden	25%	Inthera Bioscience Ltd., Switzerland	28%
Antag Therapeutics ApS, Denmark	47%	IO Biotech ApS, Denmark	34%
Aristea Therapeutics, Inc. , USA	69%	iSD Immunotech ApS, Denmark	22%
Avalyn Pharma, Inc., USA	22%	Karus Therapeutics Ltd., United Kingdom	25%
Avilex Pharma ApS, Denmark	50%	MinervaX ApS, Denmark	41%
BioPhero ApS, Denmark	21%	Muna Therapeutics Aps, Denmark	65%
Biosyntia ApS, Denmark	48%	NMD Pharma ApS, Denmark	34%
Bolt Biotherapeutics, Inc., USA	22%	Nuvelution Pharma, Inc., USA	50%
Chr. Hansen Holding A/S, Denmark	22%	Orexo AB, Sweden	28%
Clarix Biotherapeutics, Inc., USA	82%	Revagenix, Inc., USA	23%
Convatec Group Plc, United Kingdom	21%	Rgenix Inc., USA	23%
Disc Medicine, Inc., USA	36%	Stargazer Pharmaceuticals, Inc., USA	48%
Draupnir Bio ApS, Denmark	41%	Stipe Therapeutics ApS, Denmark	22%
ENVT Topco Ltd., United Kingdom	25%	Synlab Limited, United Kingdom	23%
F2G Limited, United Kingdom	37%	Tarveda Therapeutics, Inc., USA	37%
Glycomine, Inc., USA	40%	Unchained Labs, Inc., USA	33%
Hemab ApS, Denmark	35%	Vestaron Corporation, USA	33%

Capital Investments**Subsidiaries**

NNIT A/S**, Denmark	33.5%
Komplementarselskabet Novo Capital Investors ApS, Denmark	100%
Novo Capital Investors P/S, Denmark	100%

Associates

Dades A/S, Denmark	44%
NREP A/S, Denmark	25%

* Voting rights are only disclosed if different from ownership. Voting rights are calculated nominally, i.e. excluding treasury shares.

** NNIT A/S is listed as a subsidiary given that Novo Holdings A/S and the subsidiary Novo Nordisk A/S together own 51% of the shares and votes in the company.

*** The company is a separate legal entity that provides certain consultancy services to Novo Holdings, mainly within the areas of identifying, analysing and negotiating investment opportunities among life science and biotech companies in the US. They also conduct related follow-up activities, such as board memberships and control and reporting efforts.

For a complete overview of the subsidiaries in Novo Holdings A/S group, please refer to the consolidated financial statements of the Novo Nordisk Foundation.



The Novo Holdings cornerstones are Performance, Respect and Responsibility which are clearly reflected in the way we do business.

Management's statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Novo Holdings for the financial year 1 January – 31 December 2020.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations and cash flows for 2020.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

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

Hellerup, 9 March 2021

Executive Management

Kasim Kutay
CEO

Peter Helt Jacobsen Haahr
CFO

Board of Directors

Lars Rebien Sørensen
Chairman

Steen Riisgaard
Vice Chairman

Jean-Luc Butel

Carsten Stendevad

Jeppe Christiansen

Viviane R. F. Monges

Francis Cuss

To the Shareholder of Novo Holdings A/S

Independent Auditor's report

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Novo Holdings for the financial year 1 January - 31 December 2020, pp 52-81, which comprise statement of comprehensive income and balance sheet, cash flows statement, equity statement and notes, including a summary of significant accounting policies ("financial statements").

Basis of opinion

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

Statement on Management Review

Management is responsible for Management Review, pp 4-51.

Our opinion on the financial statements does not cover Management Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether Management Review provides the information required under the Danish Financial Statements Act. Based on the work we have performed, in our view, Management Review is in accordance with the Financial Statements and has been prepared in

accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the Management Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 9 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant
mne18651

